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POLICY DEPARTMENT
STRUCTURAL AND COHESION POLICIES **B**

Agriculture and Rural Development

Culture and Education

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Regional Development

Transport and Tourism

**IMPACT AND EFFECTIVENESS
OF STRUCTURAL FUNDS AND
EU POLICIES AIMED AT SMEs
IN THE REGIONS**

STUDY



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POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

REGIONAL DEVELOPMENT

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AIMED AT SMEs IN THE REGIONS**

STUDY

This document was requested by the European Parliament's Committee on Regional Development.

AUTHORS

Metis GmbH: Herta Tödtling–Schönhofer, Christine Hamza, Franz Tödtling, Marlene Hahn, Andreas Resch
EPRC, University of Strathclyde: Laura Polverari, John Bachtler

RESPONSIBLE ADMINISTRATOR

Kathrin Maria Rudolf
Policy Department B: Structural and Cohesion Policies
European Parliament
B-1047 Brussels
E-mail: poldep-cohesion@europarl.europa.eu

EDITORIAL ASSISTANCE

Lea Poljančič

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poldep-cohesion@europarl.europa.eu

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Abstract

This study provides a description of the general nature of SMEs and their development factors as well as the support that Cohesion Policy and other EU policies provide to SMEs. It then assesses practical aspects and effects of Cohesion Policy on enterprises and SMEs on the basis of a review of published materials and eight case studies drawn from SME-relevant ERDF OPs from 2007-2013; where possible, it also includes lessons learnt from 2000-2006. The conclusions and policy recommendations put forward clearly highlight the complex relationship between EU policies and SMEs as final beneficiaries of support in the EU multilevel governance system.

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
bn	Billion(s)
BSR	Baltic Sea Region (Programme)
CF	Cohesion Fund
CIP	Competitiveness and Innovation Framework Programme
CONV	Convergence
CP	Cohesion Policy
EACI	Executive Agency for Competitiveness and Innovation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECP	European Cooperation Programme
EERP	European Economic Recovery Plan
EIB	European Investment Bank
EIF	European Investment Fund
EIP	Entrepreneurship and Innovation Programme
ENPI	European Neighbourhood and Partnership Instrument
EPMF	European Progress Microfinance Facility
ERA	European Research Area
ERDF	European Regional Development Fund
ESBA	European Small Business Alliance
ESF	European Social Fund
ETC	European Territorial Cooperation
EU	European Union
EU 12	Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia
EU 15	Austria, Belgium, Finland, France, Denmark, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, United Kingdom
FP	Framework Programme
FP7	Seventh Framework Programme for Research and Technological Development

GDP	Gross Domestic Product
GNI	Gross National Income
HEI	Higher Education Institutions
IB	Intermediate Body
ICT	Information and Communication Technology
ICT PSP	Information Communication Technologies Policy Support Programme
IEE	Intelligent Energy Europe
IP	Intellectual Property
IPR	Intellectual Property Rights
ISIC	International Standard of Industrial Classification of all Economic Activities
JASMINE	Joint Action to Support Microfinance Institutions in Europe
JASPERS	Joint Assistance to Support Projects in European Regions
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
KfW	Kreditanstalt für Wiederaufbau (Bank for Reconstruction)
LLL	Life Long Learning Programme
m	Million(s)
MA	Managing Authority
MC	Monitoring Committee
MERCOSUR	Mercado Común del Sur (Southern Common Market)
MFI	Micro-Finance Institution
MLG	Multi-Level Governance
MS	Member State(s)
NACE	Nomenclature Générale des Activités Economiques dans l'Union Européenne (General Classification of Economic Activities in the European Union)
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organisation
NOP/NP	National Operational Programme
NRW	North Rhine-Westphalia Programme
NSRF	National Strategic Reference Framework
NWE	North West England Programme

OECD	Organisation for Economic Cooperation and Development
OP	Operational Programme
R&D	Research and Development
R&D&I	Research and Development and Innovation
RCE	Regional Competitiveness and Employment
RDA	Regional Development Agency
ROP/RP	Regional Operational Programme
RTD	Research and Technological Development
RTDI	Research, Technological Development and Innovation
SBA	Small Business Act
SF	Structural Funds
SME(s)	Small and Medium-Sized Enterprise(s)
SNA	System of National Accounts
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
ToR	Terms of Reference
TT	Telecom Technology

COUNTRY CODES

AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
ES	Spain
FI	Finland
FR	France
GR	Greece
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	The Netherlands
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK	United Kingdom
EU-12	The Member States that joined the EU in 2004 and in 2007
EU-15	EU Member States before the 2004 enlargement

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EXECUTIVE SUMMARY

1. Background

Defining Small and Medium-sized Enterprises (SMEs) has been discussed for decades. In order to improve the targeting of SMEs, the European Commission has published several Commission Communications that include relatively precise definitions of an SME. The most valid definition is to be found in the 2005 SME Userguide¹ and most recently in the European Commission's 2009 discussion paper.² Referring to the 2003 Commission Recommendation,³ both documents define SMEs as businesses having fewer than 250 employees and an annual turnover of less or equal than €50 million or a total balance sheet of not more than €43 million.

A recent estimate is that there are around 20.7 million SMEs in Europe and they account for around 90 million jobs. Ninety-two percent of these businesses employ fewer than 10 people.⁴ SMEs are a major source of entrepreneurial skills and innovation and contribute to economic, social and territorial cohesion.

This study is about how best to utilise scarce resources to support and encourage SMEs across the EU in order to promote economic recovery and facilitate the emergence of the jobs and entrepreneurs of tomorrow.

The European Commission (EC) has placed SME issues high on the political agenda and proposed several different SME support instruments. The Small Business Act was introduced in 2008, including 'a set of 10 principles which should guide the conception and implementation of policies both at EU and national level'.⁵ Based on the 'Think Small First' paradigm, the European Commission and the Member States are requested to consider the value and needs of SMEs within their policy measures.

A number of instruments have been implemented by the EC to support SMEs in various fields. These include: support for research and innovation (e.g. Competitiveness and Innovation Framework Programme, Framework Programme for Research and Technological Development), upgrading skills (e.g. Erasmus for Young Entrepreneurs), SME-relevant policy responses (e.g. Intellectual/Industrial Property Rights, standardisation, public procurement, company law or better regulation), General Block Exemption Regulation on State Aids and Cohesion Policy.

However, the recent economic and financial crisis has dramatically impacted on the position and perspectives of many SMEs in the European Union. Factors such as loss of export markets, cutbacks in public and private expenditure, reduction of purchasing power and a general lack of market demand have hit SME development during the crisis. Many SMEs have slipped into a downward spiral. Market demand has now begun to recover marginally in some economies, but SMEs face difficulties in accessing the necessary finance to respond

¹ European Commission (2005), *The new SME definition, User guide and model declaration*, p. 14.

² European Commission (2009), *Commission Staff working paper on the implementation of Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises*, SEC(2009) 1350 final, p. 2.

³ European Commission (2003), *Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises*, 2003/361/EC.

⁴ European Commission (2009), *European SMEs under pressure, Annual report on EU small and medium-sized enterprises 2009*, p. 15.

⁵ European Commission (2008), *'Think Small First', A 'Small Business Act' for Europe*, COM(2008) 394 final.

to this rising demand. The urgent need for access to finance will be a major challenge over the coming years, and supporting instruments will be required.⁶

The Cohesion Policy priorities and modalities for 2007-2013 were discussed and decided before the crisis began. This means that certain goals and targets, in particular those focused on RTD and innovation could not be pursued or at least could not be pursued to the extent or at the rate originally envisaged. The European Commission's European Economic Recovery Plan (EERP) introduced procedural simplifications that were widely welcomed, and most Member States have undertaken, or are engaged in, reviews of programmes and funding already committed. While it is probably still too early to assess the effects of the degree of flexibility developed in the different responses to this changed economic climate, and the impacts of reoriented support measures, they will provide valuable lessons for the future.

The EU2020 strategy published in 2010 sets out the overall framework for shaping and implementing EU policies and instruments. Out of the seven flagship measures proposed to achieve the headline targets, five cover SMEs.⁷ Preparations of the future budget and the design of Cohesion Policy post-2013 are underway. The presentation of the 5th Report on economic, social and territorial cohesion,⁸ the EU budget review⁹ and the June 2011 proposal on the next EU Multiannual Financial Framework and the proposals for the future Cohesion Policy of October 2011 are the first milestones in this process.

2. Scope of the study

Against this background, the purpose of this study is to provide a description of the European policies in favour of SMEs with a particular focus on Cohesion Policy. The main objectives of the study are:

- To provide a definition and analysis of the nature of SMEs (Chapter 1);
- To explore the factors influencing the development of SMEs (Chapter 2);
- To describe the SME-relevant EU policies (Chapter 3), including Cohesion Policy (Chapter 4);
- To assess the Cohesion Policy performance for SMEs on the basis of a literature review (Chapter 4) and an analysis of eight case studies based on selected ERDF OPs (Chapter 5);
- To elaborate relevant policy and operational recommendations (Chapter 6); and finally
- To develop a questionnaire for a potential future, more in-depth assessment on grounds of primary data (see Annex 6).

The scope is reflected throughout the main parts of the study, while the methodological proceedings of the drafting process are explained in the separate methodological outline in Annex 1.

⁶ European Commission (2010), *An Integrated Industrial Policy for the Globalisation Era Putting Competitiveness and Sustainability at Centre Stage*, COM(2010) 614.

⁷ European Commission (2010), *EUROPE 2020, A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020 final.

⁸ European Commission (2010), *Fifth Report on economic, social and territorial cohesion*.

⁹ European Commission (2010), *The EU budget review*, COM(2010) 700 final.

3. Study content

Given that the term small and medium-sized enterprises (SMEs) covers a variety of different enterprises, Chapter 1 outlines the main parameters for differentiation– size, industry sector, technological and R&D level, age and geographical location of the business. It also looks at how SMEs can be described, and how they can be differentiated. The chapter also points out the significant impact that a firm’s development phase (seed, start-up, young, mature) can have on its outlook and approach.

Based on a literature analysis, Chapter 2 explains the factors that contribute to the development of SMEs, covering both external (e.g. labour market supply) and internal (e.g. human resource management) dimensions. Moreover, these factors are plotted against the different SME lifecycle phases in order to illustrate just how important this element is. These factors are also referred to in subsequent sections of the study with a view to understanding the extent to which different policy instruments are linked to these factors thus increasing the likelihood of their SME relevance (in Chapter 4 for Cohesion Policy instruments and in Chapter 5 for the eight OPs used as case studies).

After having explored the differentiated nature of SMEs and their development factors, Chapter 3 addresses SME support policies at European level. Since the subsequent chapters are dedicated exclusively to Cohesion Policy, this chapter lists and describes policy instruments and measures taken at European level other than Cohesion Policy (e.g. in terms of budget, management entities). It does so by differentiating between regulatory environments (including policy initiatives), financial support, advice and support services (e.g. consulting), and networking and participation initiatives.

The first part of Chapter 4 completes the overview of EU SME support instruments by providing a brief introduction to the current Cohesion Policy instruments (funds, objectives, budget and financial engineering instruments). The second part then focuses on the analysis of the performance of Cohesion Policy instruments with regard to SMEs in accordance with the different dimensions of the performance concept, covering the assessment of SME-relevant measures, resources (allocated, committed, spent) and qualitative/quantitative effects within Cohesion Policy during the current and, to a lesser extent, the previous programming period.

Chapter 5 complements the analysis of Cohesion Policy performance with regard to SMEs on the basis of the review of eight operational programmes selected as case studies according to the methodology described in Annex 1 (i.e. in particular in terms of financial allocations based on the SME-relevant codes of expenditure of Regulation (EC) No 1083/2006, Annex IV); these comprise three Convergence OPs, four Regional Competitiveness and Employment OPs and one European Territorial Cooperation OP. Chapter 5 analyses the performance of the eight Cohesion Policy instruments in relation to the different dimensions of the performance concept; i.e. it includes for each OP (individually or collectively) the assessment of SME-relevant aims/objectives, priorities/measures and quantitative effects (monitoring evidence). In addition, it looks at the extent to which the eight OPs make use of JEREMIE/JESSICA, and it takes into account the SME-relevant development factors outlined in Chapter 2.

4. Main findings and recommendations

The current definition of SMEs at European level is centred on size (expressed in employment and financial terms) and does not sufficiently reflect the entire range of parameters that determine the nature of each SME – i.e. size, industry sector, age, location and level of innovation/R&D – nor does it take into account the different lifecycle phases of the SME (seed, start-up, young and mature enterprise).

On the other hand, some of the principles identified through the literature review indicate how important an awareness of these differences is in order to be able to react to the different needs in an appropriate and effective way. Firstly, many SMEs do not survive the leadership crisis that characterises their passage from a start-up to a young enterprise; secondly, not all enterprises actually plan to grow ('small and flexible'); and finally, European SMEs show very different levels of technical innovation, with only a very small fraction of them (less than 3 percent, 2005) being active at the cutting edge of technology.

Efficient policy instruments need to take these differentiations into account. Due to the partly centralised and partly decentralised planning and implementation of European support instruments, often complemented by national and regional ones, no general statement can be made about the performance of European support instruments within the scope of the present study. Greater assessment needs to be carried out, in particular on the extent to which the funding programmes take into account the different types of SMEs (including well-defined target groups).

A menu of the different factors that influence SME development has been prepared. It includes factors both external (socio-economic, market-economic, political-institutional) and internal (internal organisation, capital, human resources and external positioning) to an enterprise. With regard to their relative importance to SMEs, the most important one is access to capital, but the development of managerial skills is also crucial. Amongst entrepreneurs, the awareness of this latter factor seems to be quite limited. The same holds true when it comes to awareness amongst SMEs of the potential benefits of investing in innovation and of the cooperation between science and business.

Commencing with the instruments other than Cohesion Policy, four main families of support instruments have been identified:

- Regulatory support (where 'regulatory' extends beyond the simple legal meaning of the term and also covers policy initiatives, in particular the Small Business Act);
- Financial support (in particular the 7th Framework Programme for Research and Technological Development, FP7, and the Competitiveness and Innovation Framework Programme, CIP, possibly to be replaced by the 'Competitiveness and SMEs Programme' suggested by the June 2011 proposal on the next EU Multiannual Financial Framework);
- Advice and support services (e.g. European Small Business Portal);
- Network and participation initiatives (e.g. the European SME Week).

Financial support from these sources is offered through various instruments (non-repayable grants, repayable loans and guarantees) and covers a range of issues (e.g. research, innovation, and also education and mobility). Various initiatives are closely linked and may partly overlap (e.g. the European Small Business Portal is financed under the CIP).

With regard to Cohesion Policy, Regulation 1083/2006, Annex IV, provides specific expenditure categories relevant for enterprises that can be divided into direct SME support

(codes 03, 04, 06, 09, 14, 15, 68), general enterprise support (codes 05, 07, 08) and support for business restructuring and adaptability of workers (codes 62, 63, 64). In terms of allocations, these amount respectively to 8 percent, 8.1 percent and 4.2 percent of the total EU SF allocations 2007-2013 for a combined total of nearly €70 billion.

Within individual countries, the EU-15 MS tend to allocate a higher share of their national SF allocation to enterprise support (i.e. covering all three categories) than the EU-12 MS. In addition, the importance given to the three categories differs among MS (e.g. Denmark, Finland, Sweden, the UK and Slovenia allocate a comparatively high share of SF to direct SME support, whereas in Denmark and the Netherlands the same holds true for firm restructuring).

Support for SMEs in the current Cohesion Policy framework covers different policy fields (e.g. R&D, innovation, IT) and comprises both direct (e.g. non-repayable grants, repayable loans) and indirect support (e.g. services/advice, networking and clustering, tangible public goods/infrastructure). Although all three categories of codes of expenditure provide for non-repayable grants, repayable loans and equity-based instruments are available only within direct SME support and general enterprise support. Support for business restructuring and adaptability has a comparatively strong focus on services, advice and assistance.

There has been a reorientation of direct support from non-repayable grants to loans and equity-based schemes in recent years. Special support instruments have recently been set up – JEREMIE, JASMINE, JESSICA and JASPERS – out of which the first two are of direct relevance to SMEs. This takes into account that access to capital is a key SME development factor that also impacts on other development factors such as employability and training of employees, public contracting or the availability of relevant infrastructure.

One way to assess the performance of Cohesion Policy instruments with regard to SMEs is to analyse the resources allocated and types of measures implemented. Other dimensions concern the SME relevance of Cohesion Policy in terms of its objectives/aims, resources committed and spent and outputs, outcomes/results and impacts (qualitative and quantitative) achieved. Finding clear evidence on these dimensions, particularly in comparable terms, has proven very difficult. A full assessment of the performance of Cohesion Policy instruments with regard to these different dimensions was therefore very difficult.

The literature consulted did not allow for comparative findings on the status of SME-relevant commitments/expenditure with regard to the codes. Findings based on a first evaluation¹⁰ at the end of 2009 suggested that the highest commitments in relation to the total allocation of the ERDF and Cohesion Fund in EU-27 have been in territorial development (35 percent) and enterprise support (33 percent). However, the commitments are not defined along the codes of expenditures (Regulation 1083/2006, Annex IV).

This study in hand identifies several concerns among relevant stakeholders:

- The administrative burden of the application, reporting and auditing requirements;
- The necessity to pre-finance projects;
- The lack of harmonised rules across funds and programmes;

¹⁰ Applica and ISMERI Europa (2010), *Evaluation network delivering policy analysis on the performance of Cohesion Policy 2007-2013*. Synthesis of national reports 2010, Executive Summary, p. 25.

- The lack of available rules at the beginning of (and/or changes during) the programming period;
- The lack of proportionality in administrative requirements (compared to the amount of funding obtained); and
- The short timescale for submitting project applications and lengthy waiting periods for result notification. Moreover, public authorities in charge seem to possess inadequate awareness of the capacities and needs of different-sized enterprises.

These concerns are echoed in the MS 2009 National Strategic Reports. The reports highlighted the risk of firms favouring domestic schemes due to the complexity and rigidity of Cohesion Policy procedures. The consultation on the Fifth Cohesion Report confirmed the usefulness of the financial engineering instruments, with many contributors suggesting an extension of their scope and a simplification of their rules. The relevance and importance of grants was also confirmed. There is a need to strengthen the synergy¹¹ between Cohesion Policy and other EU policies. A certain degree of strategic synergy can be found between Cohesion Policy and regional policies in the MS induced by, amongst other factors, the thorough Lisbon earmarking requirement (i.e. the codes of expenditure).

Finally, the quantitative evidence provided by monitoring data is so fragmented that no general conclusion can be presented. It emerged very clearly from the case study results that there is a clear need for further and more systematic analysis of the effect of Cohesion Policy instruments (collectively or individually) on SMEs, particularly regarding the dimensions of outcome/results and impact. It is recommended that this type of analysis takes into account the findings on the different types of SMEs and the importance of their development factors.

The results from the eight OP case studies tend to confirm certain findings concerning the SME relevance of Cohesion Policy:

- SME support is provided in the form of different types of instruments (grants, loans, support services) and covers different policy areas (e.g. RTDI, IT, environment);
- The use of financial engineering instruments (three out of eight OPs planned to use/already use either JEREMIE and/or JESSICA - a fourth abandoned JEREMIE due to technical difficulties in implementation); and
- Difficulty is experienced in evaluating output/outcome/results in comparative terms due to a lack of relevant monitoring indicators and reliable quality data.

The complementary analysis of the link between the OPs and the SME development factors indicates that the 'external positioning' factor is the one most frequently targeted by the OPs, followed by a group of factors consisting of capital, internal organisation and socio-economic factors. These results should be handled with care because of methodological considerations, particularly the possible variations in the meaning and content of such terms when used by people from different backgrounds and cultures.

¹¹ See also Pro Inno Europe (2008), *Synergies between EU instruments supporting innovation*, Inno Learning Platform, p. 29.

On the basis of the findings, ten key recommendations have been established:

1	Complement the EU SME definition with an overall strategic SME-oriented support framework. This should define the main target groups of SMEs to be supported and indicate earmarked funding and services for the specified target groups, taking into account their needs related to the lifecycle of their businesses.
2	Strengthen the awareness of public authorities in charge of OP management regarding the differences among SMEs and their different needs as they progress through their lifecycles. Entrepreneurs in micro and small enterprises have limited time resources, which are frequently their major business asset. This must be taken into account when establishing support measures.
3	Strengthen the awareness of SMEs on the importance of management skills and encourage their participation in innovation and science-business cooperation.
4	Adapt the technical aspects of the CP delivery system to make them as attractive as domestic schemes. This implies considering the entire range of requests issued by relevant stakeholders, including more proportionality in the administrative requirements (based on the project's size), the increased use of advanced payments or of staged reimbursements plans, the harmonisation of rules and application forms across funds, programmes and government levels, and the interpretation of eligible expenditure, especially with regard to overheads and indirect costs, the provision of binding timetables for programme authorities to establish and communicate whether a project has been successful or not, the abandonment of paper documentation in favour of electronic submission and archiving of documents, and the reduction of the number of audits that a single project may face.
5	Facilitate the use of TA resources to train firms in drafting applications and intermediaries for delivering training initiatives and support services and include the expenses incurred by firms to comply with audit requirements in the costs eligible under the OPs' Technical Assistance.
6	Further increase the synergy between policies, in particular between Cohesion Policy and other EU policies.
7	Take advantage of the positive feedback on financial engineering instruments to foster their greater use; simplify them where possible, without completely abandoning grant-based support which is sometimes more appropriate in riskier projects to encourage potential applicants (e.g. start-ups, R&D).
8	Carry out more (and more systematic) assessments of the performance of Cohesion Policy instruments with regard to SMEs by clearly distinguishing among the relevant dimensions, i.e. strategic alignment, priorities/measures adopted, resources allocated/committed/spent, outputs, outcomes/results, and impacts. In line with the general move towards more result-orientation, the latter two categories will require more systematic work. As shown by the evidence available, evaluating performance based on monitoring data in terms of outputs or outcomes, let alone impact, is difficult due to problems linked to the availability and/or quality of relevant indicators and/or data. Thus, the question is not merely one of carrying out more assessments but of strengthening their data basis by introducing the necessary modifications to the current system of reporting and monitoring, particularly if the performance assessment is comparative (e.g. between OPs or countries). This should be accompanied by the adoption of more qualitative advanced techniques if the impact is to be fully evaluated.

9	Streamline the coherence between relevant SME codes of expenditure and priorities/measures within the OPs in order to facilitate a more direct comparison between input (i.e. allocations in terms of codes of expenditure) and output/outcome/results/impact indicators linked to the priorities/measures. One factor to be especially taken into account is the avoidance of overlapping (i.e. when a priority/measure is attributable to more than one code of expenditure).
10	Evaluate the effects of the simplifications implemented in response to the financial and economic crisis on national level and throughout operational programmes to provide lessons for future Cohesion Policy design.

1. THE NATURE OF SMEs

KEY FINDINGS

- The current definition of SME within the EU is based on **size** (i.e. in terms of employment, turnover and/or balance sheet). This does not sufficiently reflect the wide spectrum of SMEs.
- SMEs **differ** not only by size, but also by industrial sectors, technology and R&D level, age/lifecycle and geographical location.
- **Almost 70 percent of SMEs in Europe show little, if any, R&D activity**, 20 percent adapt existing technologies, less than 10 percent develop or combine existing technologies on an innovative level and **less than 3 percent** can be **described as technology pioneers**.
- Throughout the lifecycle of an SME (i.e. seed, start-up, young or mature enterprise), a sequence of **growth and crisis** phases may occur requiring different types of interventions.
- With the increasing maturity of an enterprise, the need for **managerial skills** grows. Moreover, it appears that many SMEs do not survive the leadership crisis in the transition from a start ups to a more established enterprise.
- Not all SMEs are on a growth path. Some entrepreneurs deliberately choose to **keep their companies small and flexible**. Accordingly, support should not just be growth-oriented.
- Differentiating between SMEs is a necessary requirement for policy instruments. Due to the large variety of European support instruments and the different levels at which they are allocated, any judgement on the realisation of this principle goes beyond the remit of this report.

Given that the term small and medium-sized enterprises (SMEs) covers a variety of different enterprises, the purpose of this chapter is to outline the main parameters of distinction between them: size, industry sectors, technological and R&D level, age/lifecycle and geographical location of the business.

These parameters serve as a basis to understand the different characteristics, needs and limiting and development factors of SMEs. Various studies have already outlined the significant variations in the needs of SMEs by size and sector.^{12,13}

¹² Pasanen (2003), *In Search of Factors Affecting SME Performance, The Case of Eastern Finland*, University of Kuopio Finland.

¹³ OECD (2005), *SBS Expert Meeting Towards better Structural Business and SME Statistics*, Statistics directorate.

1.1. Size

Small and medium-sized enterprises are generally characterised by their number of employees and their turnover or balance sheet total. The European Commission published a SME definition in 2003 that defines SMEs as having fewer than 250 employees and a maximum turnover of €50 million or a maximum balance sheet total of €43 million (see Table 1). This definition is used without any distinction being drawn between different sectors and branches.

Table 1: Enterprise by size classification

Category	Headcount	Turnover	or	Balance sheet total
Medium - sized	< 250	≤ € 50m		≤ € 43m
Small	< 50	≤ € 10m		≤ € 10m
Micro	< 10	≤ € 2m		≤ € 2m

Source: European Commission (2003) Recommendation concerning the definition of micro, small and medium-sized enterprises (2003/361/EC).

1.2. Industry sectors

Over the last 70 years, efforts have been made to categorise industry and business in order to achieve a comparable global statistical information set. Within the last ten years, various categorisation methods have been harmonised. The most important for Europe is the harmonisation of the European NACE¹⁴ system and the international ISIC¹⁵ system introduced by the United Nations. The 21 sectors (first column of Table 2) elaborated using both the NACE 2nd revision and ISIC 4th revision are grouped into the 10 top categories of the System of National Accounts (SNA) aggregation (second and third columns of Table 2). In essence, the SNA aggregation provides a simple set of sectors of economic activity that can be used for categorising SMEs.

¹⁴ Nomenclature Générale des Activités Economiques dans l'Union Européenne.

¹⁵ International Standard Industrial Classification of All Economic Activities, 2004.

Table 2: NACE and ISIC sections in SNA aggregation¹⁶

NACE 2 rev/ISIC 4 rev Section	Description	SNA aggregation ¹⁷
A	Agriculture, forestry and fishing	1
B, C, D, E	Manufacturing, mining and quarrying and other industrial activities	2
F	Construction	3
G, H, I	Wholesale and retail trade, transportation and storage, accommodation and food service activities	4
J	Information and communication	5
K	Financial and insurance activities	6
L	Real estate activities	7
M	Professional, scientific, technical service activities	8a
N	Administrative and support service activities	8b
O, P, Q	Public administration and defence, education, human health and social work activities	9
R, S, T, U	Other service activities	10

Source: European Commission 2008, adapted by METIS.

1.3. R&D level

Given that parts of the European support actions concentrate on innovation and the growth of innovative SMEs, it is important to clarify certain details. The 2005 European Research Advisory Board (EURAB) report summarised the degree of innovation in European SMEs as follows:¹⁸

- Almost 70 percent of all SMEs in Europe show few, if any, R&D activities;
- 20 percent adapt existing technologies and can be described as low-innovation SMEs;
- Less than 10 percent develop or combine existing technologies on an innovative level;
- Less than 3 percent can be described as technology pioneers.

From a sectoral perspective, a general division exists between manufacturing and service-based enterprises. The following list provides an overview of the different types of SMEs, which are the main innovation carriers in Europe.

¹⁶ European Commission (2008), NACE Rev.2, *Statistical classification of economic activities in the European Community Eurostat methodologies and working paper*, p. 43.

¹⁷ The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity. The aggregation provides a unified sector categorisation for comparable statistical world wide data elevation.

¹⁸ EURAB (2005), *SMEs and ERA*, Report and Recommendations, EURAB Report, Executive summary, EURAB 04.028 final.

Manufacturing SMEs: Innovative SMEs focused on manufacturing can be divided into those carrying out their own research (science and technology-based SMEs) and those participating in clusters, such as in the automotive industry, with shared research facilities and efforts. Due to capacity, research is rarely carried out by individual SMEs. Innovation by SMEs, particularly in the supply sector, is often driven by that sector's main client industry.

- **Science and technology-based SMEs:** These SMEs undertake the main share of close-to-market innovation and research in the production sector, and their core value-added is an in-house research and technological focus. SMEs building their existence on one innovative product can be distinguished from those embedded in a value chain where they are challenged to adapt their production process or to regularly create new products.

Service Business:¹⁹ The service industry includes all those companies providing services to either the public or other businesses including knowledge-intensive business service. The latter are 'services and business operations heavily reliant on professional knowledge. Therefore employment structures in these sectors include mostly scientists and engineers'.²⁰ The following types of services can be seen as the most innovative ones:

- **Product-based services:**²¹ These services are directly related to a product. Many of them, particularly in large enterprises, are delivered within the enterprise. However, with the growing recognition of the service sector as an industry, more and more tasks are being outsourced and provided by smaller companies. This enables SMEs to participate in the research and innovation processes of other enterprises.
- **Information Technology SMEs:** Over the last 20 years, a new type of company has emerged in the information and communication technology sector. These either develop innovative products and/or use sophisticated and complex production technologies²² or are solely service-oriented. As such, these companies are very knowledge-based and utilise considerable in-house tacit knowledge of their employees and associated reduced production costs.
- **Arts & Cultural Enterprises:**²³ As part of the creative industry, these companies primarily deal with products or services related to artistic, musical, theatrical, dramatic or cultural endeavours. This includes galleries, theatre companies, media production and professional artists, sculptors, musicians and designers.²⁴
- **Social Enterprises:**²⁵ Companies set up to dedicate the profits to social or environmental causes belong to this group. It could be selling bottled water, providing stationary to offices or delivering health services, but the primary aim is to create profits for sustainable benefit outside the company.

¹⁹ Berger R. (2010), *From product to service, How service orientation can generate, A brief comparison of best practice long-term growth in the telco industry*, Presentation, available at: http://www.rolandberger.com/media/pdf/Roland_Berger_From_product_to_service_20100602.pdf

²⁰ Business Europe (2011), *Fostering Innovation in services, a key driver for growth*, Executive summary, p. 5.

²¹ Naoshi U. Et al., *Analysis and Design Methodology for Product-Based Services*, New Frontiers in Artificial Intelligence Lecture Notes in Computer Science, 2008, Volume 4914/2008, 13-25, DOI: 10.1007/978-3-540-78197-4_3 Summary available at: <http://www.springerlink.com/content/l764655201k21853/>.

²² European Commission (2002), *Observatory of European SMEs*, 2002 / No 6 High-tech SMEs in Europe, p.7

²³ United Nations (2008) *Creative economy report 2008*, p. 10ff.

²⁴ Brecknock R. (2004), *Creative Capital: creative industries in the «creative city»*, Australia, p. 3.

²⁵ Social Enterprise coalition (2011), *About social enterprise* available at <http://www.socialenterprise.org.uk/pages/about-social-enterprise.html>.

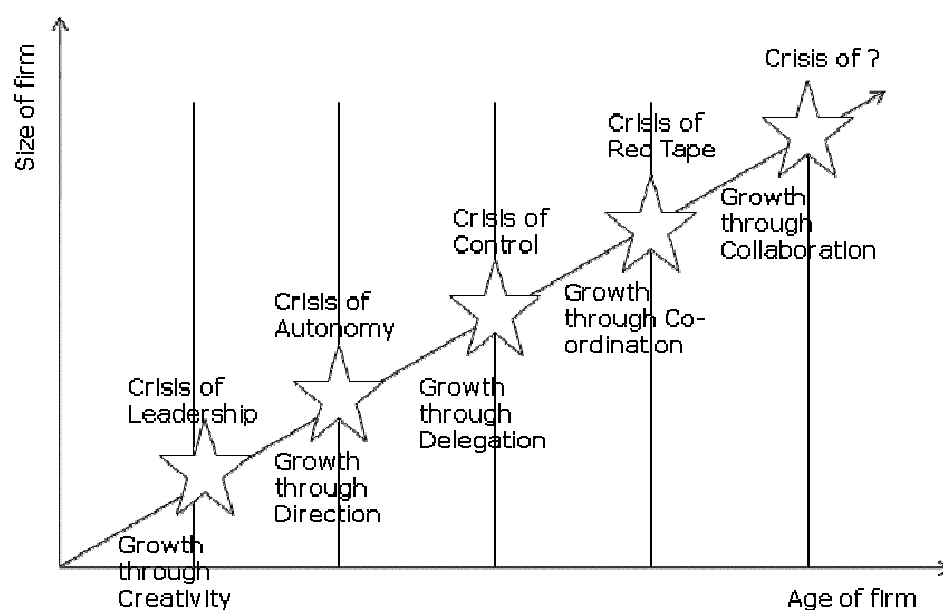
- **Financial and insurance services:** This heading summarises all services related to financial and insurance business such as banks and insurance companies.

1.4. Lifecycle of SMEs

Within the last 40 years, several models have been elaborated based on the 1972 Greiner model on the lifecycle of businesses. From the early 1970s until the mid-1980s, models such as Adizes (1979) and Quinn and Cameron (1983) were developed on the basis of the empirical analysis of manufacturing. This needs to be taken into account when using the Greiner theory as a model for SME development. The basic Greiner theory helps to understand the lifecycles of businesses.

Greiner's starting point was that growing organisations move through five different stages of development. Each phase contains a relatively stable period of growth that ends with a management crisis. The crisis can be solved by new structures and programmes that allow employees to periodically rest, reflect, and revitalise themselves (see Figure 1). Greiner also distinguishes between different strategies needed in the different stages of the lifecycle. While small companies must concentrate on flexibility with flat, organic structures, larger organisations deal with economies of scale and vertical hierarchy but have more stable market positions.²⁶

Figure 1: Greiner's growth theory



Source: Larry E. Greiner 1972.

²⁶ Gelles, G. M., Mitchell, D. W. (1996), *Returns to scale and economies of scale: Further observations*, Journal of Economic Education 27, Summer 1996, pp. 259-261.

In order to adjust Greiner's model to SME development characteristics, two adjustments are made:

- The lifecycle stages of entrepreneurs are taken into account (Table 3); and
- Continuous instead of linear iterations are used, since evidence suggests that this is what enterprises experience.²⁷

Table 3: Enterprise division in age

Description	Time frame
Seed companies	Before office start
Start-ups	< than 2 years
Young enterprises	between 3 to 5 years
Mature enterprises	> than 5 years

Source: Own interpretation from OECD 2004.²⁸

This leads to an adapted growth model (see Figure 2) that presents the development of SMEs in an ideal way. It also shows the key points of success in each step along the growth path and includes the first three types of crises illustrated by Greiner.

²⁷ Perenyi A. (2011) *Investigating the firm lifecycle theory on Australian SMEs in the ICT sector*, Abstract, p. 145.

²⁸ OECD (2004), *Financing innovative SMEs in a global economy*, Turkey, p. 10.

Figure 2: Growth cycle of SMEs

Source: Adaptation of Greiner's lifecycle model.

An entrepreneur starts with an idea (seed) in a creative environment, which as soon as it turns into business (start-up) needs human and capital resources (growth through creativity). This development primarily requires financial capital but also needs leadership competences and leads to the first challenge entrepreneurs have to deal with (see first crisis in Figure 1). Many SMEs fail to survive this first crisis due to lack of leadership skills.²⁹

The next stage is characterised by a strong growth tendency (young enterprises). Again, the moment of critical survival arises when the company's size exceeds the owner's capacity to manage it alone. Many entrepreneurs are not able to step back and delegate responsibilities (crisis of autonomy). Many companies, particularly service companies, stay in this size category but risk losing high-potential employees with career aspirations.²⁹

If the owner is capable of entering the next phase, with a structural change in the company, a major step towards stable growth will be achieved (mature enterprise) with particular need of organisational skills.

The more the enterprise moves towards a mature stage, the more organisational skills become key factors for success.³⁰ However, the level of stability differs between the stages and the survival strategy is different at each of those stages. Moreover, lifecycle developments may differ among sectors.

A hypothesis generated by reviewing literature (Pasanen, 2003; Jones, 2010; Montfort, 2006) is that while SMEs tend to follow the lifecycle process, many of them fail to survive their first crisis where leadership is required (see Figure 2). The recent economic downturn enforced such leadership crises, which probably occurred more frequently. According to

²⁹ Jones N. (2010), *SME's lifecycle – steps to failure and success*, p. 6.

³⁰ Sacht J. (1998), *Critical success factors to support the management of performance in public and private sector organisations*, available at: <http://www.workinfo.com/free/downloads/61.htm>.

Jones, 'poor management and a shortage of funds have been identified as the main causes of start-up deaths globally'.³¹

Applying the lifecycle approach to SMEs also implies that SMEs are aiming for growth. Although growth seems to be the objective of business innovation and start-ups, it is also stated³² that growth is not pursued at all costs. Not all SME managers have the desire, or the capability in terms of resources and expertise, to grow their businesses. Furthermore, Arbaugh and Sexton (1996) recall (based on empirical evidence) that most new firms do not grow into large firms and that there is no relationship between the age of a firm and its size.³³ However, no evidence-based research has been published providing actual information on differences between growth-oriented and non-growth-oriented SMEs. The SMEs with a higher growth orientation are more market or brand-oriented.³⁴ A primary reason for staying at a certain size could be a desire to maintain operational flexibility while avoiding the additional bureaucratic burdens that growth might trigger. Their real challenge is retaining human resources within the company and facing the managerial skills challenges.³⁴

1.5. Conclusions

Using SMEs as a category involves an over-generalised approach, as does the current EU definition, which is based only on size (employment/financially). In practice, micro, small and medium-sized enterprises differ in size, industry sector, level of innovation and in-house research capacities, age and geographical position.

They might also be at a different phase of the lifecycle. Indeed, a hypothesis generated by the literature review is that many SMEs do not survive the leadership crisis characterising the transition from a start-up to a young and thus more stable enterprise.

Moreover, some enterprises do not plan to grow. The size of the enterprise also depends on the strategic orientation of the owners (e.g. small and flexible); it is thus necessary that incentives and support should not just be growth-oriented.

For a particular policy instrument to be successful, it has to keep these differences and the associated needs and challenges into account for efficient planning and implementation. For the EU with its centralised and decentralised instruments, this means that each level of policy-making and administration needs to be aware of the fact that differences exist and of the respective implications. Comprehensive analysis of the state of affairs in this sense would be a useful and necessary step towards a more SME-orientated policy approach, but that exceeds the scope of the present study.

³¹ Jones N. (2010), p. 2.

³² Montfort K. (2006), *Lifecycle characteristics of small professional service firms*, Publication: *Journal of Small Business Management*, p. 2ff.

³³ Arbaugh, J. B., and D. L. Sexton (1996). *New Firm Growth and Development: A Replication and Extension of Reynolds' Research*, *Journal of Enterprising Culture* 4(1), pp. 19-36.

³⁴ Laukkanen T. (2010) *How SMEs with different growth intentions vary in terms of market and brand orientation?*, University of Eastern Finland, Department of Business.

2. FACTORS INFLUENCING SME DEVELOPMENT

KEY FINDINGS

- Seven main groups of SME **development factors** have been identified: **external factors** (socio-economic, market-economic, political/institutional); and **internal factors** (internal organisation, capital, human resources and external positioning)
- The most important development factors for SMEs are access to capital and **managerial skills**.
- Entrepreneurs have a strong need to develop their **managerial skills**, but there is limited recognition of the need for such management skills.
- Development factors differ in their relevance to SMEs in different stages of the lifecycle. Access to capital, for instance, is relevant in each stage of the lifecycle, but it is currently difficult to obtain.
- Policy instruments need to differentiate between SME target groups (based on size, sector, level of R&D&I etc.) and the respective needs and bottlenecks inherent in the lifecycle phase and address the appropriate development factors.

This chapter elaborates a list of SME-relevant development factors extrapolated from a variety of literature.³⁵ A first-level division is made between factors external and internal³⁶ to enterprises, which are then further broken down into factors dealing with socio-economic, market-economic, political-institutional and organisational aspects as well as capital, human resources and external positioning (Table 4). In addition, the chapter highlights the relevance of the different sets of factors in different stages of the lifecycle of SMEs (Table 5).

Table 4: SME development factors

Groups	Groups of factors	Factors
External factors	Socio-economic factors	Geographical location (density, accessibility) Demographics Ecological change Labour market (availability of employees, cost of labour, skills) Access to infrastructure Access to information Access to capital Consumer demand
	Market-economic factors	Inflation Exchange rates Economic situation

³⁵ E.g. OECD (2004), Turkey p10, Grant R. (2002), *Contemporary strategy analysis, concepts, techniques, applications*, Oxford UK, Pasanen (2003), pp. 32 & 62.

³⁶ Pasanen (2003), p. 32.

Groups	Groups of factors	Factors
		Market uncertainty Internationalisation Competition Innovation/Technology Interest rates
	Political/Institutional factors	Policies (relevant for SMEs) Regulatory and legal system (bureaucracy, intellectual property rights, standardisation) Public contracting Political stability Trade barriers Taxes
Internal factors	Internal organisation	Ownership Hierarchy Knowledge management Company culture
	Capital	Costs (working capital, costs of production, overhead costs for administration) Assets and equity capital Technology transfer Product/Service innovation
	Human resources	Skills (administrative, technical) Management competences Loss of employees Knowledge
	External positioning	Competitiveness Marketing Network - Cooperation Access to distribution

Source: Own adaptation of the sources available and listed in the footnotes, 2011.

2.1. External Factors

2.1.1. Socio-economic factors

The term 'socio-economic' covers economic impacts on social processes.³⁷ In a broader sense, however, it captures all aspects of the social situation in a market together with the provision of infrastructure and capital. A distinction must be drawn between social aspects such as demography, education or availability of skilled workers and economic aspects such as the purchasing power of customers.³⁸ The latter also include access to infrastructure, to customers and to services and information.

In countries with significant rural or peripheral areas, enterprises encounter specific difficulties³⁹ including access to high-class infrastructure and access to customers. Enterprises focused on internet-based services for whom physical location is of little importance can, however, overcome disadvantages related to location in the geographical periphery.

Finally, the social and economical environment of a market affects the availability of physical and human capital⁴⁰ for entrepreneurs and small enterprises. Access to capital has been identified as the most significant obstacle to the survival and growth of SMEs, particularly of innovative ones.^{41,42} Entrepreneurs, business start-ups and innovation-driven SMEs are most affected by the reluctance of risk-averse financial institutions to provide financial services for the realisation of an entrepreneurial idea.⁴³

2.1.2. Market-economic factors

Market and socio-economic aspects cannot easily be separated as they are strongly interrelated. The two most important market-economic factors are inflation and interest rates. These are interdependent and in Euro economies influenced by the decisions of the European Central Bank (ECB). The European Central Bank has only recently begun to carefully and incrementally raise interest rates following a period of low rates in order to mitigate the impact of the crisis on the European economy.⁴⁴ The ECB sets the basic interest rates that are then adopted and modulated by national banks. Interest rates provide an important instrument for influencing economic developments and have a major impact on the national currency exchange with deflation and inflation rates and thus influence foreign investment behaviour.

The exchange rates can lead to significant decreases in purchasing power, which again impacts on international export demand. Exchange rate differences also affect the supply

³⁷ Bosma N. et al (2008), *Global Entrepreneurship Monitor*, 2008 Executive Report, pp. 8-10.

³⁸ The Gallup Organization Hungary upon the request of Directorate-General for Enterprise and Industry Observatory of European SMEs, Summary, Fieldwork of the survey: November 2006 – January 2007 Eurobarometer, p. 5.

³⁹ Pasanen (2003), p. 62.

⁴⁰ The Economist (2004), *The challenges of enlargement SME growth strategies in Central Europe*, A report from the Economist Intelligence Unit, pp. 2.

⁴¹ European Commission (2002), p. 8.

⁴² Soriano D. (2010), *Management factors affecting the performance of technology firms*, Article of the Journal of Business Research, summary available at: <http://www.sciencedirect.com/science/article/pii/S0148296309001064>

⁴³ Pasanen (2003), pp. 32 & 62.

⁴⁴ ECB (2011), Introductory statement to the press conference (with Q&A) Jean-Claude Trichet, President of the ECB, Vítor Constâncio, Vice-President of the ECB, Frankfurt am Main, 7 July 2011.

side through their influence on the costs of tangible goods from non-Euro markets. This primarily concerns the manufacturing, wholesale and retail sector rather than the service sector.

Globalisation and international competition are another major element that impacts on the growth of businesses. In our globalised world, competition, particularly from low-wage countries, is intense. Enterprises face much greater competitive pressure in this rapidly changing market when compared with a relatively protected national or European environment. SMEs, however, need to understand the global value chain and its specific factors (e.g. cultural aspects, environmental aspects, legal aspects), and obstacles (e.g. intellectual property violation, scarcity of skilled workers, different wage levels) in order to correctly position themselves, for example with niche technology and dynamic and flexible adaptability.⁴⁵

Innovation is a key survival factor, but innovation is also the most fragile asset of many companies. Not only do innovative products have a short life span with the risk of quickly becoming outdated, but SMEs must also deal with intellectual property right violations. While SMEs depend on a certain protection of intellectual property rights, they often have difficulties handling the administrative and financial burdens associated with IP systems. The most common obstacles are time lines and financial limits.⁴⁶

2.1.3. Political and institutional factors

The political and institutional systems of regional trade zones (such as EU, NAFTA,⁴⁷ ASEAN,⁴⁸ Mercosur⁴⁹) significantly contributed to the economic success of SMEs, for example because of new markets opening with the abolition of national trade barriers. A particular advantage is provided in the Euro zone with no currency exchange controls and the free movement within the EU as one of the single market features of workers. EU and national regulations and to some extent also regional regulations constitute major challenges and cause administrative burdens. It is precisely in the fields related to legislation⁵⁰ that SMEs lack adequate knowledge.

Many key commercial procedures for SMEs (such as IP systems, public procurement, mobility, etc) were originally designed for larger enterprises. The adaptation process for SMEs remains very much a 'work-in-progress'.⁵¹ Based on the Small Business Act, considerable efforts were taken to reduce this burden. Within the last decade, many complementary actions have been taken to improve the accessibility of financial instruments for SMEs, specifically via the Competitiveness and Innovation Framework Programme, putting pressure on public authorities' payment duration and streamlining online procedures and opportunities for joint bidding. Access to foreign markets is also supported via European support platforms (see Chapter 3).

⁴⁵ OECD (2007), *Enhancing the Role of SMEs in Global Value Chains*, OECD Global conference, Background report p. 41ff.

⁴⁶ Moulin A, Thue Lie H, (2005), *Intellectual Property Rights and Nordic SMEs*, A study of IPR practise in the IT and Biotech sectors, Nordic Innovation Center, Leogriff AS, Oslo, p. 9.

⁴⁷ NAFTA Secretariat (2011), <http://www.nafta-sec-alena.org/en/view.aspx>.

⁴⁸ ASEAN (2011), <http://www.asean.org/64.htm>.

⁴⁹ MERCUSUR (2011), <http://www.mercosur.int/>.

⁵⁰ Iraldo F et al. (2010), *Environmental Management System and SMEs*, EU Experience, Barriers and Perspectives, p. 3.

⁵¹ The Danish Patent and Trademark Office (2009), *Supply and Demand of Intellectual Property Rights Services for Small and Medium-sized Enterprises: A Gap Analysis*, Knowledge based society, IPR policies and programmes, Working paper, p. 4.

However, the Small Business Act has been reviewed in the first half of 2011, with the European Small Business Alliance (ESBA) strongly demanding that more emphasis be placed on the reduction of administrative burdens. According to the ESBA, this has not yet been achieved to a satisfactory level.⁵² The review of the Small Business Act for Europe (2011)⁵³ showed that although the European Commission advised the national authorities to implement measures to support SMEs, the achievements vary considerably between Member States.

SMEs also face obstacles when it comes to implementing international standards. Compliance with strict product standards for participating in the global market is difficult and costly. SMEs are often challenged by the proliferation of certain international standards that require burdensome adaptation procedures.⁵⁴

2.2. Internal factors

2.2.1. Internal organisation

Process and its organisation within the company are key factors of enterprise development. Production companies and service companies may have different process characteristics but both are highly dependent on the individual design of each process. In general, the process of an enterprise is defined by Porters' value chain (managerial tool to describe all activities relevant for any firm operating in a specific industry).⁵⁵ However, the value chain pictured by Porter is based on the model of a mature enterprise. Such a process has to be first created and then developed by its owner/manager. The knowledge of how to manage a company in different stages of growth is rarely recognised by owners as being essential for development.⁵⁶ The learning potential in this respect covers the whole range of managerial skills and leadership.⁵⁷ The majority of SME management is undertaken by the owners, either first or second generation, who often demonstrate more emotional and less professional leadership behaviour.⁵⁸ Management literature states that in many cases this leads to less flexibility in implementing new methods and theories and a considerable reluctance to share responsibilities and move towards flatter hierarchies. Such structures can then deter innovative and flexible behaviour of staff.⁵⁹

2.2.2. Capital

The term 'capital' in this study is used in a broad sense, covering not only financial capital but also technology transfer and innovation. In addition to access to finance, many entrepreneurs either deploy their own capital or are engaged with private high-risk joint

⁵² European Small Business Alliance (2011), Position Paper: *Review of a Small Business Act for Europe*.

⁵³ European Commission (2011), *Review of the Small Business Act for Europe*, COM (2011) 78 final, Communication from the Commission to the European Parliament, the Council, Economic and Social Committee and the Committee of the Regions, Brussels, 23.2.2011.

⁵⁴ OECD (2007), p. 27.

⁵⁵ Porter M. (1985), *Competitive Advantage: Creating and Sustaining Superior Performance*.

⁵⁶ Mason M. (2011), *What Causes Small Businesses to Fail? Eleven Common Causes of Failure*, available at: <http://www.moyak.com/papers/small-business-failure.html>.

⁵⁷ Papulová Z et al (2007), *Importance of managerial skills and knowledge in management for small entrepreneurs*, Abstract, p. 2.

⁵⁸ European Commission (2006), *Management Capacity Building*, Final Report of the Expert Group, Directorate-General for Enterprise and Industry, Brussels, p. 13.

⁵⁹ E.g. Robbins, St. P./Judge, T.(2010) *Organizational Behaviour*, 14 ed. 2010, Prentice Hall.

venture investments.⁶⁰ In later stages, this capital is either bound up as tangible assets such as production or process technology or patents for innovative products or as intangible assets such as human resources. Assets apart, a company's survival in the long run depends on its ability to manage cost recovery while maintaining liquidity.

2.2.3. Human resources

Both in a product-based and even more so in a service-based economy, human capital is the primary capital of the service an enterprise provides. The management of human resources requires a sound understanding of how to establish a working environment that helps the owner to retain his employees.

Particularly in the early stages of an SME, however, owners/managers see themselves as the only valid source.⁶¹ It is difficult for them to understand the value of human resources management, and time constraints often reduce their focus on this question.

Moreover, the participation in global value chains during the lifecycle of a company goes hand-in-hand with an intensive need to upgrade human and technological resources through technology and knowledge transfer and the implementation of new business practices. There is a need to understand the importance of human capabilities already in the start-up phase.⁶²

Since policymakers recognise the interrelation between investments in human capital and business performance,⁶³ training and skill development have become a national and an EU focus of attention.⁶⁴

2.2.4. External positioning

The positioning and strategic integration of a product or service is often more important than the actual product or service. The marketing strategy should provide an in-depth analysis of how a product/service should be presented to the market in order to efficiently and sustainably address the targeted customer and to enable entrepreneurs to learn about their markets. Indeed, a strategic marketing concept helps to avoid a sub-optimal entrance into the market that could lead to a complete failure of the product⁶⁵/service.⁶⁶

Networking and lobbying are additional important factors. Again, entrepreneurs in many cases do not recognise or understand these aspects, which are underrepresented in small companies, often because of a lack of human resources.

Furthermore, SMEs lack tailored information about available services that can help them to position themselves better, e.g. due to the high volume of information and services spread

⁶⁰ OECD (2007), *Enhancing the Role of SMEs in Global Value Chains*, OECD global conference, background report, p. 10.

⁶¹ Tocher N. Rutherford M, (2009), *Perceived acute human resource management problems in small and medium firms: an empirical examination*, Entrepreneurship: Theory and Practice, Introduction.

⁶² Soriano D. (2010), summary.

⁶³ Soriano D. (2010), summary.

⁶⁴ European Commission (2009), *Guide for Training in SMEs*, Directorate-General for Employment, Social Affairs and Equal Opportunities Unit F.3, Brussels.

⁶⁵ OUBS (2002), *Complexity and internationalisation, marketing in a complex world*, p. 62ff.

⁶⁶ Levi K. (2007), *Differentiate or Diminish The Art and Necessity of Business Positioning*, p. 9.

over different providers. SMEs do not have the resources (neither time nor human resources) to address and process the mass of information available.⁶⁷

2.3. Summary of the factors in relation to the lifecycle process

The different aspects and factors reviewed in the previous chapters illustrate the current situation of SMEs in Europe. Comparing the SME development factors with the SME lifecycle model (see Table 5) allows an understanding of when certain factors become vital for a successful SME lifecycle. Whereas some factors such as infrastructure and access to information are more relevant in the start-up phase, the labour market and the market-economic situations frequently become more relevant during later stages.

The table indicates that, in the early stage, only a few factors are relevant for the new enterprise such as access to capital and knowledge about the market and the product environment. In the start-up phase, the enterprise invests in its product/service and stays within its first contractual relationships. If the enterprise is to survive the first years, a stable capital foundation and basic managerial knowledge to steer the business through this early phase is required. Other factors relevant at this stage are regulatory systems and external positioning. While the need for capital is the most obvious for the entrepreneur, the need for managerial skills is frequently less understood.

In the start-up phase, access to capital is limited to high-risk venture capital providers and business angels. While access to finance remains a major aspect in later stages, other aspects become increasingly important, for example the availability of skilled workers. Once the market positioning of the product/service has been successfully accomplished, market-economic factors influence the businesses' situation. SMEs then have to start thinking about cross-border sales, which raises issues about international standards and IP systems. While those manifold tasks are to be tackled, the owner/manager and his/her employees are developing a more tacit knowledge about the product/service and its process. This knowledge represents a substantial value for the enterprise and specifically in knowledge-based services provides the most important resource.

The mature phase of a company is, in many cases, only a reiteration of the earlier lifecycle stages. The complexity of the mature phase results from the amount of different factors relevant for success. While the basic needs are still valid, external factors such as competition and political and institutional aspects influence the companies' lifecycle. The survival of a company is highly dependent on flexibility and ability to adapt to the new market environment. In addition to the management of success factors relevant for established products and services, the enterprise must also assure product and service innovation.

Based on the literature reviewed, the general debate about factors relevant to enterprises seems to have traditionally related to larger enterprises.⁶⁸ A certain overlap between factors influencing large enterprises and their smaller counterparts exists depending on the size of the company and the sector in which they are embedded. However, specific factors relate to the development phases (seed, start-up, etc) of companies and thus need to be considered separately.

⁶⁷ Fischer H. (2011), *Innovation support services for SMEs, in an 'internet society'*, Presentation to the Enterprise Europe Network, Steinbeis-Europa-Zentrum.

⁶⁸ Own observation by reviewing the literature.

Looking at the different lifecycle phases of SMEs, there are important development factors for each specific phase. When taking into consideration additional insights of Chapter 1 – namely that SMEs differ not only in lifecycle phases, but also in size, age, industry sector R&D level and geographical location – it becomes even more clear that in order for policy instruments to be effective they need to be tailored in a specific way. In other words, they need to clearly identify their target group among SMEs and appropriately take into account (i) their distinctive features (i.e. sector etc.) and (ii) associated needs and challenges in terms of SME development factors.

Table 5: Plotting of SME development factors against SME lifecycle phases

Factors	Seed	Start-Up	Young enterprise	Mature enterprise
Socio-economic factors		Access to infrastructure, information, capital	Labour market, geographical location (density, accessibility), access to capital	Labour market, consumer demand, demographic situation, access to capital
Market-economic factors	Innovation	Inflation, economic situation, Innovation, interest rates	Inflation, interest rates, exchange rates, market uncertainty, innovation	Inflation, economic situation, exchange rates, competition, market uncertainty, internationalisation, innovation, interest rates
Political/institutional factors	Policies, regulatory and legal system	Regulatory and legal system, policies, taxes	Policies, regulatory and legal system, standardisation, taxes, public contracting	Policies, regulatory and legal system , trade barriers, public contracting, taxes , political stability
Internal Organisation		Ownership	Ownership, knowledge management, company culture,	Ownership, hierarchy, company culture, knowledge management
Capital	Product/Service innovation	Costs, technology transfer, product/service innovation, assets and equity capital	Costs, technology transfer, product/service innovation, assets and equity capital	Costs, technology transfer, product/service innovation, assets and equity capital
Human resources	Knowledge	Knowledge, skills, management competences	Skills, knowledge, management competences, loss of employees	Skills, knowledge, management competences, loss of employees
External positioning	Competitiveness	Marketing, competitiveness, network-cooperation, access to distribution	Marketing, competitiveness, network-cooperation, access to distribution	Marketing, competitiveness, network-cooperation, access to distribution

Source: Adapted by Metis 2011.

3. EUROPEAN SME SUPPORT INSTRUMENTS

KEY FINDINGS

- In recent years, **numerous policies have directly addressed SME** needs at EU and national levels.
- The **various initiatives** are based on policies (financial support, consultancy, networks, conferences and awards) that **partly overlap**.
- Financial support instruments can be divided into **support for growth, research, innovation** and **education** with a thematic approach for all stakeholders (enterprises, research institutions, public authorities, etc) and specific financial engineering instruments to support SMEs.
- Financial support instruments include **non-repayable grants, repayable loans and guarantees**.
- Support in specific sectors such as agriculture and fisheries may lack a particular SME focus but provide possibilities for participation of SMEs.

This chapter focuses on programmes and initiatives at EU level other than the Cohesion Policy instruments supported and financed by the European Commission. There is a significant amount of support actions at European level that vary between consultancy and financial support, awards, participation actions and policies. SME-relevant financial support can be divided into general financial support for business growth, for innovation and development and for upgrading skills. The non-financial support instruments differ, for example between platforms specifically focused on particular aspects of SMEs (globalisation, IP, standardisation) and general SME initiatives (networking, lobbying). The categorisation below shows a general overview of the most important SME-relevant activities at EU level.

3.1. Regulatory support

In recent years, the European Commission has increasingly acknowledged the different character of SME needs compared to those of large enterprises, and it has addressed SME issues through a set of policies and actions, such as the better regulation agenda,⁶⁹ innovation policy,⁷⁰ the Oslo Agenda for Entrepreneurship Education in Europe⁷¹ and the European Charter for Small Enterprises.⁷²

All policies are led by the Small Business Act (SBA), which aims to improve the overall approach to entrepreneurship on the grounds of 10 principles that should help to

⁶⁹ European Commission (2008), *Think Small First, A Small Business Act for Europe*, Impact assessment, {COM(2008) 394}{SEC(2008) 2102}.

⁷⁰ European Commission (2009), Brussels, *Reviewing Community innovation policy in a changing world*, COM(2009) 442 final.

⁷¹ The Conference on *Entrepreneurship Education in Europe: Fostering Entrepreneurial Mindsets through Education and Learning* (2006), The Oslo Agenda for Entrepreneurship Education, Oslo 2006.

⁷² European Commission (2009), *Small and medium-sized enterprises (SMEs) European Charter for Small Enterprises* - reference documents, available at: http://ec.europa.eu/enterprise/policies/sme/documents/charter/index_en.htm.

implement SME-relevant policies on EU and national levels. The SBA intends to anchor the 'Think Small First' principle in policy-making from regulation to public service, which 'implies that policy makers consider SMEs at the early policy development stages'.⁷³ This approach can be found in various actions conducted or initiated by the European Commission. Those actions are implemented through several different instruments such as financial incentives or advisory support.

3.2. Financial support

At European level, there is a distinction between support provided by the EIB/EIF, such as loans for SMEs and consultancy, and support provided by the European Commission. Only recently have the EC and EIB/EIF moved towards a joint approach in SME and enterprise support. The study in this respect concentrates on the current programming period and the instruments provided by the European Commission, and it does not consider proposals for the future Multi-Annual Financing Framework.

The most important financial support for enterprises concentrates on close-to-market innovation, with both non-repayable grants and repayable loans (Competitiveness and Innovation Framework Programme – CIP), but also research and innovation at the stage of basic research with non-repayable grants (Seventh Framework Programme, FP7). Both programmes seek to achieve significant SME participation.

However, the **Competitiveness and Innovation Framework Programme** - CIP 2007-2013, with over €3,6bn⁷⁴ in overall funding, is the one financial instrument that primarily targets SMEs. The CIP is made up of three branches which are all designed to contribute 'to the competitiveness of enterprises and their innovative capacity in their own areas'⁷⁵ and fall within the responsibility of different Directorates-General.

While the latter two are funding programmes with non-repayable grants which are also available to public authorities and research organisations, the first programme concentrates on SME support for access to finance, business services and grants.⁷⁶

The **Seventh Framework Programme for Research and Technological Development** (FP7) has a total planned EC contribution of €50bn⁷⁷ between 2007 and 2013. The Framework Programme has four specific programmes: Cooperation, Ideas, People and Capacities. The former two finance research activities, while the latter two finance activities on training and mobility as well as capacity-building. A specific budget line finances the Joint Research Centre (JRC) that undertakes research directly for the European Commission. The FP7 is very much dominated by research organisations but aims to target 15 percent of EC funding on R&D-related SMEs. In the 'Capacities' programme, the FP7 also includes a specific SME-related instrument: 'Research for the benefit of SMEs'. This covers support for SMEs or SME associations that need to outsource research to providers of research services. The EU Member States have earmarked a total of €1.336m for funding

⁷³ European Commission (2009), *Think Small First – Considering SME interests in policy-making including the application of an 'SME Test'*, DG Enterprise and Industry, March 2009, Brussels.

⁷⁴ European Commission (2006) *Establishing a Competitiveness and Innovation Framework Programme (2007 to 2013)* Decision No 1639/2006/EC of the European Parliament and of the Council, of 24 October 2006, p. 22.

⁷⁵ European Commission (2011), *Competitiveness and Innovation Framework Programme (CIP)*, available at <http://ec.europa.eu/cip/>.

⁷⁶ European Commission (2011), <http://ec.europa.eu/cip/>.

⁷⁷ European Commission Cordis (2006), *Seventh Framework Programme Budget*, available at http://cordis.europa.eu/fp7/budget_en.html.

SME research support over the duration of FP7.⁷⁸ The specific topics are located and administered by the relevant DG.⁷⁹

Research and development support also comes from **EUREKA**, which is an initiative of the Member States in cooperation with private industry involved in research and development. EUREKA serves as a platform for communication between public authorities of the MS, private industry and the European Commission. During the FP7 funding period, Eureka launched a joint programme, called Eurostars, based on Article 185 of the Lisbon Treaty.⁸⁰ The purpose of Eurostars is to stimulate SMEs to lead international collaborative research and innovation projects by supporting them with service support and funding.

The **LIFE+ programme** is the EU's main funding mechanism to ensure the practical application of environmental policies. It has a budget of €2bn 2007-2013 with at least 78 percent grant agreements. The programme is divided in three branches: LIFE+ Nature and Biodiversity, LIFE+ Environment Policy and Governance, and LIFE+ Information and Communication.⁸¹

In each of the branches, one call is launched annually for predefined topics. One of the policy areas of Regulation (EC) No 614/2007, which serves as the basis of the programme, is the implementation of the Environmental Compliance Assistance Programme for SMEs, which should support SMEs through advice and information access about environmental aspects in order to improve their environmental performance.⁸²

SMEs can also benefit from educational support. DG Education and Culture provides the life-long learning programme (LLL) with €7bn in 2007-2013. The administration of the LLL programme is partly centralised and partly managed via national agencies. It covers four sub-programmes: Comenius for schools, Erasmus for higher education, Leonardo da Vinci for vocational education, and training and Grundtvig for adult education.

However, for SMEs the most interesting programme is the Leonardo da Vinci Programme, which supports Mobility for People in the Labour Market (PLM)⁸³ and the Erasmus programme that launches special calls for young entrepreneurs.⁸⁴

Additional enterprise funding is available for culture and media, agriculture and fishery. Those funds do not have any particular focus on SMEs, but they acknowledge the small-scale structure of businesses in their particular area of focus. Other programmes can be found in Table 6.

⁷⁸ European Commission Cordis (2011), *Research for the benefit of SMEs*, available at http://cordis.europa.eu/fp7/capacities/research-sme_en.html.

⁷⁹ DG Research and Innovation, DG Energy, DG Environment or DG enterprise and Industry, DG Health, DG mobility and Transport, etc.

⁸⁰ European Commission (2008), consolidated version of the Treaty on the functioning of the European Union, Official Journal of the European Union.

⁸¹ European Commission (2007), Regulation (EC) No 614/2007 of the European Parliament and of the Council of 23 May 2007 concerning the Financial Instrument for the Environment (LIFE+), p. 15.

⁸² European Commission (2007), p. 15.

⁸³ European Commission (2011), *Leonardo da Vinci actions - Mobility for People in the Labour Market*, DG Education and Training, http://ec.europa.eu/education/leonardo-da-vinci/doc1029_en.htm.

⁸⁴ European Commission (2011), *Erasmus for Young entrepreneurs*, <http://www.erasmus-entrepreneurs.eu/>.

Table 6: European SME financial support instruments

Funds/Instruments	Financial instruments	SME support	Programme management	Budget (2007 – 2013)	Website
Competitiveness and Innovation Framework Programme (CIP)	See description above	Financial support for SMEs in the EIP programme	Entrepreneurship and Innovation Programme – several DGs: e.g. Enterprise and Industry (ENTR) , Executive Agency for Competitiveness and Innovation (EACI), European Investment Fund (EIF) ICT-PSP – centralised calls launched by DG Information Society and Media (INFSO) IEE - managed by DG Energy (ENER)	€3.6bn	http://ec.europa.eu/cip/
Seventh Framework Programme (FP7)	See description above	Direct calls for SMEs	Centralised calls available on CORDIS ⁸⁵ . Different topics in FP7 are managed by the relevant DG.	€50.5bn (excl. Euratom)	http://cordis.europa.eu/fp7/home_en.html
LIFE Programme (LIFE+)	Non-repayable funds for particular project calls	No specific SME financial instrument	Centralised calls launched by DG Environment (ENV)	€2.143bn	http://ec.europa.eu/environment/life/funding/lifeplus.htm
Eurostars Programme	See description above	Direct support for participation in R&D programmes	Eurostars serves as a platform with its own budget funded by the DG Enterprise and Industry (ENTR) and the MS.		http://www.eurostars-eureka.eu/

⁸⁵ CORDIS is the Community Research and Development Information Service of the European Commission and provides a platform for FP7.

Funds/Instruments	Financial instruments	SME support	Programme management	Budget (2007 – 2013)	Website
The Lifelong Learning Programme (including Comenius for schools, Erasmus for higher education, Leonardo da Vinci for vocational, education and training, Grundtvig for adult education) ⁸⁶	Non-repayable grants	Direct for individuals	Centralised calls launched by DG Education and Culture (EAC) and partly decentralised actions via national agencies	€6.970bn	http://ec.europa.eu/education/lifelong-learning-programme/doc78_en.htm
The Marco Polo II programme co-funds direct modal-shift or traffic avoidance projects and projects providing supporting services which enable freight to switch from road to other modes ⁸⁷	Non-repayable funds for particular project calls	No specific SME financial instrument	DG Mobility and Transport (MOVE), Executive Agency for Competitiveness and Innovation (EACI),	€450m	http://ec.europa.eu/transport/marcopolo/about/index_en.htm
Culture programme supports cultural actions, cultural bodies and support for policy analysis and dissemination activities ⁸⁸	Non-repayable grants	Applicants in this programme are mostly SMEs or individuals	The programme is managed centrally by the DG Education and Culture (EAC) and partly via executive agencies ⁸⁹	€400m	http://ec.europa.eu/culture/our-programmes-and-actions/doc411_en.htm
Funds/Instruments	Financial instruments	SME support	Programme management	Budget (2007 – 2013)	Website
MEDIA 2007 ⁹⁰ should strengthen the innovative capacity of the European audiovisual sector. In correlation to MEDIA the European Commission has launched several other sub	Non-repayable grants, scholarships, awards	Supports authors (scriptwriters and directors) in the creative process	MEDIA programme and related programmes are managed via MEDIA desks in each MS	MEDIA 2007 €755m MEDIA MUNDUS €15m	http://ec.europa.eu/culture/media/programme/overview/2007/index_en.htm

⁸⁶ European Commission (2011), *The Lifelong Learning Programme: education and training opportunities for all*, DG Education and Training, http://ec.europa.eu/education/lifelong-learning-programme/doc78_en.htm.

⁸⁷ European Commission (2009), amending Regulation (EC) No 1692/2006 establishing the second 'Marco Polo' programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo II), Regulation (EC) No 923/2009 of the European Parliament and the council of 16 September 2009.

⁸⁸ European Commission (2011), *Culture programme: a serious cultural investment*, http://ec.europa.eu/culture/our-programmes-and-actions/doc411_en.htm.

⁸⁹ European Commission (2010) Culture programme, Programme guide (2007 – 2013), DG Education and Culture, p. 12.

⁹⁰ European Commission (2006), decision 1718/2006/EC of the European Parliament and of the Council of 15 November 2006, concerning the implementation of a programme of support for the European audiovisual sector (MEDIA 2007).

Funds/Instruments	Financial instruments	SME support	Programme management	Budget (2007 – 2013)	Website
programmes such as MEDIA MUNDUS ⁹¹ for international cooperation or MEDIA LITERACY ⁹²					
The European Fisheries Fund (EFF) ⁹³	Non-repayable grants	No direct SME targeted funding	Managing Authority in MS manages along EC guidelines	€4.304 bn	http://ec.europa.eu/fisheries/cfp/eff/index_en.htm
European Agricultural Fund for Rural Development (EAFRD) ⁹⁴	Non-repayable grants	No direct SME targeted funding	Managing Authority in MS manage along EC guidelines	€96.3 bn	http://ec.europa.eu/agriculture/rurdev/index_en.htm
Funds/Instruments	Financial instruments	SME support	Programme management	Budget (2007 – 2013)	Website
European Progress Micro finance Facility (EPMF) enables micro credit providers in EU countries to increase lending	guarantees to micro credit providers, thereby sharing their potential risk of loss, and providing funding, aimed at increasing micro credit on-lending	Via micro credit providers: micro-credit (< €25,000)	European Investment Fund (EIF)	Initial budget €100m of funding EC to leverage € 500m	http://www.eif.org/what_we_do/microfinance/progress/index.htm

Source: European Commission and EIB 2011 – for detailed source, see column 'Website'.

⁹¹ European Commission (2009), Decision adopted jointly by the European Parliament and the Council, *Decision No 1041/2009/EC of the European Parliament and the Council of 21 October 2009, establishing an audiovisual cooperation programme with professionals from third countries (MEDIA Mundus)*.

⁹² European Commission (2007), *A European approach to media literacy in the digital environment*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2007) 833 final, Brussels, 20.12.2007.

⁹³ European Commission (2006) *Council regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund*.

⁹⁴ European Commission (2005), *Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)*.

3.3. Advice and support services

The European Commission operates a variety of internet-based platforms for different SME-related issues. These aim at completing, or complementing, national information and consultancy services to SMEs (see Table 7).

Additionally, many organisations partly funded by the European Commission provide platforms to guide entrepreneurs through the legislative and regulative hurdles to starting their businesses; the EC also provides more specific services for environmental issues, standardisation, intellectual property rights in Asia and support in public procurement.

Table 7: European SME advice/consultancy instruments

Instruments	Explanation	Managed by	Website
European Small Business Portal	SME Support Access to SME relevant information	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/small-business/index_en.htm
Women Entrepreneurship Portal	Umbrella portal for national platforms	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/women/portal/
TED (Tenders Electronic Daily)	Public tender database	Publications Office (OP)	http://ted.europa.eu/TED/main/HomePage.do
eCERTIS	Certification database	DG Internal Market and Services (MARKT)	http://ec.europa.eu/markt/ecertis/login.do
Your Europe	Business support network, help and advice on life, work and travel in the EU	DG Internal Market and Services (MARKT)	http://ec.europa.eu/youreurope/
SME TechWeb	Supports SMEs in participating in EU research and development programmes	DG Research and Innovation (RTD)	http://ec.europa.eu/research/sme-techweb/index_en.cfm
IPR Help Desk in China	Supports the protection of European enterprises in protecting intellectual property rights in China	DG Enterprise and Industry (ENTR)	http://www.china-iprhelpdesk.eu/
Enterprise Europe Network	helps small business to develop business in new markets with guiding through the new markets regulations (e.g. source or license new technologies) or access EU finance and EU funding	DG Enterprise and Industry (ENTR)	http://www.enterprise-europe-network.ec.europa.eu/index_en.htm

Source: European Commission 2011 – for detailed source, see column 'Website'.

3.4. Networking and participation

The EC strives to reach stakeholders and encourages them to participate in the legislative and regulative process and to build up relevant networks (see Table 8). When preparing EU legislation, European institutions consult stakeholders and the general public in order to ensure that the legislative proposals respond to the real needs of a particular target group. Stakeholders include social partners, businesses, and environmental and other civil society organisations. Furthermore a number of awards are also targeted at stimulating networks (see Table 9).

Table 8: European SME networks

Title	Main task	Managed by	Website
European Network of Female Entrepreneurship Ambassadors	Representation of female entrepreneurs to support women to become entrepreneurs	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/women/ambassadors/index_en.htm
European Business Test Panel (EBTP)	Participation platform for EU policy development	A panel of individual companies regularly consulted on EC policy initiatives	http://ec.europa.eu/yourvoice/ebtp/index_en.htm
Enterprise Experience Programme	Practice places in SMEs for European civil servants for hands-on experience gaining	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/enterprise/dg/enterprise-experience/index_en.htm
European SME Week	Campaign to promote entrepreneurship across Europe and to inform entrepreneurs about support available for them at European, national, regional and local level	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/enterprise/initiatives/sme-week/

Source: European Commission 2011 – for detailed source, see column 'Website'.

Table 9: Other European SME related activities

Activity	Purpose	Managed by	Website
European Enterprise Awards	The award is given to public authorities which best promote entrepreneurship	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/enterprise/policies/sme/best-practices/european-enterprise-awards/index_en.htm
European Entrepreneurship Video Award 2010	Awards to film makers focused on entrepreneurship	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/enterprise/initiatives/sme-week/videos/eevas2010/index_en.htm
The European Entrepreneurial Region (EER)	The award is given annually to up to three EU regions which have the most outstanding political vision to boost their entrepreneurial environment.	Committee of the Regions	www.cor.europa.eu/eeer
International affairs	Public consultation: Small Business, Big World - A new partnership to help SMEs seize global opportunities	DG Enterprise and Industry (ENTR)	http://ec.europa.eu/enterprise/policies/international/listening-stakeholders/public-consultation-sme-support/index_en.htm

Source: European Commission 2011 – for detailed source, see column 'Website'.

4. COHESION POLICY PERFORMANCE – LITERATURE REVIEW

KEY FINDINGS

- Cohesion Policy instruments are ERDF, ESF and the Cohesion Fund. They focus to varying extents on three objectives: **Convergence, Regional Competitiveness and Employment, and European Territorial Cooperation**. The funds finance a total of 383 national and transnational and regional operational programmes.
- The Cohesion Policy Regulation 1083/2006 (Annex IV) provides specific expenditure categories relevant for enterprises. The enterprise support can be divided into specific **SME support** (codes 03, 04, 06, 09, 14, 15, 68), **general enterprise support** (codes 05, 07, 08) and **support for business restructuring and adaptability of workers** (codes 62, 63, 64).
- SME support can be divided into **direct support** (non-repayable grants, repayable loans, equity-based instruments) and **indirect support** (services/advice and support, intangible mechanisms/networking and clustering and tangible public goods/infrastructure, notably business incubators).
- Comparing the different types of measures with the expenditure categories of Regulation 1083/2006 Annex IV, it can be stated that for **all enterprise-relevant expenditures non-repayable grants are available**, while **repayable loans and equity-based support focus on specific SME support and general enterprise support**. Advice and support are more focused on the adaptability of workers.
- In recent years, there has been a **reorientation of direct support from non-repayable grants to loans and equity-based schemes**. Notwithstanding that the non-repayable grants are still the important instrument, repayable loans are increasingly important as direct support for SMEs. **Specific attention** to improving SMEs' access to finance comes through **JEREMIE** and **JASMINE**.
- **JESSICA** and **JASPERS** are additional special support instruments. While JESSICA focuses on urban projects, JASPERS provides technical assistance for infrastructure projects. JESSICA and JASPERS do not have any specific focus on SMEs.
- Whilst the further development of financial engineering schemes is widely supported, beneficiaries think that this should **not entail** the **abandonment** of support in the form **of non-repayable grants**.
- The European Territorial Cooperation programmes **support network and knowledge-exchange** activities between different institutions and also SMEs.
- **Business support** was an important component **in the previous period ERDF programmes**. They accounted for 26 percent of total expenditure in Objective 1 and 48 percent in Objective 2 regions in the EU-15 and 20 percent of total expenditure in the EU-10. Financial allocations varied considerably across countries.
- Notwithstanding the significant deterioration of the business climate in the Member States, the financial and economic crisis has not brought about major changes to the initial funding allocations to different priorities and policy areas within the OPs, which retained their longer-term rather than anti-cyclical strategic focus. Nevertheless, there were some shifts of funding across priorities and measures to ensure

absorption and resources have, in some cases, been diverted to support companies in difficulties.

- A number of shortcomings in SME support have been pointed out by the targeted recipients of such support. These **shortcomings** will **have to be addressed** in order to **increase take-up** and **prevent firms from moving away** from Cohesion policy and towards domestic programmes/schemes.
- **Firms of different size have different needs** and capacities, but the **public authorities in charge of the programmes do not show enough awareness** of this in policy design.
- Different **types of synergies and complementarities** can be identified between the support provided to SMEs by **Cohesion Policy** and that provided by **other EU policies** and by the domestic policies implemented by national and regional authorities (especially in the EU-15). Such synergies should be further strengthened.
- The **documentation available does not allow a comparable review** of data between Member States.

4.1. Introduction

After a brief overview of key elements of the 2007-2013 Cohesion Policy framework, this chapter provides an analysis of several policy reports, evaluations and literature on the instruments for SME support that are implemented under the current and (to a more limited extent) the past programming period, and their achievements.

The assessment is shaped along the different dimensions of the concept of performance. This can be assessed in terms of the SME relevance of:

- The instruments' aims and objectives (i.e. strategic alignment with the SME needs);
- The nature of instruments adopted (e.g. pertinence, frequency and types);
- The resources allocated, committed and spent (financial input) by the instruments;
- Physical output of the instruments; and
- Outcome/results and impact of the instruments.

A particular feature of these dimensions is that the informative value with regard to SMEs increases from the top to the bottom of the list, and equally the difficulty of assessment and thus the lack of relevant literature available. Besides the fact that this would require increased research activity concerning the last two bullet points of the list – which, as will be seen in Chapter 5, face a series of difficulties in terms of measurement – the list clearly highlights dimensions of SME relevance within policy instruments.

From a theoretical point of view, an instrument might be valuable in terms of strategic alignment, as particular attention had been drawn during the planning phase to the SME pertinence of the objectives. However, it might not perform well in terms of resources committed or spent due to delays in implementation, which might be linked to overly onerous eligibility and participation requirements for SMEs. The above listing serves as a basis to structure the following synthesis of results (with the exception of bullet one which is omitted here).

A second point to keep in mind is that for the analysis concerning the second and the third bullet point of the above list, i.e. the types of measures adopted and the financial aspects,

the codes of expenditure of Annex IV of Regulation 1083/2006 were used to outline and categorise the instruments available for SME support. However, the documents reviewed often do not report data, in particular non-financial data, in accordance with the codes of expenditure. Instead, they

- Deal with instruments on a general level (i.e. one or more funds) without entering into different types (with the exception of a few reports on experiences with financial engineering⁹⁵); or
- Provide information on general enterprise support (i.e. including large firms), without systematically offering specific insights into support for SMEs.

A final point to consider is the fact that the last two bullets dealing with output, outcome/results and impact can be assessed both in qualitative and quantitative terms: the first part of 4.5 is dedicated to the former, the second part tries to shed some light on the latter.

4.2. Brief overview of Cohesion Policy instruments

European regional policy is designed to bring about concrete results, furthering economic, social and territorial cohesion to reduce the gap between the development levels of the various regions. The Cohesion Policy instruments targeting the cohesion of the European Union are the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).

For the purpose of cohesion, the European Member States are divided into 'Convergence' and 'Competitiveness and Employment' regions. The financial instruments tackle different objectives in those regions to support infrastructure, the economic situation and labour market needs. Additional support is given to cross-border, transnational and interregional cooperation between MS and with neighbouring countries of the European Union. For the preparation of Candidate Countries, the European Commission provides support in the form of the Instrument for Pre-accession Assistance (IPA).⁹⁶

⁹⁵ See for instance Jiménez F. and Mathesius S. (2010), *JEREMIE implementation with a regional development agency – The case of Andalucía: challenges, achievements and perspectives*, Presentation at the Conference 'JEREMIE & JESSICA: Towards successful implementation', 29-30 November 2010, slides: Vingelman J. (2010), *Views from a national holding fund on the JEREMIE implementation – The case of Hungary: challenges, achievements and perspectives*, Presentation, Conference on JEREMIE & JESSICA: Towards successful implementation 29-30 November 2010; Zaliwska, D. (2011) *Activities of the JEREMIE Networking Platform and overview of JEREMIE implementation in Member States*, Presentation at the 5th meeting of the JEREMIE Networking Platform, 20 May 2011, Brussels.

⁹⁶ European Commission (2010), *Establishing an Instrument for Pre-Accession Assistance (IPA)*, Council regulation (EC) No 1085/2006, of 17 July 2006.

Convergence (CONV)

Regions (NUTS 2 level) where GDP per capita is below 75 percent of the average EU-15⁹⁷ will receive 70.51 percent of the funds allocated for this objective. Regions where per capita GDP is above the new threshold of the EU-15 average due to the statistical effect of EU enlargement (including more deprived regions) benefit from transitional financing (phasing-out). They will receive 5 percent of the convergence funding. Member States with a GNI/capita below 90 percent of the EU-15 average benefit from the Cohesion Fund.⁹⁸

Regional Competitiveness and Employment (RCE)

All regions that are not covered by the Convergence objective or which are not phasing-out regions are eligible for funding under the Competitiveness and Employment objective. A phasing-in system is granted until 2013 to NUTS 2 regions that were covered by the former Objective 1, but where GDP/capita exceeds 75 percent of the average GDP/capita of the EU-15.⁹⁹

European Territorial Cooperation (ETC)

The European Territorial Cooperation supports regions and cities in cross-border, interregional and transnational cooperation covering these three types of programmes. Additional efforts are covered by networking programmes (Urbact II, Interact II and ESPON).¹⁰⁰

For the period between 2007 and 2013, the European Commission introduced technical assistance and financial engineering instruments in order to increase resources for relevant categories of stakeholders, in particular enterprises. The instruments should provide financial support as well as the transmission of knowledge from the European Investment Fund and/or the EIB to the respective authorities in the MS;¹⁰¹ all may be co-financed by ERDF.

The following instruments have been put in place (see also Figure 3):

- JEREMIE (Joint European Resources for Micro to medium Enterprises), as one of the newly established financial engineering instruments, provides financial support for operations comprising investments in, or provision of loans and guarantees to, enterprises. JEREMIE is the most relevant financial engineering instrument for SMEs. The operational frame of the instruments may take the form of a 'holding fund'. One example for a partnership may be the involvement of the EIF. JEREMIE however should provide an instrument allowing Member States and regions to set up revolving funds for SMEs that can be co-funded by the ERDF.¹⁰²

⁹⁷ European Commission (2011), *Cohesion Policy 2007-2013, commentaries and official text*, Guide, January 2007, p. 13

⁹⁸ For specific additional allocations please see Council Regulations (EC) No 1083/2006 Annex II.

⁹⁹ European Commission (2011), *Cohesion Policy 2007-2013, commentaries and official text*, Guide, January 2007, p. 18

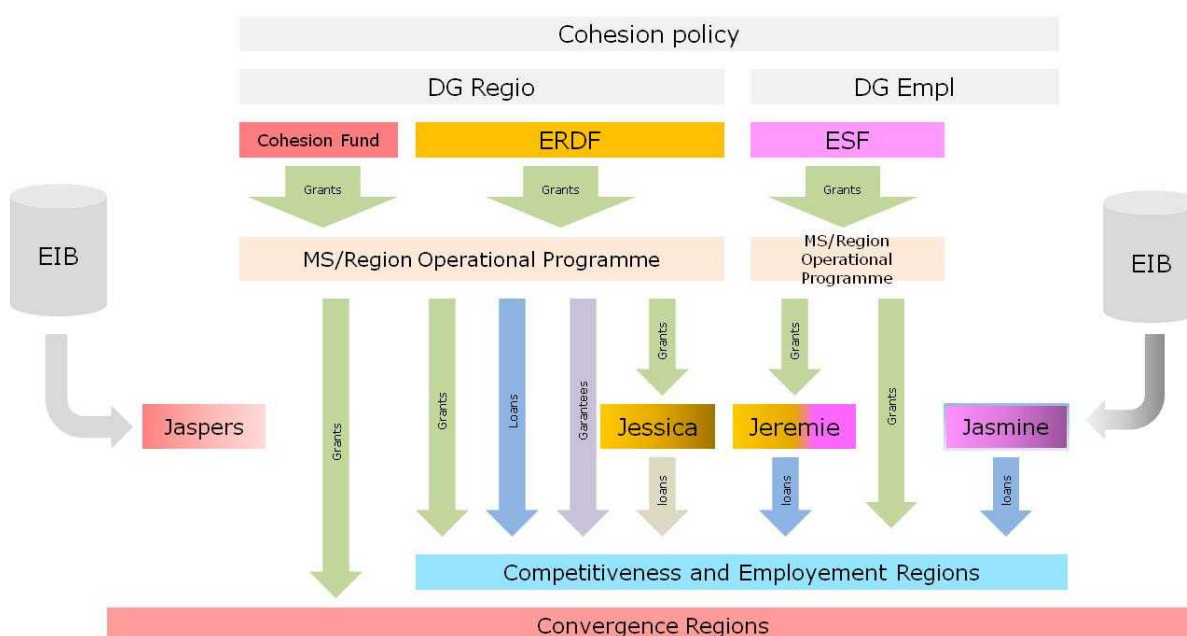
¹⁰⁰ European Commission (2011), *European Territorial Co-operation*, DG Regional Policy Inforegio, available at http://ec.europa.eu/regional_policy/cooperation/index_en.htm.

¹⁰¹ European Commission (2011), *The Funds, Special support instruments*, DG Regional Policy – Inforegio available at http://ec.europa.eu/regional_policy/thefunds/instruments/index_en.cfm.

¹⁰² European Commission (2007), Note of the Commission services on Financial Engineering in the 2007-13 programming period, Doc Cocof/07/0018/01-en final, p. 1.

- JASMINE (Joint Action to Support Micro-finance Institutions in Europe)¹⁰³ is a special support instrument based on a joint initiative between the European Commission, the European Investment Bank and the European Investment Fund. JASMINE is designed to provide support to non-bank micro-credit providers in the form of advice, evaluation and training for micro-credit providers as well as funding for operations.
- JESSICA (Joint European Support for Sustainable Investment in City Areas) is an instrument specifically for urban projects.¹⁰⁴ The operational aspects are similar to JEREMIE, but without specific SME relevance.
- JASPERS (Joint Assistance to support Projects in European Regions) provides technical assistance for large infrastructure projects and is based on a joint initiative between the European Commission, European Bank for Reconstruction and Development (EBRD), the European Investment Bank and the Kreditanstalt für Wiederaufbau (KfW). It has no specific SME relevance.¹⁰⁵

Figure 3: Cohesion Policy instrument overview



Source: European Commission (2011) The Funds, DG Regional Policy – InfoREGIO available at http://ec.europa.eu/regional_policy/thefunds/cohesion/index_en.cfm adapted by METIS.

The mechanism of financial payment is based on operational programmes developed and defined by each Member State and its regions. The main differences are based on the fund allocations between the 'Convergence' regions and the 'Competitiveness and Employment' regions.

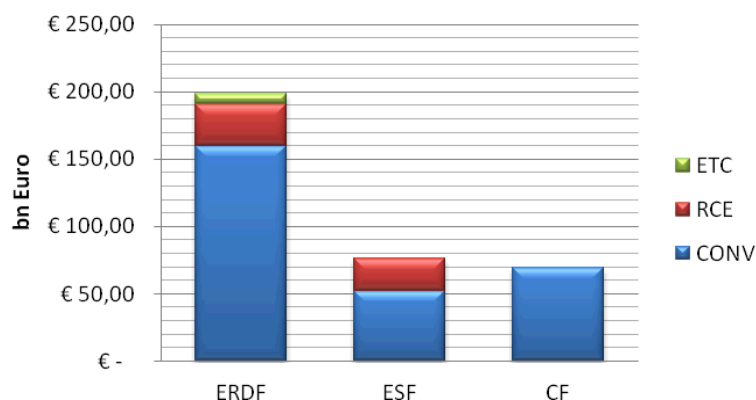
¹⁰³ European Commission (2011), *Special support instruments, JASMINE: Joint Action to Support Micro-finance Institutions in Europe*, Regional Policy-infoREGIO, available at: http://ec.europa.eu/regional_policy/thefunds/instruments/jasmine_en.cfm.

¹⁰⁴ European Commission (2007), Note of the Commission services on Financial Engineering in the 2007-13 programming period, Doc Cocof/07/0018/01-en final, p. 1.

¹⁰⁵ European Commission (2011), *Special support instruments, JASPERS: Joint Assistance to Support Projects in European Regions*, Regional Policy-infoREGIO, available at: http://ec.europa.eu/regional_policy/thefunds/instruments/jaspers_en.cfm#1.

The operational programmes of the Convergence regions are co-financed by the Cohesion Fund and the European Regional Development Fund. ERDF and the Cohesion Fund intervene for programmes covering infrastructure and environment. The operational programmes of the Competitiveness and Employment regions are funded by the European Regional Development Fund. Operational programmes targeted at employment and social inclusion are funded by the European Social Fund in both types of regions, while ETC is funded by ERDF only (see Figure 4).

Figure 4: Coverage of Cohesion Policy objectives by Structural Funds, 2007-2013



Source: European Commission (2010) Investing in Europe's future, Fifth report on economic, social and territorial cohesion, p. 202, adapted by METIS 2011.

4.3. SME-relevant measures in Cohesion Policy

4.3.1. SME-relevant measures in the current funding period

Within the current Cohesion Policy period, SME support is based on the codes of expenditure outlined in Annex IV of Regulation 1083/2006 and focuses on the four main thematic areas of R&D, ICT, adaptability and employment. Three main target groups are distinguished: SMEs, general enterprises, and workers. The following paragraphs include a detailed description of measures relevant for the different target groups.

The category **'targeted SME support'** includes the following type of interventions, listed under codes 3, 4, 6, 9, 14, 15 and 68 of Annex IV:

Direct support for research, development and technology transfer, to stimulate research and innovation within SMEs:

- Support for technology transfer and improvement of cooperation networks between SMEs, other firms, universities, post-secondary establishments, research centres, scientific/technological poles/parks and government authorities.
- Support to SMEs for R&TD activities, including access to R&TD services in research centres and scientific/technological poles/parks (for example, in the form of innovation vouchers).
- Support to SMEs for the promotion of environmentally-friendly products and production processes (introduction of effective environmental management system, adoption and use of pollution-prevention technologies, integration of clean technologies into a firm's production).

Direct support for IT-related investments, such as:

- Support for the acquisition of services and applications for e-commerce;
- Support for IT-related training;
- Other support for accessing and making efficient use of ICT by SMEs.

Direct support for the creation of new firms, i.e. for start-ups and self-employment:

- Support for start-ups (starter grants, aided loans, venture capital), including specific measures for the start-up (and consolidation) of youth and female companies.
- Consultancy/advice or financial support for the acquisition of such services (in all aspects of business management, from marketing to financial management).

In some cases, such forms of support are targeted on specific sectors, as was the case during the previous programme period.¹⁰⁶

The category '**general enterprise support**' includes the interventions foreseen in codes 5, 7 and 8 of Annex IV, notably:

- Advanced services for firms and groups of firms (other than those specified above, e.g. for marketing, internationalisation, production chains, etc.);
- Support for investments in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.);
- Other investments in firms (other than those listed above, e.g. for productive investments with no particular innovation, ICT or environmental orientation).

The category '**restructuring and adaptability of workers**' includes the types of interventions foreseen by Annex IV under codes 62, 63 and 64, notably:

- Training and services for employees to increase their adaptability to change;
- Animation, training and capacity-building for the promotion of entrepreneurship and innovation (also managerial) within SMEs, for instance in the form of in-house corporate training programmes;
- Design and dissemination of innovative and more productive ways of organising work within SMEs;
- Training specifically designed in connection with the restructuring of sectors and firms.

4.3.2. Types of SME support in the programming period 2007-2013

The above-listed types of measures can take the form of both direct and indirect support, where direct forms of support are grants, repayable loans, equity-based instruments (e.g. venture capital) and other forms of financial engineering support (e.g. guarantees). Indirect forms of support relate to the provision of services, advice and expert support for networking and clustering and the provision of tangible public goods (such as the creation

¹⁰⁶ Ramboll Management (2010), *Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006), Work Package 6b: Key results from the 30 programmes spending most on enterprise*, Final Report to the European Commission, D.G. Regio, June 2010, p.14-15.

of business incubators or business/industrial parks, as have been founded, for example, in Hungary and France).¹⁰⁷ All of them are listed in Table 10.

Table 10: Types of SME support schemes

Types of SME support schemes	Direct			Indirect		
	Non-rep. grants	Repayable loans	Equity-based	Services, advice & support	Intangible mechanisms/networking & clustering	Tangible public goods
Targeted support (codes 3, 4, 6, 9, 14, 15 and 68)						
R&D&I and TT	✓	✓	✓			
IT	✓	✓	✓			
New firms	✓	✓	✓	✓		✓
General support (codes 5, 7 and 8)						
Advanced services for firms or groups of firms	✓	✓		✓		
Other investments in firms	✓	✓	✓			
Investment in firms directly linked to R&I	✓	✓	✓			
Adaptability (codes 62, 63 and 64)						
Training and services for employees	✓			✓		
Animation, training & CB for promotion of entrepreneurship and innovation				✓		
Design & dissem. of new ways of organising of work	✓			✓		

Source: Cross-tabulation of categorisation proposed based on ToR (and Annex IV of the Regulation 1083/2006) and that proposed in the ex post evaluation of 2000-06 ERDF programmes.¹⁰⁸

In recent years, there has been a reorientation of direct support from non-repayable grants to loans and equity-based schemes, often through equity, loans or guarantees funds, generally referred to as financial engineering schemes.¹⁰⁹ These forms of intervention are reputed to present a number of advantages over traditional instruments for the Managing Authorities of the programmes, notably increased flexibility, benefits from employing a portfolio approach, allowing the re-utilisation of funds, ability to leverage additional investment from the private sector and, with regard to the three EU initiatives JASMINE,

¹⁰⁷ Holm-Pedersen M., Millard J. and Pedersen K. (2009), *Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006)*, Work Package 6a: *A survey of support for enterprise and innovation*, Final Report to the European Commission, D.G. Regio, May 2009, pp. 20-21.

¹⁰⁸ Holm-Pedersen M., Millard J. and Pedersen K. (2009), pp. 20-21.

¹⁰⁹ Ramboll Management (2010) p. 165.

JEREMIE, JESSICA , the scope to benefit from expert advice provided by the European Investment Fund (EIF) and/or the European Investment Bank (EIB).

Financial engineering schemes also present the advantage that the financial allocations are considered as legally committed once a fund has been established, which is beneficial for Managing Authorities in terms of the N+2 rule.

4.3.3. Types of SME support in the programming period 2000-2006

According to the evaluation of the previous period 2000-2006, ERDF programmes tended to comprise the full spectrum of direct and indirect forms of support, although non-repayable grants were less prominent in UK programmes and Objective 2 programmes, which tended to move away from this type of instrument. When included in the Objective 2 programmes, these forms of support were often part of integrated packages.¹¹⁰ Grants and repayable loans were particularly prominent in the Objective 1 programmes of Spain and Germany; indirect support - services/advice, networking and clustering, business infrastructure such as business incubators – prevailed in UK programmes, whilst other programmes had a more balanced spread between direct and indirect forms of support.¹¹¹ However, the evaluation of the recent programming period indicated that non-repayable grants still serve as a major support for building a capital stock of enterprises¹¹² and should therefore be kept as a valid SME support.

4.3.4. Special focus on the SME-relevant measures adopted in times of financial crisis

Notwithstanding the significant deterioration of the business climate in the Member States,¹¹³ the financial and economic crisis has not brought about a major change of the initial funding allocations to different priorities and policy areas within the OPs. The latter retained their longer-term rather than anti-cyclical strategic focus. Nevertheless, there have been some shifts of funding across priorities and measures, for instance, to ensure absorption and avoid N+2 cuts. There has also been an increased use of 'fast-working measures to maintain or increase jobs'¹¹⁴ and of Structural Funds resources to 'provide support to companies in financial difficulties',¹¹⁵ particularly with regard to SMEs. In some cases, notably in Germany, Finland, the Netherlands, Slovenia and Estonia, firms even took 'advantage of the downturn in sales to divert efforts to R&D and to prepare for the future'.¹¹⁶

In their 2009 Strategic Reports, all Member States were required to outline the measures taken in the operational programmes to help offset the effects of the economic crisis, in line with the European Economic Recovery Plan¹¹⁷ (EERP) launched by the Commission in 2008

¹¹⁰ Ramboll Management (2010), pp. 164-165.

¹¹¹ Applica and ISMERI Europa (2010) *Evaluation network delivering policy analysis on the performance of Cohesion Policy 2007-2013*, Synthesis of national reports 2010 Executive summary, December 2010, p. 71.

¹¹² Ramboll Management (2010) pp. 88.

¹¹³ European Commission (2010) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Cohesion Policy: *Strategic Report 2010 on the implementation of the programmes 2007-2013*, SEC(2010)360, COM(2010)110 final, p. 3.

¹¹⁴ Applica and ISMERI Europa (2010), p. 4.

¹¹⁵ Applica and ISMERI Europa (2010), p. 4.

¹¹⁶ Applica and ISMERI Europa (2010), p. 4.

¹¹⁷ CEC (2008) Communication from the Commission to the European Council, *A European Economic Recovery Plan*, COM(2008) 800 final.

and utilising the related simplification package. Many of these measures were targeted at SMEs.

Overall, the EERP has been broadly welcomed by Member States and Managing Authorities,¹¹⁸ with various aspects being implemented by the Member States. Many Managing Authorities have sought to take advantage of the various financial and simplification provisions provided, which included increases in: advance payment, front-loading of project financing, temporary state aid schemes to assist SMEs, provision of JEREMIE or other types of financial engineering instruments to support SME investment, declaring and calculating costs on a flat-rate basis, and using lump sums to cover all or part of operational costs.

Of the Strategic Reports reviewed,¹¹⁹ only in the cases of Austria,¹²⁰ Belgium,¹²¹ the Czech Republic,¹²² Ireland,¹²³ Portugal¹²⁴ and Spain¹²⁵ have JEREMIE schemes been either ruled out completely or not mentioned as features of the economic recovery agenda of the respective governments. Conversely, the UK has four JEREMIE schemes in operation at the time of writing (three in England, one in Wales), and a further future initiative is to be launched in Northern Ireland.¹²⁶ Other countries that utilise JEREMIE provisions to support SMEs through ERDF funding include Bulgaria,¹²⁷ France,¹²⁸ Greece,¹²⁹ Hungary,¹³⁰ Italy,¹³¹ Malta,¹³² Lithuania,¹³³ and Romania (though not in response to the crisis).¹³⁴

In some cases, the crisis has led to an expansion of the scheme. Malta, for example, has outlined plans to expand its JEREMIE scheme from €5m to €10m in order to facilitate

¹¹⁸ European Parliament (2010), *Review and Assessment of Simplification Measures in Cohesion Policy 2007-2013*, Note, Directorate-General for Internal Policies, Policy Department B Structural and Cohesion Policies, p. 9.

¹¹⁹ As indicated in the bibliography, the following Strategic Reports were reviewed: Austria, Belgium, Bulgaria, Czech Republic, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Spain and United Kingdom.

¹²⁰ ÖROK (2009) *STRAT.AT Strategic Report 2009*, Strategic Report for Austria pursuant to Article 29 Regulation (EC) No 1083/2006, Resolution by the ÖROK Commission of Deputies of 22 October 2009, p. 71.

¹²¹ Belgium (2009) *Rapport Stratégique Nationale de la Belgique*, December 2009.

¹²² Czech Ministry for Regional Development, National co-ordination authority (2009) *Strategic Report of the Czech Republic 2009. Final Report*, November 2009, p. 68.

¹²³ Ireland (2009) *Ireland's National Strategic Report 2009*, December 2009 (JEREMIE not mentioned).

¹²⁴ Portugal (2009) *Relatório Estratégico 2009*, December 2009 (JEREMIE not mentioned).

¹²⁵ Ministerio de Economía y Hacienda and Ministerio de Trabajo y inmigración (2009) National Strategic Reference Framework, 2009 National Strategic report, 21.12.2009 (JEREMIE not mentioned).

¹²⁶ United Kingdom (2009) *National Strategic Report 2009*, pp. 33, 37 and 41.

¹²⁷ Bulgaria (2009) *Strategic Report of the Republic of Bulgaria for 2009*, pp. 19 and 32.

¹²⁸ France (2010) *Rapport Stratégique sur le suivi du CRSN. La mise en oeuvre des programmes opérationnelles 2007-2013*, January 2010, pp. 60, 76 and 78-79.

¹²⁹ Greece (2009) *National Strategic Report NSRF 2007-13, Executive Summary*, p. 8.

¹³⁰ For micro-credit, portfolio guarantees and risk capital funds Hungary (2009) *National Strategic Report according to Article 29 of Council Regulation (EC) No. 1083/2006*, Hungary, 09-30-2009.

¹³¹ Ministero dello Sviluppo Economico (2009) *Rapporto Strategico Nazionale 2009*, dicembre 2009, p. 40.

¹³² Malta (2009) *Strategic Report Cohesion Policy 2007-2013*, December 2009, p. 54 and pp. 96-97.

¹³³ Lithuania (2009) *National Strategic Report 2009 of the Lithuanian Strategy for the Use of European Union Structural Assistance for 2007-2013*, pp. 29 and 34. Launched in 2008, with EUR 80m of ERDF funding, the Lithuanian JEREMIE fund was increased in 2009 to EUR 290m, making it amongst the largest of its kind. In addition to their establishment of a JEREMIE fund, the Lithuanian Government also created three other national funds to channel cohesion funds to support businesses, as part of its overarching Economic Stimulation Plan. Two tripartite agreements were established between the Ministry of Finance, the Ministry of Economy and JSC Investment and Business Guarantees (later referred to as INVEGA) to establish the INVEGA holding fund and the Guarantee Fund. The former, worth EUR 58m, is used to provide low interest loans to SMEs and micro enterprises through attracting funds from private banks. The latter, worth an additional EUR 37.4m, was established to provide guarantees and compensation for financial institutions which provide loans under the INVEGA Fund. The third fund, the Jasmine Fund, provides support for business development and start-ups, including social enterprises.

¹³⁴ Government of Romania (2010) *National Strategic Report 2009 on the implementation of the Structural and Cohesion Funds*, pp. 59 and 106.

greater access to credit for SMEs.¹³⁵ On the contrary, in one French overseas region, after initial consideration of JEREMIE, the choice was made not to use this instrument and instead to launch other ERDF co-financed funds, due to the complexity of the procedures required for the activation of JEREMIE, which were considered unsuitable to promptly address the needs of firms in difficulty.¹³⁶

The majority of the above-mentioned JEREMIE funds have been implemented as part of sectoral OPs, for example Bulgaria's 'Improving the Competitiveness of Bulgarian Economy' OP or Romania's 'Innovation and Economic Competitiveness' OP.

In a number of Member States (e.g. Bulgaria, Italy, Lithuania and the UK), additional or reinforced financial engineering measures were introduced in the programmes, beyond the JEREMIE Fund, as a response to the crisis.

In contrast to the popular utilisation of JEREMIE funds, the temporary measures on State Aid to assist domestic SME sectors as part of the Structural Funds programmes have been largely neglected by Member States reviewed. In the respective Strategic Reports for 2009, Austria,¹³⁷ Hungary,¹³⁸ Lithuania,¹³⁹ and the UK¹⁴⁰ ruled out the use of such measures, whilst the Czech Republic and Bulgaria make no mention of their current or intended future use. Explicit reference to the use or expansion of State Aid measures to assist SMEs have been found in the Italian, Maltese, Portuguese (with regard to the use of de minimis) and Romanian Reports.

A series of more sectorally targeted 'extraordinary' measures in response to the crisis were reported in Hungary, focusing on businesses in the tourism, construction, food, wholesale and retail trade sectors.¹⁴¹ The Hungarian Government provided approximately €920m to be distributed through non-repayable grants and current asset loans with preferential interest rates or preferential surety. Hungarian SMEs have also benefited from support in the form of subsidised loans, particularly in the wholesale trade and agricultural sectors. Austria has uttered concerns about a lack of flexibility in the implementation of the Structural Funds (notwithstanding the simplification measures introduced), the relatively low financial volumes of Cohesion Policy funding, and the medium-to-long-term objectives of the policy. Therefore, the Austrian administration does not see ERDF as an adequate instrument for mitigating crisis effects. Still, there were some adjustments in financial management and redirection of ERDF resources towards the areas most affected by the crisis, industrialised and rural regions, or medium-sized industrial towns.¹⁴²

Although not explicitly aimed at direct support for SMEs, all of the countries examined have utilised the more generic provisions of the EERP, such as frontloading and advances, to support those OPs which are targeted at innovation and economic development and, as such, may have an indirect effect on SMEs through improvement of the business environment or enhancing the skills and adaptability of the workforce.

In some cases, measures have been put in place with the specific purpose of accelerating (or simply allowing) the successful implementation of SME-focused measures despite the

¹³⁵ Malta (2009), p. 54 and pp. 96-97.

¹³⁶ France (2010), p. 76.

¹³⁷ ÖROK (2009), p. 71.

¹³⁸ Hungary (2009) *National Strategic Report according to Article 29 of Council Regulation (EC) No. 1083/2006*, Hungary, 30 September 2009, p. 90.

¹³⁹ Lithuania (2009), p. 34.

¹⁴⁰ United Kingdom (2009), pp. 32 and 43.

¹⁴¹ Hungary (2009) pp. 90-92.

¹⁴² ÖROK (2009), pp. 35-37 and p. 39.

negative impact of the crisis. Such measures have included: the increase of award maxima or advance payments, the simplification of application procedures, the simplification of disbursement procedures and extension of deadlines in accounting for advance payments, the acceleration of disbursements by increasing the value limits for exemptions from submission of invoice copies, amendments to project specifications with regard to the expected project outputs (e.g. shifting targets from revenue growth to job retention), the sectoral extensions of the eligibility field of certain SME-targeted interventions or the extension of the range of activities eligible under the various schemes offered and allowing recipients of support to mortgage assets financed by projects to facilitate borrowing.

To conclude, it should also be noted that Member States have implemented anti-crisis measures solely using domestic resources. In some cases, this might have had detrimental consequences for the co-funded programmes. In Germany, for example, the federal anti-crisis package includes the extension of eligibility of a federal R&D/innovation programme, previously reserved for the new *Länder* and to firms with up to 1000 employees in the old *Länder* (the ZIM programme, Central Innovation Programme for SMEs). Although this scheme offers lower aid ceilings than the ERDF programmes in some cases, its procedures are seen as much simpler, and there were fears that this would encourage potential applicants to seek funding from domestic rather than EU co-funded schemes.¹⁴³

4.3.5. SME support instruments and their relevance for SME development factors

With regard to the SME development factors described in Chapter 2, Table 11 provides an overview of the most relevant effect of Cohesion Policy instruments on SME development factors. They can be summarised as follows:

- The factor supported by Cohesion Policy instruments is access to capital with non-repayable grants and repayable loans. Additional financial engineering instruments also influence this factor.¹⁴⁴
- Another very important support is the focus on employability and training of employees/human resources/entrepreneurs, which helps SMEs in many ways. Firstly, it assists employees in SMEs that would not be able to get employer-financed training and, secondly, it provides enterprises with skilled workers.
- Several priority axes are focused on environment or infrastructure (funded by ERDF and the Cohesion Fund).¹⁴⁵ With exception of code of expenditure 05 they are not directly targeted at SMEs, but SMEs and enterprises benefit from contracting or sub-contracting of public contracts and/or from the availability of public infrastructure. With the improvement of infrastructure, the level of competitiveness of a region or city increases and with it the general market and socio-economic environment relevant for the SME.
- The support via advice, networks or infrastructure availability can help improve the positioning of enterprises and increase access to information.

¹⁴³ Mendez C. and Kah S. (2009), *Programme Implementation in Times of Economic Crisis*, Review of Programme Implementation: Winter 2008 – Spring 2009, *IQ-Net Review Paper*, 24.1, University of Strathclyde, Glasgow, p. 29.

¹⁴⁴ Ramboll Management (2010), p. 92.

¹⁴⁵ European Commission (2011), *Programmes in your country*, DG Regional Policy – InfoREGIO available at http://ec.europa.eu/regional_policy/country/prordn/index_en.cfm.

Table 11: Support of Cohesion Policy instruments for SME development factors

	External factors			Internal factors			
Instruments	Socio-economic factors	Market-economic factors	Political/institutional factors	Internal Organisation	Capital	Human resources	<i>External positioning</i>
Cohesion Fund 2007 - 2013	Access to infrastructure						
ERDF Convergence	Access to infrastructure, information, capital	Innovation/technology, market uncertainty		Knowledge management	Costs, technology transfer	Skills, management competences, knowledge	Marketing, access to distribution
ERDF Competitiveness and employment	Access to infrastructure, information, capital	Innovation/technology, market uncertainty		Knowledge management	Costs, technology transfer	Skills, management competences, knowledge	Marketing, access to distribution
ERDF ETC	Access to information	Innovation/technology	Regulatory system	Knowledge management	Technology transfer		Networking and cooperation, access to distribution
European Social Fund ESF	Labour market support			Knowledge management		Skills, management competences, loss of employees, knowledge	
JASMINE	Access to capital, information						
JEREMIE	Access to capital, information						
JESSICA	Access to infrastructure, information		Public contracting				
JASPERS	Access to information		Public contracting				

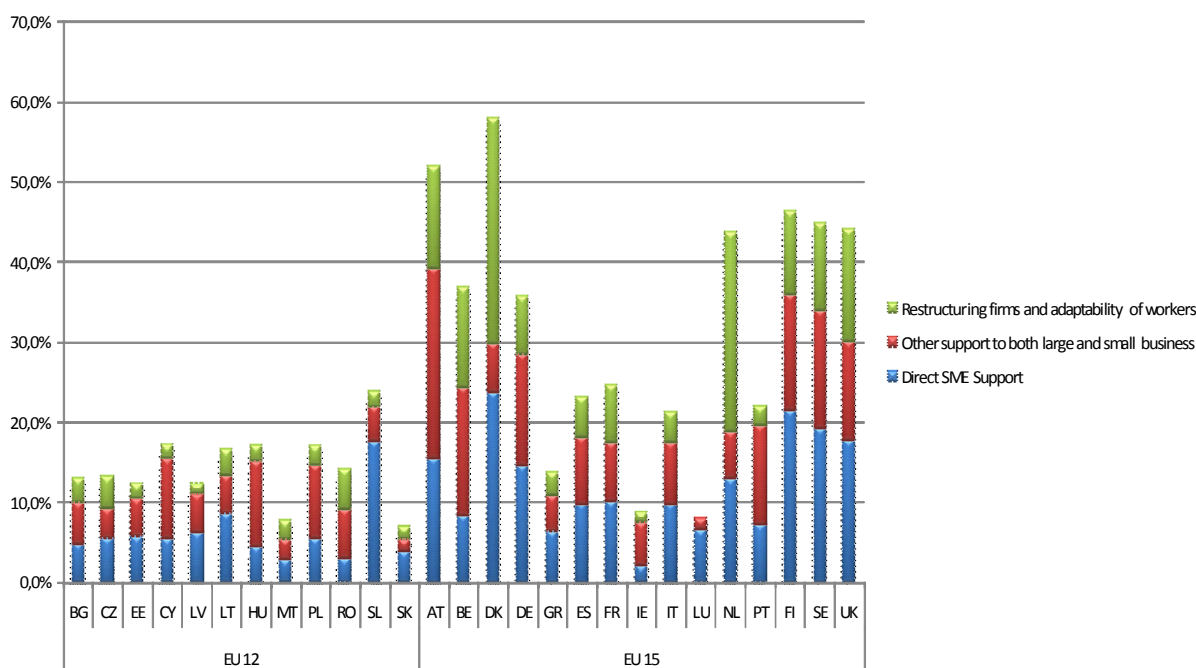
Source: Metis 2011.

4.4. SME-relevant resources allocated and spent

4.4.1. SME-relevant funding allocation in 2007-2013

Around 20 percent of the total allocation of EU funding is earmarked as general business support, divided into direct SME support, general enterprise support and support for firms restructuring and adaptability of workers that correspond to the cluster of codes of expenditure presented in 4.3 (see Table 12).

Figure 5: ERDF and ESF allocations for SME support by Member State*



*As a percentage of total EU funding.

Source: European Commission (2010) Cohesion Policy 2007 – 2013: Business Support, adapted by METIS 2011.

Figure 5 and Table 12 show that in general the EU-15 have greater financial allocations towards enterprises and in particular to SME support than the EU-12. The highest allocation in terms of total enterprise support can be found in Austria, Germany, Belgium, Denmark, the Netherlands, Finland, Sweden and the UK, while in the south of the EU-15 the enterprise allocations are comparatively lower. In the EU-12, SME support is generally below 10 percent of the total EU allocation with the exception of Slovenia.

The form of implementation of the above-listed allocations is different in each Member State and depends on the national implementation of the operational programmes. Several Member States (see detailed MS implementation below) have already started using financial engineering instruments.

Table 12: ERDF and ESF allocations for SME support by MS

Member State	Union Amount (€)	Business support amount (€)	Business support*	Direct SME Support*	Other support to both large and small business*	Restructuring firms and adaptability of workers*
BG	6,673,628,244	868,904,506	13.0%	4.8%	5.2%	3.0%
BE	2,063,500,766	757,121,869	36.7%	8.3%	16.0%	12.4%
CZ	26,302,604,484	3,470,398,230	13.2%	5.6%	3.7%	3.8%
DK	509,577,239	295,200,591	57.9%	23.6%	6.2%	28.1%
DE	25,488,616,290	9,078,737,850	35.6%	14.5%	14.0%	7.2%
EE	3,403,459,881	417,229,814	12.3%	5.7%	4.7%	1.9%
GR	20,210,261,445	2,781,897,293	13.8%	6.4%	4.4%	2.9%
ES	34,657,733,981	7,976,003,723	23.0%	9.7%	8.4%	5.0%
FR	13,449,221,051	3,308,764,271	24.6%	10.1%	7.3%	7.2%
IE	750,724,742	66,000,000	8.8%	2.1%	5.3%	1.3%
IT	27,965,315,403	5,916,113,155	21.2%	9.7%	7.7%	3.8%
CY	612,434,992	105,350,000	17.2%	5.5%	9.9%	1.8%
LV	4,530,447,634	550,034,332	12.1%	6.2%	4.9%	1.1%
LT	6,775,492,823	1,113,969,749	16.4%	8.6%	4.7%	3.2%
LU	50,487,332	4,038,987	8.0%	6.5%	1.5%	0.0%
HU	24,921,148,600	4,244,897,790	17.0%	4.5%	10.6%	2.0%
MT	840,123,051	64,500,000	7.7%	2.8%	2.6%	2.3%
NL	1,660,002,737	725,269,732	43.7%	12.9%	5.9%	24.9%
AT	1,204,478,581	624,969,609	51.9%	15.5%	23.8%	12.5%
PL	65,221,852,992	11,053,964,262	16.9%	5.5%	9.1%	2.4%
PT	21,411,560,512	4,675,681,165	21.8%	7.2%	12.3%	2.4%
RO	19,213,036,712	2,676,477,698	13.9%	3.0%	6.1%	4.9%
SL	4,101,048,636	974,566,274	23.8%	17.6%	4.3%	1.9%
SK	11,360,619,950	777,781,152	6.8%	3.9%	1.5%	1.5%
FI	1,595,966,044	740,051,831	46.4%	21.5%	14.3%	10.6%
SE	1,626,091,888	727,033,589	44.7%	19.2%	14.7%	10.8%
UK	9,890,937,463	4,359,325,869	44.1%	17.8%	12.3%	14.0%
EU ETC	7,831,459,588	1,379,415,538	17.6%	12.7%	3.1%	1.8%
TOTAL	344,321,833,061	69,733,698,879	20.3%	8.0%	8.1%	4.2%
EU 12	173,955,897,999	26,318,073,807	15.1%	5.4%	7.0%	2.8%
EU 15	162,534,475,474	42,036,209,534	25.9%	10.5%	9.6%	5.8%
EU 27	336,490,373,473	68,354,283,341	20.3%	7.8%	8.3%	4.2%

*as a percentage of total EU funding.

Source: European Commission (2010), Cohesion Policy 2007 – 2013: Business Support, available at http://ec.europa.eu/regional_policy/activity/statistics/2007_business.pdf.

4.4.2. Expenditure rates and commitments in 2007-2013

With an expenditure rate of 7 percent¹⁴⁶ by the end of 2009, the EU-27 Member States did not meet the expected results, whereas the EU-15 reached 8.7 percent and EU-12 only 4.2 percent.¹⁴⁷ Competitiveness and Employment regions had little higher expenditure rates than Convergence regions.

Still, commitment rates are higher. This leads to the assumption that due to the fact that MS have still been involved with the previous funding period due to N+2 commitments, they started to deal with the current funding period only in 2009. By the end of 2009, the total commitment rates were 26 percent in EU-15 and 27 percent in EU-12¹⁴⁸ (considering only ERDF and CF).

**Table 13: Distribution of committed ERDF funds by code in Austria (RCE, CONV)
(30 September 2009)**

SF Expenditure Code (p25)	Plan (€)	Performance (€)	Actual Plan (percent)
03 Technology transfer and improvement of cooperation networks between SMEs and research institutes	38,444,043	16,200,106	42.1
04 Aid for the RTD in particular in the SMEs (excluding ICT projects)	84,801,783	3,006,939	3.6
06 Assistance to SMEs for the promotion of environmentally products and processes	31,209,693	1,645,642	5.3
09 Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs	22,663,773	1,367,043	6.0
14 Services and applications for the SMEs (electronic trade...)	7,676,631	180,000	2.3
15 Other actions aiming at access to the TIC by the SMEs and their effective use	6,659,005	n/a	n/a
68 Supporting self-employment and entrepreneurship	150,000	n/a	n/a
05 Advanced supporting services in companies and groups of companies	48,982,062	6,399,860	13.1
07 Investments in companies directly related to research and innovation	123,249,384	41,045,655	33.3
08 Other investment in firms	104,644,477	40,140,591	38.4

¹⁴⁶ All OP co-financed by Structural Funds.

¹⁴⁷ Applica, ISMERI Europa (2010), p. 22.

¹⁴⁸ Applica, ISMERI Europa (2010), pp. 69-70.

SF Expenditure Code (p25)	Plan (€)	Performance (€)	Actual Plan (percent)
62 Development of life-long learning systems and strategies in companies; training and services for employees	9,450,000	1,928,242	20.4
63 Design and dissemination of innovative and more productive ways of organising work	n/a	n/a	n/a
64 Development of special services for employment, training and support in connection with restructuring of sectors ...	n/a	n/a	n/a

Source: ÖROK (2009) STRAT.AT Strategic Report 2009, Strategic Report for Austria pursuant to Article 29 Regulation (EC) No 1083/2006, Resolution by the ÖROK Commission of Deputies of 22 October 2009,

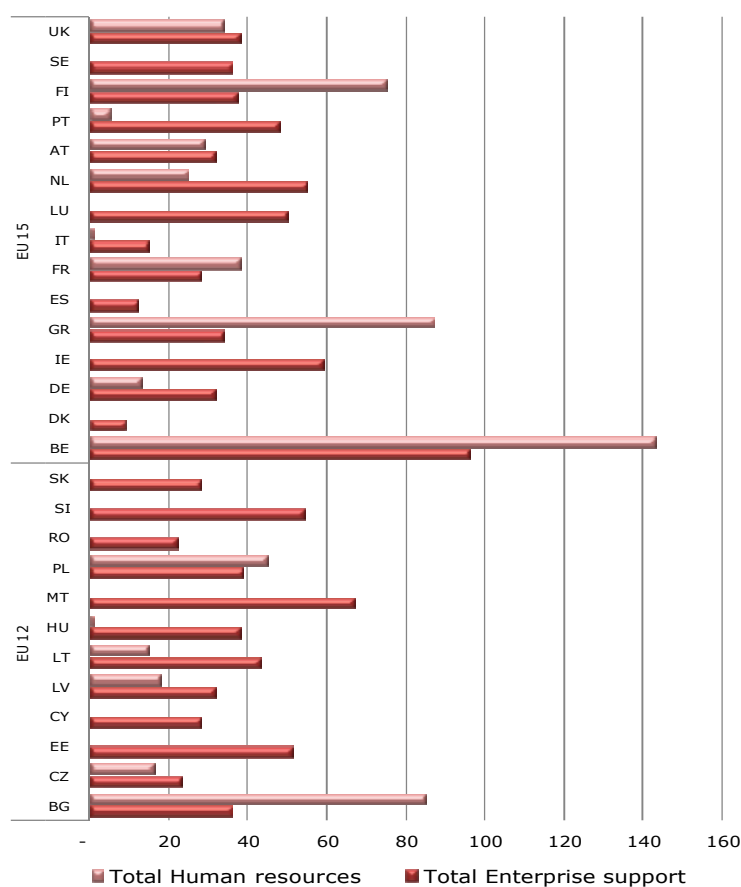
Among the documents reviewed, very little information could be obtained on the status of commitment/expenditure related to SME-relevant codes. By way of illustration, the 2009 Strategic Report for Austria provides insight into the SME-relevant commitments. It shows a different pattern of implementation for the different codes in terms of actual/planned¹⁴⁹ ranging from 2.3 percent for electronic service and applications for SMEs, 3.6 percent for RTD aid, particularly in SMEs, to 42.1 percent for technology transfer and the improvement of cooperation networks between SMEs and research institutes (Table 13).

According to the synthesis report of the evaluation network, the highest commitment rates up to the end of 2009 relative to total SF allocation (EU-27) have been in territorial development at 35 percent and enterprise support at 33 percent.¹⁵⁰ In general, the EU-15 regions have been more successful in committing enterprise support (see Figure 6).

¹⁴⁹ Please note that no insight is given as to whether the 'plan' and 'performance' refer to commitments; i.e. whether the percent is a share e.g. out of total allocations or commitment per code.

¹⁵⁰ Applica, ISMERI Europa (2010), p. 25.

Figure 6: Commitments in relation to the total SF allocation of the ERDF and CF¹⁵¹ in EU-27 (as percentage of total allocation) by the end of 2009



Source: Applica, ISMERI Europa (2010), Evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013, Synthesis of national reports 2010, pp. 69 and 70.

The data available provides general groupings in enterprise support and human resource support:

- Enterprise support: ICT and related services, innovation support for SMEs, other investment in firms, RTDI and linked activities.
- Human resource: education and training, labour market policies.

However, the expenditure rates and commitments may be misleading because a number of Member States implemented financial engineering measures such as JEREMIE and JASMINE whose exact link to the expenditure codes of Regulation 1083/2006 is difficult to establish.¹⁵²

¹⁵¹ Support for SMEs and enterprises is not included in CF priorities.

¹⁵² Applica, ISMERI Europa (2010), p. 23.

By October 2010, 30 JEREMIE holding funds had been established in a total of 15 Member States,¹⁵³ of which 17 were operating at regional level, for a total of €3.5bn in legally committed resources. At around the same time, an estimated €0.3bn had reached SMEs.¹⁵⁴ By the end of 2010, about €5.4bn of Structural Funds had been allocated to financial engineering schemes. Of the total of €7.5bn (including resources other than Structural Funds), about €4.1bn were implemented in the form of holding funds.¹⁵⁵ As far as financial engineering schemes without a holding fund are concerned, €3.4 bn were allocated up to the end of 2010.¹⁵⁶

In 2010, 14 non-bank micro-credit providers could claim for JASMINE assistance in Bulgaria, France, Hungary, Italy, UK (Scotland), Romania, and Spain. In 2011, another 11 micro-credit providers are due to receive technical assistance (in Belgium, Bulgaria, Italy, Romania, the Netherlands and the UK).¹⁵⁷

JESSICA, which is not directly linked to SMEs, but rather an instrument for city development, is currently implemented in 43 NUTS 2 regions (in Poland, Spain, Portugal, Lithuania, the UK, Italy, Czech Republic, Greece and Bulgaria). The 15 EIB holding funds implemented in these Member States cover a commitment of €1.5bn (as of the beginning of 2011).

As far as financial engineering schemes other than JEREMIE and JESSICA are concerned, according to data released by the European Commission, a further €2.8bn¹⁵⁸ are being invested in Cohesion Policy co-funded financial engineering schemes across the EU.

4.4.3. Previous funding period

In the previous funding period, the enterprise support was not linked to specific codes of expenditure but could be summarised on the grounds of the following categories: improving business activities (modernising and diversifying the existing enterprise structure and filling the gaps), job creation and strengthening local and regional supply chains.

The actual expenditure in the productive environment accounted for about a third of the ERDF funds of Objective 1 programmes (around €100bn ERDF funding¹⁵⁹),¹⁶⁰ and a significant portion of this, over a quarter, was allocated for assistance to SMEs. Objective 2 programmes, on the other hand, spent over half of their funding (around €21bn ERDF

¹⁵³ Bulgaria, Cyprus, Greece, France, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Spain and the United Kingdom. European Union, Regional Policy (2010) *JEREMIE - State of Play*, Factsheet, Conference on JEREMIE & JESSICA: Towards successful implementation 29-30 November 2010.

¹⁵⁴ European Union, Regional Policy (2010) *JEREMIE - State of Play*, Factsheet, Conference on JEREMIE & JESSICA: Towards successful implementation 29-30 November 2010.

¹⁵⁵ Zaliwska, D. (2011), *Activities of the JEREMIE Networking Platform and overview of JEREMIE implementation in Member States*, Presentation at the 5th meeting of the JEREMIE Networking Platform, 20 May 2011, Brussels, slide 3.

¹⁵⁶ Funds for support for business development and start up (implemented for example in Lithuania).

¹⁵⁷ European Investment Fund (2011), Technical assistance under the JASMINE initiative - A joint action to support microfinance institutions in Europe, available at http://www.eif.org/what_we_do/microfinance/JASMINE/index.htm?lang=-en.

¹⁵⁸ European Commission (2010), *Towards successful implementation*, Speech from Commissioner's Hahn for the opening of the conference on JEREMIE and Jessica: 29 November 2010 – Liège, Belgium.

¹⁵⁹ Applica, ISMERI Europa, WIIW, *Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006), Final Synthesis Report to the European Commission*, D.G. Regio, March 2010, p. 36.

¹⁶⁰ In the 2000-06 programme period, Objective 1 programmes covered all regions with a GDP per capita below 75percent of the EU average. All other regions fell under Objective 2.

funding¹⁶¹) on the productive environment, which in turn was mostly devoted to assisting SMEs (circa 55 percent).¹⁶²

According to the recent ex post evaluation of ERDF programmes, enterprise support (including direct support of enterprise via grants or indirect support via services, advice and the provision of infrastructure) accounted for around 26 percent and 48 percent respectively of the total ERDF expenditure of Objective 1 and Objective 2 regions in the EU-15 and approximately 20 percent of total expenditure in the EU-10 (Objective 1 and 2), figures that are higher if interventions in tourism are also considered as enterprise support.¹⁶³

In general, much less expenditure went on business support in the four Cohesion countries (Greece, Portugal, Spain, Ireland), as well as in the South of Italy (31 percent) than in Objective 1 regions in the rest of the EU-15, partly reflecting the ongoing need of the former for infrastructure over the period. Expenditure on business support in the EU-10 countries accounted for less than a quarter of total ERDF funding (Objectives 1) with the exception of Hungary (26 percent), Slovenia (37 percent) and Latvia (40 percent). In Malta and Slovakia, it made up only around 3 percent of the total¹⁶⁴ (see also Figure 7).

A similar variation in the share of business support was noted with regard to Objective 2 programmes, where the peaks of 70.6 percent and 70 percent of ERDF expenditure, in Austria and the UK respectively, contrasted with a mere 10.7 percent in Luxembourg, 14.9 percent in Slovakia and 16.3 percent in the Czech Republic (for an EU-25 average of 47.4 percent of total ERDF expenditure (Objectives 2) devoted to enterprise support).

Overall, including not just ERDF but also the required national co-financing and, where applicable, private contributions, the expenditure that ERDF programmes contributed to enterprise support amounted to an estimated €89.7bn and €49.1bn in the Objective 1 and Objective 2 regions of the EU-15 Member States, and around €4bn in the EU-10 (where the programmes operated only for a reduced period of time, 2004-06).

However, within the ERDF Objective 1 programmes in most EU-15 and EU-10 Member States, the actual share of expenditure of enterprise support was lower than the initial financial allocations. This was attributed to the lower-than-anticipated uptake of firms (e.g. in Germany), to an under-spending on RTDI support (e.g. in Burgenland, Hainaut, Flevoland and across Spain), and, in the EU-10, it was presumably due to the difficulty met in 'finding suitable firms to take this up'.¹⁶⁵

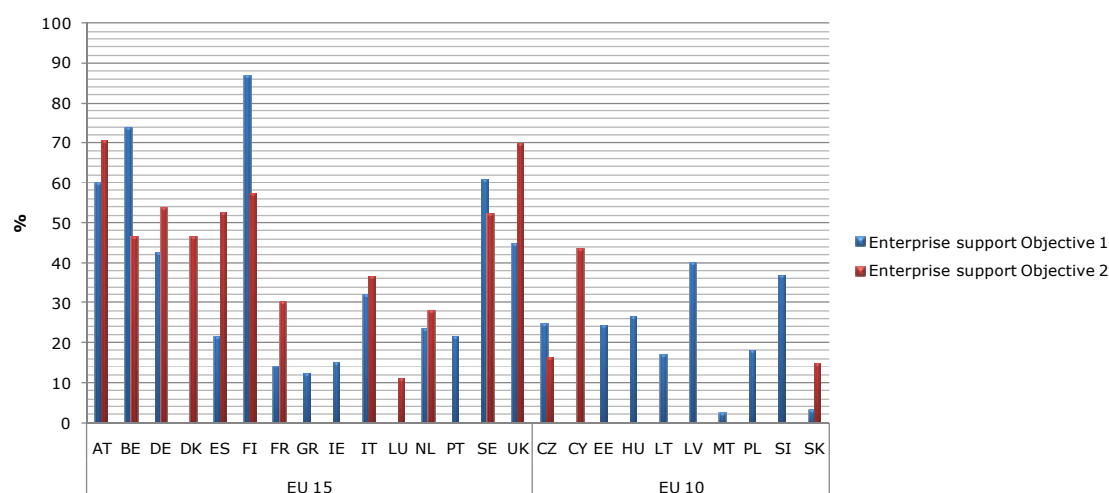
¹⁶¹ Applica, ISMERI Europa,(2010), p. 37.

¹⁶² European Commission (2010) *Commission Staff Working Document Accompanying the 21ST Annual Report on Implementation of the Structural Funds (2009), Parts 1-4, COM (2010) 587, SEC(2010) 1230 final*, p. 8.

¹⁶³ Applica, ISMERI Europa,(2010), p. 68.

¹⁶⁴ Applica, ISMERI Europa,(2010), pp. 68-69

¹⁶⁵ Applica, ISMERI Europa (2010), pp. 44-45.

Figure 7: Expenditure rates from the ERDF on enterprise support in Objective 1&2 regions, 2000-2006

Source: Applica, ISMERI Europa, WIIW, 'Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006), Final Synthesis Report to the European Commission, D.G. Regio', March 2010. pp. 68-69.

4.5. Output/outcome

4.5.1. Qualitative outcome review

The recent consultation on the conclusions of the Fifth Report on Economic, Social and Territorial Cohesion provides a considerable amount of evidence on the perceptions of recipients of Cohesion Policy support instruments (CF, ERFD, ESF).

The main messages to emerge from the various contributions to the consultation or otherwise formulated by associations or other bodies representative of micro, small and medium-sized enterprises referenced in the Annex relate especially to the considerable administrative burden that 'weighs' on potential applicants and the necessity to pre-finance projects. The main weaknesses of current support can be summarised as follows:

- First, the administrative burden implied by the application procedures and by the subsequent information and auditing requirements for project holders leads to costs (for instance, firms, especially micro and small firms, are often unable to prepare applications without the support of external experts), which in turn determine a preference for domestic funding sources rather than Structural Funds support. These complex administrative procedures 'discourage the organisations of SMEs and especially micro enterprises' organisations from applying for Structural Funds'.¹⁶⁶
- Second, in many programmes no pre-finance for projects is available. This constitutes a strong barrier for firms, especially micro and small firms that lack

¹⁶⁶ UEAPME (2010) *Proposal for simplification measures of the administrative rules and the financial management of Structural Funds*, Position Paper, March 2010, p. 1. The document is a set of tables, providing a detailed list of 105 practical changes that need to be introduced to Structural Funds programming rules under seven headings: General simplification measures; Simplification of administrative procedures; Simplification of financial management; Payments; Auditing and auditing management; Increasing the role of national/regional intermediary organisations; and Mediation.

liquidity, unable to obtain borrowing or provide sufficient guarantees to fund investment projects that could be supported by the programmes.

- Third, the lack of harmonised rules across funds and programmes, the fact that rules are not always available at the programme start (as has been the case with JEREMIE) or changes throughout the programme implementation, the lack of proportionality in the administrative requirements imposed on projects (irrespective of the amount of funding obtained), the lack of clarity, sometimes even on straightforward issues such as eligibility conditions, and the short timescales allowed for applicants to prepare and put forward their applications are all cumbersome for SMEs. These factors, together with the often long waiting period from project application to award confirmation, as well as the considerable information requirements and audit risks entailed by structural funding, results in a discouragement of firms from applying for support.

A perceived lack of awareness among implementing authorities of the different needs and capacities of different-sized firms may be an underlying reason for some of these shortcomings.

The recommendations ensuing from the above weaknesses, which are mentioned in the documents reviewed, include: the use of TA resources to support firms in drafting applications and intermediaries for delivering training initiatives and support services; the introduction of more proportionality in the administrative requirements to be fulfilled by firms (based on the project's size);¹⁶⁷ the increased use of advanced payments and of payment plans based on staged reimbursements at subsequent steps of project completion (with projects starting only after the approval of support) or, at least, the simplification and speeding-up of reimbursement methods; the harmonisation of rules¹⁶⁸ and application forms across funds, programmes and government levels, and the interpretation of eligible expenditure, especially with regard to overheads and indirect costs (which are often interpreted differently among granting authorities); the provision of more training for project applicants/holders and of public authorities on business needs/*modus operandi*; the provision of binding timetables for programme authorities to establish and communicate whether a project has been successful or not; the abandonment of paper documentation in favour of electronic submission and archiving of documents, and the reduction of the time for which records have to be retained; the inclusion of the expenses incurred by firms to comply with audit requirements in the costs eligible under the programmes' Technical Assistance, together with a reduction of the number of audits that can be faced by a single project; avoiding changes to rules during the lifecycle of a programme; and, the establishment of an effective system to quickly clarify the correct interpretation of legislation and resolve disputes.

The responses to the consultation on the conclusions of the Fifth Cohesion Report also include specific comments on financial engineering: these measures, which are also found in the domestic policies of some regions/MS,¹⁶⁹ are seen as useful and are 'widely

¹⁶⁷ For instance, introducing the notion of 'small projects', e.g. for projects beneath a 30,000 EUR threshold, see Assemblée des Chambres Françaises de Commerce et d'Industrie (2011) *Position de l'Assemblée des Chambres Françaises de Commerce et d'Industrie sur les conclusions du 5ème Rapport sur la cohésion économique, sociale et territoriale : l'avenir de la politique de cohésion. Réponse à la consultation publique de la Commission Européenne*, January 2011.

¹⁶⁸ A harmonisation that, according to UEAPME, should be achieved by a stronger involvement of social partners in the legislative process on Cohesion Policy. See UEAPME (2010) *UEAPME position on the fifth report on economic, social and territorial cohesion: the future of Cohesion Policy*, Position Paper, January 2011, p. 5.

¹⁶⁹ E.g. Scottish Enterprise (2011) *Scottish Enterprise response on conclusions of Fifth Cohesion Report*, January 2011, p. 4.

supported as an effective tool for involving the private sector and, in particular, small and medium-sized enterprises'. Many contributors requested extension of their scope and simplification of the rules to facilitate their implementation. Contributors generally supported development of these instruments, but emphasised that grant-based funding should also be maintained. Some called for decentralisation of financial management and for beneficiaries to be able to apply directly for funding from new financing instruments (e.g. building on existing expertise with JESSICA, JEREMIE and JASMINE).¹⁷⁰

From the documentation reviewed, the lack of evidence on the utility and effectiveness of the support measures for SMEs implemented through Structural Funds programmes is also apparent. One of the recommendations that emerges is the necessity to carry out specific studies – at all levels of EU, national and regions - on the effects of Structural Funds on different types of SMEs and micro-firms and to build more evidence on the results and impacts of support (for example on innovation).¹⁷¹

Further recommendations formulated in the documents reviewed include the necessity to strengthen the outcome, rather than the financial orientation of project appraisal,¹⁷² the necessity to pay increased attention to projects' longer-term effects,¹⁷³ and the earmarking of resources in favour of SMEs in the budget assigned to Cohesion Policy, in similar vein as in the context of the Seventh Framework Programme.¹⁷⁴

Some challenges and recommendations were also highlighted in the Member States' Strategic Reports. General challenges included the necessity to strengthen the complementarity and the linkages between related priorities (e.g. Ireland), and the need to tackle the complexity and rigidity of Cohesion Policy procedures where firms consequently may favour domestic schemes (e.g. in Austria with regard to R&D support) with a more focused and cost-effective delivery, allowing for increased flexibility and responsiveness to firms' needs.

Specific challenges relating to R&D&I support measures also emerged, including:

- the necessity to raise awareness amongst SMEs of the potential benefits of investing in innovation and of the cooperation between science and economy (compounded by a more general non-innovation oriented attitude in society at large, e.g. in Poland); and,
- the need to account for difficulties linked especially to the novelty of innovation-type projects, where implementation is more complex than for other types of measures, especially for those firms that are less used to European programmes (SMEs or so-called 'first innovator' associations). This entails the need to carry out targeted promotional activities to inform the potential project holders of the opportunities offered by the programmes in these fields.
- There is also a need to achieve complementarity and synergy between and within policies by more accurately linking together different types of support. Indeed, a type of potential strategic synergy relates to **other EU policies**, particularly the

¹⁷⁰ European Commission (2011) *Commission Staff Working Paper, Results of the public consultation on the conclusions of the fifth report on economic, social and territorial cohesion*, Brussels, 13.5.2011, SEC(2011) 590 final, p. 18.

¹⁷¹ UEAPME (2010), p. 2.

¹⁷² UEAPME (2010), p. 6.

¹⁷³ Business support centre for small-and-medium enterprises (2011), *Conclusions of the fifth report on economic, social and territorial cohesion: the future of Cohesion Policy*, undated, p. 2.

¹⁷⁴ CGPME (2011) *Consultation sur les conclusions du cinquième rapport sur la cohésion économique et sociale*, Contribution de la CGPME, p. 2.

policy for research and innovation, represented by the FP7 and the CIP. One of the recommendations that emerges is the need to strengthen the synergy between Cohesion Policy and the two above-mentioned EU programmes.¹⁷⁵ One option for the future FP8 might be to increase the proportion of resources ring-fenced for enterprises and competitiveness and for SME-specific measures in the thematic programmes.¹⁷⁶

- The recent proposal on the next EU Multiannual Financial Framework puts this issue at the very heart of its approach towards SMEs, further specifying that 'in addition to the promotion of SME interests and the steps being taken to reinforce the coordination and simplification of funding programmes, the EU budget will also provide targeted financial support for SMEs. The Commission proposes to establish a dedicated "Competitiveness and SMEs Programme" as a successor to the non-innovation part of the current "Competitiveness and Innovation Framework Programme" (CIP). All research and innovation support to SMEs (including the innovation part of the CIP) will be included in the Common Strategic Framework for Research and Innovation. The "Competitiveness and SMEs Programme" will focus mainly on measures to promote more dynamic and internationally-competitive SMEs'.¹⁷⁷

A considerable strategic coherence exists between Cohesion Policy (including social policy) and the domestic regional policies of Member States. This high strategic fit between the two sets of policies is due to at least three reasons:

- 'First, in countries with considerable portions of territory covered by the Convergence Objective, Cohesion Policy has played an important role in setting the agenda for domestic regional policy for the current period, and the two policies have become almost synonymous. In some cases, domestic regional policy has been subsumed within the framework of the Cohesion Policy programmes (Spain, Poland). Further, where domestic funding is scarce (a condition exacerbated, in many countries, by the recent economic crisis), this limits the scope for autonomous domestic public investment priorities.'¹⁷⁸
- Second, 'Member States have increasingly taken steps to ensure strategic integration between EU and domestic priorities and spending. In previous programming periods, this was often the case at the level of fields of intervention or specific instruments, rather than at a strategic level (e.g. in France, Germany, Spain). For the preparation of the current generation of programmes, on the contrary, coordination has increasingly featured in Cohesion Policy programme preparation.¹⁷⁹ Also, cross-financing arrangements between the two policy areas are widespread. For these to succeed, the two sets of policies must be strategically

¹⁷⁵ UEAPME (2010), *The role of Craft and SMEs for regional development and access of SMEs to European Funds and financial programmes, Discussion Paper for the UEAPME Administrative Council*, Vienna, 25 June 2010, pp. 4-5. Reid A.; Miedzinski M., Bruno N. and le Gars G. (2007) 'Synergies between the EU 7th Research Framework Programme, the Competitiveness and Innovation Framework Programme and the Structural Funds', Report for the European Parliament, 2007, p. 76.

¹⁷⁶ UEAPME (2010), p. 5.

¹⁷⁷ European Commission (2011), *A Budget for Europe 2020 - Part II: Policy fiches*, COM(2011) 500/II final, p. 18, available at http://ec.europa.eu/budget/library/biblio/documents/fin_fw1420/MFF_COM-2011-500_Part_II_en.pdf.

¹⁷⁸ An example for this is the Austrian Burgenland Additionality Programme, which mirrors the Land Convergence OP, Polverari L. and Michie R. (2010) 'Complementarity or conflict? The (in)coherence of Cohesion Policy', European Policy Research Papers, No. 78, 2011, p. 24.

¹⁷⁹ Polverari L. and Michie R. (2010), *Complementarity or conflict? The (in)coherence of Cohesion Policy*, European Policy Research Papers, No. 78, 2011, p. 24.

aligned, as two sources of funding must dovetail to support common projects. In a number of cases, Cohesion Policy programmes and domestic regional policy instruments interact so closely that projects are passed from one to another, and domestic policy schemes can operate almost as back-up or safety nets for riskier projects.¹⁸⁰ Moreover, for the 2007-13 period, Structural Funds programmes have been developed to adhere closely to the priorities and goals of the Lisbon agenda. This has been enforced by 'earmarking' requirements, which ensure that a high proportion of expenditure (at least 60 percent in Convergence regions and 75 percent in RCE regions) is allocated to 'Lisbon-type' activity. At the same time, domestic policy has also been steered in this direction under the National Reform Programmes. Lastly, Member States are directly involved in setting the guidelines and regulations that govern Cohesion Policy programmes and in setting their priorities for each programming period. Indeed, support for efforts to use the Lisbon agenda as a framing device for Cohesion Policy interventions in 2007-13 is partly due to the existing orientation of Member States' domestic regional policy towards RTDI. This said, the two sets of policy also present some tensions, particularly as regards spatial focus, allocation of financial envelopes and management and delivery arrangements.¹⁸¹

- Lastly, a more **operational** degree of **synergy** can be found in specific contexts; for example, in Austria some domestic interventions have been implemented to accelerate OP implementation in the field of SME support, such as roadshows and similar promotional activities.¹⁸²

More generally, Member States implement a range of support initiatives for SMEs, not all of which are co-funded by Cohesion Policy, especially outside the Convergence regions. An overview of these initiatives during 2000-06 is provided in the report by Holm-Pedersen *et al* (2010).

4.5.2. Monitoring evidence

The recent synthesis report on the performance of Cohesion Policy 2007-2013 stated that the available data in the Annual Implementation Reports of all three instruments (CF, ERDF, ESF) do not serve as a reliable source to judge the actual outcome of the programmes. Firstly, it is not always clear if the outcome data refer to the planned or the actual outcome. Indicators of different reports vary and are not comparable. Member States also focus on outputs rather than results since results are difficult to measure in the short run and only become evident after a certain time. This is particularly the case with SME-related measures that aim to support competitiveness and growth of SMEs, but which are not measurable in short-term evaluation.¹⁸³

A few of the 2009 Strategic Reports reviewed present data on output and results achieved in relation to the support of SMEs (Austria, Czech Republic, Hungary, Ireland, Malta, and,

¹⁸⁰ An example for this is Burgeland's 'Additionality Programme' (Austria), which mirrors the *Land's* Convergence OP, Polverari L. and Michie R. (2010) 'Complementarity or conflict? The (in)coherence of Cohesion Policy', European Policy Research Papers, No. 78, 2011, p. 24.

¹⁸¹ Polverari L. and Michie R. (2010) 'Complementarity or conflict? The (in)coherence of Cohesion Policy', European Policy Research Papers, No. 78, 2011, pp. 24-25.

¹⁸² Örok (2009), p. 72.

¹⁸³ Applica, ISMERI Europa (2010), pp. 39.

for ESF, the UK),¹⁸⁴ for instance with regard to direct jobs created, number of start-ups supported, number of enterprises involved in networking or collaboration with other firms and academic institutions, number of firms assisted, staff trained etc. However, these data are not detailed enough to allow for a breakdown by instrument type, nor are they suitable for cross-country aggregation.

In the Strategic Report of 2009, Austria provided output and result figures that indicated commitments for 11 percent of the planned start-ups (352 – in absolute terms) and that 5.6 percent of R&D projects (with a planned total of 1,329 projects) have been reached. Furthermore, 2840 new jobs have been established.¹⁸⁵

In the Czech Republic, performance reported by programme objectives did not have any specific enterprise relation. From the information provided by the Strategic Report (see Table 14), SME-specific measures cannot be identified.

Table 14: Selected OP indicators for the strategic objective 1 'Competitive Czech Economy' 2007 - 2009¹⁸⁶

Programme Objectives	Target Value	Project Commitment	Values Achieved	No. of Projects
Gross no. of new jobs	40,000		698	375
No. of newly established companies	3,000		128	
No. of projects supporting RTD and innovation	1,650			
No. of supported projects for innovations and patents	8,000			
Added value increment in supported companies	30%		CZK 24,3m	596
No. of consultancy projects for the development of enterprise	860			
No. of projects for cooperation between companies and research institutions	25			
New jobs in R&D	2,500	2,286	68	473

Source: Czech Ministry for Regional Development, National co-ordination authority (2009) *Strategic Report of the Czech Republic 2009*. Final Report, November 2009, p. 29.

¹⁸⁴ As noted in Mendez C., Kah S. and Bachtler J. (2010), the Commission requested Member States to submit as part of their 2009 Strategic Reports data for core indicator achievements at national level. However, such data was only provided by half of the Member States. See Mendez C., Kah S. and Bachtler J. (2010) *Taking Stock of Programme Progress: Implementation of the Lisbon Agenda and Lessons for EUROPE 2020*, IQ-Net Thematic Paper, 27(2), University of Strathclyde, Glasgow, p. 23.

¹⁸⁵ ÖROK (2009), p. 24.

¹⁸⁶ The Strategic Report pulls together all enterprise related objectives from the Regional OPs, the Enterprise and Innovation OP and the R&D&I OP under the heading 'Competitive Czech Economy'. All of these are co-financed by ERDF. However the programme objectives and consequently the report do not specify whether the figures refer to enterprises or SMEs.

Hungary provided evidence concerning outputs, results and impacts. However, according to these figures, the Hungarian objectives (defined in the development plan) related to SMEs have reached more than 50 percent of the targeted number of jobs to be created but so far have not created added value.¹⁸⁷

The **Irish** Strategic Report provides SME-related output and result figures for each programme, such as the number of micro-enterprises supported and number of jobs created in micro-enterprises, number of enterprises collaborating with research centres, number of enterprises in incubation centres etc. These indicators show that Ireland achieved about half of the targets.¹⁸⁸

The **Malta**¹⁸⁹ Strategic Report similarly provides output and result indicators – such as the number of start-ups supported, the number of firms engaged in networking and/or new collaborative projects with other businesses or academia, the number of SMEs receiving grants for knowledge and innovation projects etc. – which show only limited progress in implementation. However, neither the Irish nor the Maltase report provides figures related to the expenditure codes.

Some information on the output and results indicators achieved so far by current Cohesion Policy programmes with regard to enterprise support – limited to ERDF programmes however – is found in the 2010 country reports of the ERDF and Cohesion Fund Evaluation Network. These aim to provide comparable data on a number of core indicators, including, in terms of SME support, the following:

- Jobs created;
- Investments induced (EUR million);
- Number of RTD projects;
- Number of firms-research institutions cooperation projects supported;
- Number of research jobs created;
- Number of start-ups supported; and
- The additional capacity of renewable energy production and reduction of greenhouse emissions.

However, in this case also, information is not available for all countries and, in some cases (e.g. Italy and UK) it is insufficiently broken down to allow the extraction of an overall national picture. Many of the reports note that due to the low implementation rate at the end of 2009 little evidence is available on outputs and results. Therefore, it is too early to analyse effects. A summary of these indicators is provided in Table 15.

¹⁸⁷ Hungary (2009), p. 33 and P. 58.

¹⁸⁸ Ireland (2009), p. 24 and P. 37.

¹⁸⁹ Malta (2009), pp. 27-28 and pp. 29-32.

Table 15: Achievement of core indicator targets based on expenditure by 31.12.2009 (enterprise support) – absolute values and percent of final target¹⁹⁰

Country	Gross jobs created	Investments induced (EUR m)	Number of RTD projects	No. of cooperation projects	Research jobs created	Start-ups supported/new firms
Austria (table p. 40)	537 9%	429 15%	58 7%	62 26%	13 1%	13 4%
Bulgaria	NA	NA	NA	NA	NA	NA
Czech Rep.	NA	NA	NA	NA	NA	NA
Cyprus	NA	NA	NA	NA	NA	NA
Denmark	NA	NA	NA	NA	NA	NA
Estonia	NA	NA	NA	NA	NA	NA
Belgium¹⁹¹ (table p. 22)	1.485 12%	175 7%	116 36%	6 30%	NA	392 23%
Finland¹⁹² (table p. 39)	20.394 53%	NA	NA	NA	364 16%	2831,5 44%
France	NA	NA	NA	NA	NA	NA
Germany¹⁹³ (table pp. 24, 27)	12.872	4321	1640	702	99	477
Greece	NA	NA	NA	NA	NA	NA
Hungary	NA	NA	NA	NA	NA	NA
Ireland	NA	NA	NA	NA	NA	NA
Italy	NA	NA	NA	NA	NA	NA
Latvia	NA	NA	NA	NA	NA	NA
Lithuania	NA	NA	NA	NA	NA	NA
Luxembourg (table p. 23)	38 7%	NA	18 225%	5 250%	11 22%	0 0%
Malta	NA	NA	NA	NA	NA	NA
The Netherlands	NA	NA	NA	NA	NA	NA
Poland	NA	NA	NA	NA	NA	NA
Portugal	NA	NA	NA	NA	NA	NA
Romania	NA	NA	NA	NA	NA	NA
Slovakia	NA	NA	NA	NA	NA	NA

¹⁹⁰ The SRs do not specify the funding source, but look at achievement of indicators for the NSRF as a whole¹⁹¹ Excludes Flemish region.¹⁹² Own calculations based on percentages provided in table at p. 39 of the Finnish report.¹⁹³ No data available on target figures. Data does not relate to all programmes.

Slovenia (table p. 17)	553	179	NA	NA	NA	NA
Spain (table p. 53)	7.179 10%	1.733 56%	3.012 25%	1.637 44%	NA	1.977 169%
Sweden (table p. 15)	2.528 8%	NA	NA	NA	NA	1.396 8%
The UK	NA	NA	NA	NA	NA	NA

Source: Applica and ISMERI Europa (2010), Evaluation network delivering policy analysis on the performance of Cohesion Policy 2007-2013. Data assembled from the individual country reports, November 2010.

Also in relation to financial engineering instruments, no comprehensive information on the effects across Europe is available. In 2009, the European Commission set up networking platforms for JEREMIE and JESSICA in co-operation with the EIF in order to support the implementation of these instruments. A series of workshops held by the platforms and a conference organised by DG Regional Policy in November 2010 provide some insight into the progress of financial engineering instruments. The box below presents some examples of experiences made by institutions implementing funds through JEREMIE, both at Member State (Hungary) and programme level (Andalucía, Spain).

Moreover, since it was noted that 'the specific nature of financial engineering instruments requires a specific "M+E" [i.e. monitoring and evaluation] process',¹⁹⁴ efforts in this direction have recently been undertaken within the framework of the JEREMIE networking platform.

Box 1: The use of JEREMIE – progress in Member States and programmes

Hungary (September 2010)

Total volume of funds channelled through JEREMIE to final beneficiaries: HUF 22.3bn (€78m), of which:

- Micro/small loans: HUF 14.1bn (€49m)
- SME loans: HUF 3.18bn (€11m)
- SME working capital loans: HUF 2.5bn (€8.8m)
- Credit guarantee: HUF 2.24bn (€7.9m)
- Venture capital: HUF 0.28bn (€0.98m)

Andalucía Convergence OP (October 2010)

Activity results: 204 project applications (investment volume €670m), of which 22 projects approved, (investment volume €68m, i.e. average investment €3m)

Generated impact: €220m of induced investment, 78% leverage (JEREMIE multiplier 4.6), 3,060 jobs created and 2,500 jobs supported

Source: Vingelman J. (2010), *Views from a national holding fund on the JEREMIE implementation – The case of Hungary: challenges, achievements and perspectives*, Presentation, Conference on JEREMIE & JESSICA: Towards successful implementation 29-30 November 2010. Jiménez F. and Mathesius S. (2010), *JEREMIE implementation with a regional development agency – The case of Andalucía: challenges, achievements and perspectives*, Presentation, Conference on JEREMIE & JESSICA: Towards successful implementation, 30 November 2010, slide 16.

¹⁹⁴ Mouliou J. (2011), *Monitoring and evaluation ('M+E') financial engineering instruments for SMEs*, Presentation in the framework of the Fifth Plenary Meeting of the JEREMIE networking platform on 20 May 2011, slide 9, available at http://ec.europa.eu/regional_policy/thefunds/instruments/jeremie_network_en.cfm#1.

For the previous funding period, the information available on the effects of such support is rather limited.¹⁹⁵ The same holds true for the current programmes in general. For instance, the 2009 annual report on the implementation of the Structural Funds provides data on the outputs and results achieved with regard to SME support only for two of the 25 EU Member States reviewed: Poland and Slovenia.¹⁹⁶ While about 5,700 SMEs have been supported under the ESF priority of the Polish Integrated Regional Operational programme, almost 500 Slovenian SMEs received support from Structural Funds in the past programming period.

The recent ex post evaluation of 2000-06 ERDF programmes,¹⁹⁷ which considered enterprise support as a whole (i.e. including large firms), estimates that across the EU measures for enterprise support have generated at least 1 million new jobs (according to estimates by the Managing Authorities). This estimate, however, is based on around half of the enterprise support measures identified in the evaluation, because the remaining half did not report figures on job creation, either due to methodological difficulties or to the fact that employment creation was not a central goal of the measures.¹⁹⁸

Beyond this, the evaluation notes that there is 'an acute problem of assessing the effects of enterprise support from the evidence available', which makes it impossible to provide other figures, for instance on the effect of the interventions on firms' competitiveness or business efficiency.¹⁹⁹

The Fifth Cohesion Report²⁰⁰ published in November 2010 gives some indication on the role that Structural Funds played in supporting SMEs and tries to measure their effect. In the 2000-06 programme period, about 230,000 enterprises, mainly SMEs, received Structural Funds support. At the same time, an estimated 1.7 million enterprises, again mostly SMEs, benefited from Cohesion policy in the forms of advice, expertise and support for networking. In both cases, the majority of enterprises were SMEs. The Cohesion Report also provides some evidence from a counterfactual analysis carried out for Eastern Germany, for which an innovative study compared assisted enterprises with similar, non-assisted ones. The results showed that assisted enterprises invested almost 2.5 times as much as non-assisted ones.

¹⁹⁵ With the exception of some region or country specific academic studies, for instance: Bondonio D. and Greenbaum R. T. (2006) *Do Business Investment Incentives Promote Employment in Declining Areas? Evidence from EU Objective 2 Regions*, *European Urban and Regional Studies*, 2006, 13(3), p225-244; Pellegrini G. and Centra M. (2006) *Growth and efficiency in subsidized firms*, Paper prepared for the Workshop 'The Evaluation of Labour Market, Welfare and Firms Incentives Programmes', May 11th - 13th 2006, Istituto Veneto di Scienze, Lettere ed Arti - Venezia; Edwards T., Delbridge R. and Munday M. (2007) *A Critical Assessment of the Evaluation of EU Interventions for Innovation in the SME Sector in Wales*, *Urban Studies*, 44 (12), pp. 2429-2447.

¹⁹⁶ European Commission (2010) pp. 90 and 98.

¹⁹⁷ This had three working packages devoted specifically to enterprise support: Holm-Pedersen M., Millard J. and Pedersen K. (2009); GEFRA and IAB (2010) *Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006)*, Work Package 6c: Enterprise Support – an exploratory study using counterfactual methods on available data from Germany', Final Report, July 2010; and Ramboll Management (2010), It should be noted, however, that the first of the two reports does not provide information on effects, concentrating instead on policy trends, instruments used and a summary of the main policies and instruments used by Member States in their own domestic initiatives (national and regional); whilst the second presents the results of a counterfactual analysis on recipients and non recipients firms using data from Germany. The above analysis utilises therefore only information that could be found in the evaluation's overall synthesis report (Applica and ISMERI Europa, 2010, cit.) and final report of working package 6b.

¹⁹⁸ Applica, ISMERI Europa (2010), p. 73.

¹⁹⁹ Applica, ISMERI Europa (2010), p. 73.

²⁰⁰ European Commission (2011) *Investing in Europe's future*. Fifth report on economic, social and territorial cohesion, Brussels, pp. 207-209.

However, as already mentioned, comparable surveys and data are missing but would be needed for an in-depth analysis of the SME relevance of Cohesion Policy throughout all Member States. In respect to the reports available, the availability of uniform indicators alone would not solve the problem due to different reporting styles on national level. Among the reviewed literature, the most comprehensive information is provided by the evaluation reports.

5. COHESION POLICY PERFORMANCE - CASE STUDY ANALYSIS

KEY FINDINGS

- The OPs reviewed contain a range of measures that **support SMEs**, both directly and indirectly. The scope of support varies: whereas national OPs are thematic and thus highly focused on the support of firms, the regional OPs tend to have a wider scope.
- Forms of support to SMEs (and firms more generally) cover **RTDI, IT, finance, setting up new firms, networking and clustering, environmentally friendly products/energy efficiency and the provision of public goods**. The actual mix amongst these instruments varies across programmes, in line with the diverse needs faced by the respective territory.
- Only **three** out of eight of programmes analysed in this study are either planning to implement (North Rhine-Westphalia) or implementing the European initiatives **JEREMIE** and **JESSICA** (Central Hungary (JEREMIE) and North West England (JEREMIE and JESSICA)). Very little information is available on the implementation state of these schemes from the programmes' AIRs.
- In most programmes, the link between **measures and codes of expenditure** (based on Annex IV of the General Regulation) is not made explicit. Therefore it is very difficult to compare input in terms of SME-relevant financial allocations (i.e. codes of expenditure) with output/outcome indicators. These indicators, when provided in a suitable way, if at all, are often reported by priority axis rather than by code of expenditure. In other words, since the fit between input and output/outcome (where the availability/quality is often linked to methodological issues, see also the last bullet point) is not coherent, assessing cost-effectiveness becomes an exercise in approximation, if possible at all.
- The OPs tend to address a variety of factors influencing SME development, where the mix of measures differs across programmes. Based on the analysis of factors in Chapter 2, **external positioning** emerged as the one most frequently addressed by the programmes, followed by a group of factors comprising **capital availability, internal organisation** and **socio-economic factors**.
- Progress towards achieving the targets originally set by the programmes in the fields related to entrepreneurial support is mixed, but on the whole it is considerably slower than anticipated.
- In some cases, Managing Authorities and Monitoring Committees have already proceeded to review the targets set (e.g. in the Czech Enterprise and Innovation OP); in other cases such revision is to be expected.
- It has to be pointed out that the reporting within the OP related to outputs and results is still on a very **rudimentary level**, far away from anything that strategy-oriented monitoring could build upon. Among the difficulties encountered is the strong preference for **simple counts** (e.g. number of projects, business assisted), **a lack of indicators measuring change** and the **scarcity of baseline values**.

5.1. Introduction

This chapter provides a summary of the review of eight operational programmes selected for analysis according to the methodology outlined in Annex 1. Of the selected OPs, three refer to the Convergence objective, four to the objective 'Regional Competitiveness and Employment' (RCE) and one to European Territorial Cooperation (ETC), all of which have a strong SME-support connotation, namely:

- The Czech Enterprise and Innovation NOP (Convergence);
- The Polish Innovative Economy NOP (Convergence);
- The Portuguese Competitiveness Factors NOP (Convergence);
- The German ERDF Regional Operational Programme of North Rhine- Westphalia (RCE);
- The Spanish ERDF Regional Operational Programme of the Comunidad Valenciana (RCE);
- The UK ERDF Regional Operational Programme of North West England (RCE);
- The Hungarian ERDF Regional Operational Programme of Central Hungary (RCE); and
- The Baltic Sea Region Programme (ETC).

The aim was to base the OP analysis on the same framework as in Chapter 4, namely the different dimensions of the concept of performance, i.e. the SME-relevance of its aims/objectives, measures, financial resources (allocated, committed, spent) and qualitative and quantitative evidence on outputs, outcomes/results and impact, in particular on the grounds of the monitoring evidence.

While drafting the report, however, it became necessary to take a closer look at the FEI schemes adopted within the framework of the OPs, as well as at how the different OPs addressed SME-relevant development factors discussed in Chapter 2.

As a consequence, the framework of analysis for this Chapter was slightly revised, by keeping three performance dimensions (aims/objectives in 5.2, priorities/measures in 5.3, monitoring evidence in 5.6) and adding the two aspects mentioned in the paragraph above by introducing two separate sections (respectively 5.4 and 5.5).

Accordingly, for each OP or in the form of an overview, the following sections provide: (i) a summary of the relevant context information and OP aims with regard to SMEs; (ii) a review of the priorities and key measures and instruments for the support of SMEs; (iii) a review of the budget, technical aspects, and implementation progress with regard to JEREMIE and JESSICA schemes; (iv) an assessment of the links between the actions taken for the support of SMEs in the OPs and the SME development factors discussed in Chapter 2; and (v) considerations on monitoring evidence concerning SMEs.

5.2. Context and objectives

5.2.1. The context

The areas selected for analysis are rather heterogeneous both in general terms (overall degree of development of the territories, reflected in the different territorial eligibility status, role of Cohesion Policy within domestic economic development policy, administrative approach to Structural Funds programming) and with specific regard to the entrepreneurial fabric present, and the related needs (and, as a consequence, the forms of support provided). Their OPs are also diverse with regard to the financial resources mobilised, an overview of which is provided in Table 16.

A key difference between the areas with Convergence and RCE OPs is that whereas, in the former, Cohesion policy support²⁰¹ represents (ESF/ERDF/CF) the main source for economic development support and thus SME assistance, in the RCE regions Cohesion policy represents only a portion of a much wider range of measures (and resources) that are devoted to the same goals by national and/or regional domestic policies. This should be taken into account in particular when considering the instruments for support listed in Table 28 in Annex 4, as these instruments included in the RCE programmes will not necessarily be representative of the entirety of measures for SME support that are available in those regions.²⁰²

In Convergence contexts, the national OPs generally tend to achieve a degree of complementarity with the regional OPs that operate in the areas covered by the programme, so as to jointly contribute to the goals and priorities outlined in the countries' NSRFs. This means that, whilst being a fundamental source of funding for SME support in the areas concerned, these programmes are not comprehensive of all the SME support schemes available in the area covered by the programmes. For example, the Portuguese NOP 'Competitiveness Factors' includes a table with the illustration of the repartition of competences between the NOP and the regional OPs: with regard to entrepreneurial support, the NOP tends to support mostly large and medium firms, and support for small and micro firms is left predominantly to the regional OPs. In addition, the Convergence programmes, all of which are national, are thematic and thus very specifically focused on the areas of enterprise, innovation and competitiveness; by contrast, the selected regional OPs can be rather diverse, as will be discussed in more detail later in this chapter.

As far as the regional context is concerned, the background and SWOT analyses sections of the programmes provide considerable evidence on the needs faced by the SMEs (or firms more widely) in each context. For example, in Poland and the Czech Republic, a key constraint on SME development is caused by the lower-than-average productivity and competitiveness of SMEs compared to the Eurozone or the EU-15, and a lack of external finance for SMEs, especially for innovation-oriented investments or for firms focused on innovation. The Spanish OP of Valencia is more concerned with the re-qualification of the existing small firms that operate predominantly in low added-value, traditional, labour-intensive sectors. A full review of the SME-specific strengths and weaknesses faced by the different programme areas, as included in the OPs, is presented in Table 27 in Annex 3.

²⁰¹ Though the terms 'Cohesion Policy' or 'Structural Funds' are used, in relation to support for enterprises usually only ERDF is involved. ESF provides training to enterprises, but this aspect is not tackled in the case studies and the overall report.

²⁰² This is a summary of the information provided in the case study reports covering the eight OPs which draw from the OPs and AIRs 2007-2009.

In principle, the programmes' background analyses do not focus solely on SME support. Especially for the regional programmes, a fuller understanding of the economic and entrepreneurial fabric and of the related needs would have to be developed with the consultation of additional sources. However, conducting this type of analysis for all eight OPs would have been beyond the remit and terms of the present study.

Table 16: OP financial allocations (overall and for SME support)

MS	Operational Programme	Type of programme	Objective	EU Contribution ERDF	Total enterprise support	Direct SME Support (03,04,06,09, 14, 15, 68)	General enterprise support (05,07,08)	Support for restructuring (62,63,64)	Share of enterprise support ²⁰³
PL	Innovative economy	NOP	Conv	€8,254,885,280	€5,059,041,200	€1,654,768,290	€3,404,272,910	€-	61%
CZ	Enterprises and Innovations'	NOP	Conv	€3,041,312,546	€2,176,126,112	€806,045,986	€1,223,818,705	€146,261,421	72%
PT	Thematic Factors of Competitiveness	NOP	Conv	€3,103,789,011	€2,024,039,015	€504,039,015	€1,520,000,000	€-	65%
DE	North Rhine-Westphalia	ROP	RCE	€1,283,430,816	€737,521,153	€362,660,108	€163,505,250	€211,355,795 ²⁰⁴	45%
UK	North West England	ROP	RCE	€755,754,611	€475,916,797	€235,819,792	€228,827,744	€11,269,261	63%
ES	Valencia	ROP	RCE	€1,326,340,547	€346,705,541	€233,564,863	€113,140,678	€-	26%
HU	Central Hungary	ROP	RCE	€1,467,196,353	€352,581,593	€70,605,500	€281,976,093	€-	24%
Baltic	Baltic Sea Region Programme 2007-2013		ETC	€230,642,709	€39,110,486	€29,332,865	€5,866,573	€3,911,048	17%

Source: DG Regio Database, own adaptation.
Comment: The figures in the headlines refer to expenditure codes.

²⁰³ According to the relevant expenditure codes and its allocations.

²⁰⁴ Adapted 23 November 2009.

The analysis of the OP objectives and the OP priorities (see Table 18), however, may give some hints on the integrated picture of the needs of each territory, and of the SMEs embedded therein, provided that the former correctly reflect the latter (i.e. that objectives/priorities are strategically aligned with the territorial/SME needs).

5.2.2. Aims and objectives

As a result of the differentiations described above, the policy response is also differentiated. In line with the Lisbon agenda and Community Strategic Guidelines, all programmes are orientated to a considerable degree along competitiveness, R&D and innovation, but some, particularly some of the regional OPs, are wider ranging.

- For instance, the OP for the 'Comunidad Valenciana' (Spain) aims to tackle a number of challenges, not all of which have to do with the role and development of firms. It covers not just the difficulties faced by the manufacturing sector (replaced as the key economic activity by the construction sector), but also the relative delays in the establishment of transport infrastructure, the limited availability of water resources (which hampers development), and the training/integration needs required by the considerable immigration inflow. As a result, the strategy – as expressed in the programme's strategic objectives and outlined in the priorities of interventions – is mixed, aiming at physical capital and technological endowment so as to boost international competitiveness, strengthening the productivity of businesses and the diversification of production (towards higher added-value and technological productions), environmental improvement (including the more efficient use of water resources) and social integration. The programme thus funds investments in a number of fields, from transport to tourism, environmental protection and risk prevention and culture and urban and rural regeneration.
- The OP for 'Central Hungary' is also multi-dimensional. With the overarching goal of improving the international competitiveness of the region while respecting the principles of sustainable development (i.e. strengthening internal cohesion, R&D/innovation potential and transport, education and health infrastructure), the OP supports innovation and enterprise development, but also funds investments in the fields of tourism, the environment, natural resources, basic infrastructure (e.g. healthcare, higher education and school infrastructure), urban regeneration and others.

The three national OPs reviewed, but also the regional OPs of North Rhine-Westphalia and North-West England, are generally more narrowly focused on competitiveness, research and innovation:

- The Czech 'Enterprise & Innovation' OP aims at increasing competitiveness in industry and enterprise, maintaining the attractiveness of the Czech Republic and its regions and cities for investors, promoting innovations, accelerating the implementation of R&D results in the manufacturing sector, especially by stimulating the demand for R&D results and the commercialisation of the results, promoting entrepreneurship and economic growth based on knowledge through the capacity to introduce new technologies and innovative products, including new ICT. Its global objective is to increase the competitiveness of the Czech economy and bring the innovation performance of the industry and services sectors closer to the level of leading industrial EU Member States. SMEs are the primary target of support.
- The Polish 'Innovative Economy' OP has the main overarching aim of 'improving cohesion' in the fields of the economy, science, tourism and information technology,

by improving the links between science and enterprises, particularly SMEs to which two priorities are exclusively devoted.

- The Portuguese OP 'Competitiveness Factors' has as an overarching aim to contribute to the promotion of economic growth levels, so as to ensure a sustained recovery path of the Portuguese economy and its real convergence with the EU, based on the competitiveness of the country, its regions, businesses and territories.
- The North Rhine-Westphalia programme is very targeted, with an overarching goal of improving the competitiveness and adaptability of the economy and the creation of employment. This is done by promoting innovation and building on specific regional strengths. In order to attain convergence, however, structurally disadvantaged areas are specifically supported.
- The North West England programme is similarly focused, articulated around the vision 'to create a dynamic, sustainable international economy which competes on the basis of knowledge, advanced technology and an excellent quality of life for all'.²⁰⁵
- Lastly, the Baltic Sea Region Programme is by nature specifically focused on transnational cooperation. Its overarching strategic objective is to strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region (BSR) by connecting potentials across borders, to increase the attractiveness of the Baltic Sea Region as a place for investment, work and living. In pursuing this goal, the OP aims to boost the knowledge-based, socio-economic competitiveness of the macro-region and the continued enhancement of territorial cohesion across the area. The programme also addresses the strategic objectives of the EU's external relations in view of the multilateral co-operation with EU neighbours.

5.3. Priorities, measures and instruments for SMEs

Among the OPs' priority axes, the SME-relevant features are as follows:

Table 17: Operational programmes Priorities

Programme	Priorities* (% of total EU funding)	SME-related Priorities
Czech R. - Enterprise & Innovation	P1 - Establishment of firms (0.4%) P2 - Development of firms (26%) P3 - Effective energy (12%) P4 - Innovation (26%) P5 - Environment for enterprise and innovation (30%) P6 - Business development services (3%)	All six

²⁰⁵ Englands Northwest (2006), *Northwest Regional Economic Strategy* 2006, p. 3.

Programme	Priorities* (% of total EU funding)	SME-related Priorities
Poland - Innovative Economy	P1 - Research and development of new technologies (17%) P2 - R&D infrastructure (14%) P3 - Capital for innovation (3%) P4 - Investments in innovative undertakings (35%) P5 - Diffusion of innovation (4%) P6 - Polish economy on the international market (4%) P7 , P8 - Information Society (23%)	P1, 3, 4, 5, 6, 8
Portugal - Competitiveness Factors	P1 - Knowledge and technological development (16%) P2 - Innovation and renewal of the enterprise model and the pattern of specialisation (39%) P3 - Innovation financing and risk sharing (12%) P4 - Public administration performance (22%) P5 - Networks and collective actions of enterprise development (8%)	P1, 2, 3, 5
Germany - North-Rhine Westphalia	P1 - Strengthening the entrepreneurial basis (18%) P2 - Innovation and knowledge-based economy (49%) P3 - Sustainable urban and regional development: improving location factors in less favoured regions to increase entrepreneurial and innovative potential (32%)	P1, 2, 3
Spain - Valencia	P1 - Development of the knowledge-based economy, R&D&I and the information society (17%) P2 - Business development and innovation (24%) P3 - Environment, water resources and risk prevention (27%) P4 - Transport and energy (22%) P5 - Local and urban sustainable development (8.5%)	P1, 2

UK - North West England	P1 - Stimulating enterprise and supporting growth in target markets (27%) P2 - Exploiting innovation and knowledge to improve competitive performance of the business base (27%) P3 - Creating the conditions for sustainable growth (20%) P4 - Growing and accessing employment targeting the regions' urban areas where worklessness is concentrated (21%)	P1, 2, 4
Hungary - Central Hungary	P1 - Innovation and Enterprise-oriented Development of the Knowledge-based Economy (28%) P2 - Improvement of the preconditions for competitiveness (22% of funding) P3 - Development of the Region's attractiveness (13%) P4 - Development of the system of human service institutions (19%) P5 - Development of settlement areas (15%)	P1
CBC - Baltic Sea Region	P1 - Fostering innovations (27%) P2 - Internal and external accessibility (19%) P3 - Baltic Sea as a common resource (27%) P4 - Attractive & competitive cities and regions (20%)	P1

*excludes Technical Assistance.

Source: Operational programme documents of the selected case studies.

From Table 17, the different SME orientation of OPs in terms of priorities can be derived:

- All of the Czech programmes' six priorities are relevant to SME support, with Priority 1 (Establishment of firms) being exclusively dedicated to SMEs.
- The Polish priorities tackle: (i) the research and development of new technologies (especially within SMEs); (ii) obtaining external finance for innovative projects (a priority exclusively devoted to SMEs); (iii) investment support, training and consultancy services for firms undertaking innovative initiatives (SMEs are favoured through preferential selection criteria); (iv) investment, consultancy services and training related to the development of supra-regional cooperative relations and clusters, support to innovation centres (e.g. science and technology parks, technology incubators, technology transfer centres), support for the use of intellectual and industrial property rights by entrepreneurs and information and promotion on industrial property rights /design protection; (v) support for the increase of external trade (counselling and training in sales promotion, export promotion, foreign market studies, participation in exhibitions and fairs - a priority exclusively devoted to SMEs); (vi) investments in IT, e.g. for creation of new,

innovative e-services, innovative electronic solutions for business and the reduction of technological, economic and psychological barriers for using e-services in society (includes support for SMEs, for e-services and broadband access to internet).

- The Portuguese programme's five priorities – all but one of which have direct relevance for SMEs – invest in R&TD, innovation and entrepreneurship, the information society, energy, and the strengthening of institutional capacity at national, regional and local levels.
- In the North Rhine-Westphalia programme, all three priorities are directly relevant to SMEs.
- Similar to the North Rhine-Westphalia programme, the OP for North West England pursues an element of territorial cohesion in tandem with increasing the region's competitiveness, with its Priority 4 devoted to the stimulation of enterprise in disadvantaged communities, the support of linkages to key employment areas and to employment creation in areas in need of regeneration.
- The Baltic Sea Region programme funds a range of investments, of which those targeted by Priority 1 – 'Fostering of Innovations across the BSR' – are of direct relevance to SMEs, with the explicit aim to advance the innovation-based regional development of the BSR through support of innovation sources and their links to SMEs, facilitation of transnational technology transfer and knowledge, and the strengthening of the societal foundations for absorption of new knowledge.

In terms of SME relevant interventions and instruments, the programmes include all types of measures, notably both targeted and general and direct and indirect support:

- In the fields of RTDI – the Portuguese Innovation (SI Inovação), RDT (SI I&DT) and SME qualification (SI Qualificação PME) incentive schemes; the North West of England Innovation Voucher Scheme for SMEs; the North Rhine-Westphalia knowledge vouchers etc.
- In the field of IT – the support for new production technologies, ICT and selected strategic services found in the Czech OP.
- In the field of finance – the Portuguese Venture Capital Initiative (PVCi), Fund for Cinema and Audiovisual Investment (FINCA, risk capital to support SMEs in the audiovisual and cinema sectors) and SME invest I and II schemes (agreement with banks of SME credit lines to support new investments in fixed assets, both tangible and intangible, excluding land, buildings, vehicles and goods in working order and working capital associated with increased activity); the venture capital programme found in the Valencian OP; the North West Investment Fund and Venture Capital and Load Fund of the North West England OP, etc.
- In the field of new firm formation, the North West of England's Higher Education Enterprise Champions Scheme; North Rhine-Westphalia's 'STARTERCENTER NRW' and PFAU (innovative financial instruments for start-ups).
- In the fields of services and consultancy, the measure for the support of internationalisation of SMEs found in the Polish OP; the specialist innovation brokerage provided in the North West of England by the Business Link Northwest (which the OP expands); North Rhine-Westphalia's '*Beratungsprogramm Wirtschaft*' which provides consultancy services to SMEs and start-ups, etc.
- In the field of networking and clustering, the cluster and economic development support scheme found in the Portuguese OP; the cooperation platforms funded by the Czech OP (joint purchase and use of testing facilities, measuring and laboratory

equipment, joint workshops, seminars, exhibitions, establishment and renovation of technology transfer centres, science and technology parks; establishment and development of business incubators and Business Angels network); and similar measures found in the Baltic Sea Region programme.

- In the field of environmentally friendly products/energy efficiency, the interventions funded under measure 4.1 of the Czech OP aimed at increasing the innovative performance of firms and those for energy saving and renewable energy found in the same programme (measure 3.1); the consultancy services supplied by North Rhine-Westphalia OP for environmental protection in production processes and environmental management systems; but also interventions found in the Valencian, Baltic Sea Region and North West England programmes (for instance, the support provided in this latter programme to SMEs to increase waste efficiency, carry out environmental audits, develop low-carbon technologies, use renewable energy and introduce best practice in SMEs, including future-proofing SMEs vs. environmental legislation).
- In the field of tangible public goods (though these were not the focus of the present analysis), the Portuguese System of Support for Entities from the National Science and Technology System; the development of logistic centres and business incubation facilities funded by the Central Hungary OP.

The firm restructuring and adaptability of workers (EC Regulation No 1083/2006 Annex IV code 62, 63, 64) was less prominent in the programmes. This did not feature at all in the Valencian, Central Hungary and Polish programmes. Within the other programmes, of the three codes, measures supporting the design and dissemination of more productive ways of organising work seemed to be the most prominent.

Albeit only a few of the OPs reviewed included support specifically from the JEREMIE and JESSICA initiatives, all but one programme (the Baltic Sea Region OP) included financial engineering schemes.

5.4. Technical aspects of JESSICA/JEREMIE

Only three out of eight programmes make use of the JEREMIE and/or JESSICA schemes, those of Central Hungary (JEREMIE), North Rhine-Westphalia (both) and North West England (both) (see Annex 2).

The Czech Enterprise and Innovation OP also intended to make use of the JEREMIE initiative, but this plan was subsequently abandoned due to technical difficulties encountered in setting up the fund, which would have required a longer-term time span. A study was carried out to assess the feasibility of implementing JEREMIE within the context of the OP, and the conclusion was that it was unrealistic to seek to run the scheme within the lifetime of the programme. Based on the conclusions of the study, a proposal was made to use the funds originally attributed to JEREMIE in other areas of intervention of the OP, notably under measure 2.1, which provides support for bank instruments to support SMEs and new entrepreneurs.²⁰⁶

²⁰⁶ M.C.TRITON, spol. s.r.o., (2009) *Study of the feasibility of implementing the JEREMIE financial instruments under the OPEI 2007-2013 using the experience with implementation in the EU*, Prague (reported in the OP's Annual Implementation Report 2009).

For the programmes that do implement JEREMIE and JESSICA, however, the information available from the Annual Implementation Reports (2007, 2008 and 2009) on the technical aspects of these schemes, notably with regard to their financial allocations, implementation progress and delivery aspects, is rather scant. Some limited information is available on the Central Hungary and North West England programmes, as follows:

- The Hungarian OP's JEREMIE initiative was designed to widen access to external sources of finance for SMEs via various means of finance and related advice and consultancy. Through the scheme, some of the funds of the OP are placed in a holding fund and used to give SMEs greater access to financial sources, via the re-financing or co-financing by primarily private-sector financial mediators. The resources devoted to the JEREMIE initiative amount to around €40.04m, of which the amount contracted²⁰⁷ at the end of 2008 was around €25.26m.²⁰⁸ By the end of 2009, financial mediators could apply to participate in the Micro-loan, Portfolio-guarantee and Current Asset Loan programmes, and in the Risk Capital Co-investment Sub-programme, for which a total of 57 financial mediators were contracted.
- In North West England, on the other hand, two funds are being implemented under the aegis of both JEREMIE and JESSICA: the 'North West Urban Investment Fund' (under JESSICA), which entails ERDF €55.6m plus an equal amount of match-funding by the North West Development Agency; and the 'Venture Capital and Loan Fund', implemented under JEREMIE, consisting of €101.6m of ERDF, plus an equal amount of match-funding secured through an EIB loan. For the latter fund, further co-investment capital will be sought by the Managing Authority from a variety of sources (planned to be in the region of over £200 million).

5.5. Link between technical aspects of OP and SME development factors

This section attempts to link the SME support measures found in the programmes with, on the one hand, the codes of expenditure of Annex IV of the General Regulation and, on the other hand, the factors for SME development discussed in Chapter 2.

An indicative overview of the extent to which each OP addresses SME development factors is presented in the respective case study in Annex 2 and summarised in Table 18 below. As can be seen from this overview, the programmes cover the different SME development factors in very different ways. Yet, what appears to be clear is that the factor 'external positioning' is the one most frequently addressed by the programmes (average number of entries 5.5), followed by a group of factors comprising 'capital availability', 'internal organisation' and 'socio-economic factors' with an average number of entries around 3.5, whereas the remaining factors are much less addressed by the programmes (in particular when leaving aside the ETC programme). However, what is even more striking are the differences even between programmes of the same objective (i.e. Convergence and RCE). When considering Table 18 and the underlying case studies in Annex 2, however, a number of caveats have to be borne in mind.

²⁰⁷ No of contracted financial intermediaries and amount (AIR 2008, p.41).

²⁰⁸ OP Central Hungary AIR 2008.

Table 18: SME development factors addressed by individual SME-relevant codes of expenditure,²⁰⁹ number of entries

MS	OP	SME development factors						
		S-E	M	P/I	Int	C	HR	EP
PL	Innovative Economy	0	1	0	5	2	0	5
CZ	Enterprise & Innovation	7	8	0	9	11	6	11
PT	Competitiveness Factors	0	0	0	0	0	0	0
DE	North Rhine Westphalia	8	0	7	7	8	7	8
UK	North West England	9	7	4	3	7	7	7
HU	Central Hungary	0	0	0	5	2	0	3
ES	Valencia	3	3	0	1	1	1	2
	Baltic Sea Region	2	3	8	0	0	5	8

Source: Author

* This table is based on the overviews 'relevance for SME development factors along code of expenditure'.

** In each case study Annex 2.

S-E ... socio-economic factors

M ... market factors

P/I ... political/institutional factors

Int ... Internal organisation

C ... available capital

HR ... available human resources

EP ... external positioning

The case studies reveal a complex relationship between the codes of expenditure and the priorities (or measures) of a programme.

First, in most programmes the link between the measures and the codes was not made explicit. Whenever not provided at all, or when merely provided at priority level, the individual country expert in charge of the analysis of the OPs had to make an assessment as to the relevant attribution, and thus there may be discrepancies in the approaches adopted by different country experts.

Even when made explicit, the relationship between codes and measures may be not unequivocal, i.e. a code of expenditure can apply to more than one measure and vice-versa. Even in the (few) cases where there is a good match of a single priority to the code, e.g. measure 1.4 and 1.6 of the Valencia OP to code 04 and 06, there is no guarantee that this also holds the other way around.

In the case of the Portuguese OP, linking measures and codes proved impossible, given that the OP/AIRs are structured according to priorities and interventions/instruments

²⁰⁹ Codes 03, 04, 06, 09, 14, 15 68 (targeted SME support), 05, 07, 08 (general enterprise support), 62, 63, 64 (Firm restructuring & adaptability of workers).

(rather than 'measures') and do not specify the codes to which they relate. Again, as with the other programmes, the instruments/intervention typologies seem to relate to more than one code,²¹⁰ and therefore the Portuguese OP had to be left out of this analysis.

Moreover, when taking into account the SME development factors the picture gets even more complicated. First, as with the link code of expenditure/measure, the link code of expenditure/SME development factor is also based on a subjective judgement by the country experts and might be characterised by overlapping connections (i.e. one code might be attributable to more than one SME development factor and vice versa). Second, SME development factors may overlap (e.g. access to capital as a 'socio-economic' factor with capital as an 'internal' factor). Finally, the financial weighting is not taken into account; the link as presented in the case studies and consequently in Table 18 does not distinguish between for example facilitating access to capital by a measure of €100,000 or €1 as long as SMEs are targeted through such a measure.

For all these reasons, the tables in the cases studies should be seen only as a programme-wide approximation of the extent to which the different SME development factors are addressed. Nevertheless, the comparison in Table 18 provides some preliminary material for a classification of programme priorities with respect to their SME relevance.

In further analyses, the cross-referencing of codes with programme priorities could be used to group priorities and thus programmes into five classes, e.g. such as

- 5 (almost) entirely and exclusively for SMEs
- 4 predominantly SME-oriented
- 3 strong orientation towards SME development
- 2 some SME relevance
- 1 not relevant for SMEs

Such a classification would be useful (if it turns out to be sufficiently robust) for the future aggregation of effects of Structural Funds programmes across countries and programmes.

5.6. The effect of the OPs related to SMEs based on monitoring evidence

With regard to the achievements of the OPs, the 2009 and 2010 reports still show a dramatic backlog for most of the analysed OPs. This is also reflected in the figures for financial spending of the programmes. In some cases, the targets set are under revision. Especially in programmes that have many indicators with set targets, reporting seems unable to obtain the required information. It has to be pointed out, however, that the analyses were restricted to the published reports and could not gain additional information or clarification from the MA. A brief account on the progress of each case study programme is given in Annex 2.

At the same time, another finding of the OP analyses has to be pointed out, namely that reporting within individual programmes regarding outputs and results is still on a very rudimentary level, far away from anything that a strategy-oriented monitoring could build

²¹⁰ The AIRs do, however, contain a table with no. of projects and commitments/spending by code but without specifying which OP instruments these relate to.

upon. This is particularly true when it comes to reporting on SME relevance. This is not the major aim in most of the Annual Implementation Reports, yet the situation within the National Strategy Reports, where SME relevance ranks higher, is even worse. Findings from the OP analysis with respect to the indicators used in the AIRs are summarised in Table 19. It shows:

- A strong preference for output indicators by simply counting the numbers of projects funded or businesses assisted or jobs created and so forth;
- The focus on output indicators is underlined by the fact that there is not a single indicator taking into account the situation of SMEs (or of a sub-group of SMEs) in practice, thereby preparing the ground, for example, for a counterfactual performance assessment;
- A lack of indicators measuring (or at least attempting to measure) change (either at micro-economic level), i.e. at the level of single firms, or at meso-economic level such as regions; and
- Baseline values are given for only very few indicators in the respective AIRs. This hampers the assessment of the viability of the method for measuring the indicator. Furthermore, it also makes the chosen target values (which exist in all cases) appear somewhat arbitrary.

Table 19: Summary of types of indicators used in selected OPs

Progr. Priority	Type of indicators						Number of all indicators					
	Counts ²¹¹		Values ²¹²		Ratios/ Changes ²¹³		Total	Output	Result	Impact indicators	With baseline value avail.	SME specif.
	No.	SME specif.	No.	SME specif.	No.	SME specif.						
CZ: Enterprise & Innovation												
P1	3	1	0	0	0	0	3	1	1	1	0	1
P2	4	2	1	0	0	0	5	3	1	1	1	2
P3	2	1	0	0	2	0	4	2	2	0	1	1
P4	2	1	1	0	2	0	5	2	1	2	1	1
P5	5	2	1	0	1	0	7	5	2	0	3	2
P6	4	1	0	0	1	0	6	5	1	0	0	1
PL: Innovative Economy												
P1	3	0	0	0	2	1	5	1	3	1	3	1
P3	6	3	1	0	1	1	8	3	5	0	1	4
P4	9	7	0	0	0	0	9	4	4	1	0	7
P5	6	1	0	0	0	0	6	3	3	0	0	1
P6	5	4	0	0	0	0	5	1	4	0	0	4
P8	6	0	0	0	5	0	11	3	6	2	5	0

²¹¹ Number of project/jobs/business assisted, etc.²¹² Value of investment funded/assistance agreed, etc in EUR.²¹³ Ratio/changes: e.g. share of new SMEs supported still existing 18 month after receiving support, percentage of firms receiving orders through internet, innovative project's investment in percent of total investment of firms; increase of added value among supported firms.

PT: Competitiveness Factors												
P1	1	0	0	0	3	0	4	0	4	0	4	0
P2	1	0	0	0	9	2	10	0	10	0	7	2
P3	1	0	0	0	3	0	4	3	1	0	3	0
P5	2	2	0	0	2	0	4	2	2	0	0	2
DE: NRW												
P1	5	3	1	0	0	0	6	2	4	0	n.a.	3
P2	8	0	0	0	1	0	9	6	3	0	n.a.	0
P3	2	0	2	0	0	0	4	4	0	0	n.a.	0
UK: North West England												
P1	5	0	3	0	0	0	8	5	3	0	0	0
P2	6	0	1	0	0	0	7	2	4	1	0	0
P4	4	1	2	0	0	0	6	1	4	1	0	1
ES: Valencia												
P1	9	0	0	0	0	0	9	6	3	0	0	0
P2	14	2	1	0	0	0	15	11	4	0	0	2
Hungary²¹⁴												
P1	3	1	0	0	0	0	4	4	0	0	0	1
BSR²¹⁵												
P1	14	0	0	0	0	0	14	14	0	0	0	0

Source: Annual Implementation Reports.

²¹⁴ From the Hungarian Programme no indicators at priority level were given.

²¹⁵ The BSR Programme does not give indicators at priority level.

6. CONCLUSIONS AND RECOMMENDATIONS

KEY FINDINGS

- The **current definition of SMEs does not reflect their diversity** in terms of sector, age, location and level of innovation. A more target-oriented support approach should be based on a coherent and in-depth analysis of the nature of SMEs in the different stages of their lifecycles and in different sectors of activity.
- Public authorities and funding institutions need to understand the differences between SMEs in character and in different lifecycle stages and their corresponding requirements. A target for **raising the awareness of the need for skills development** in SMEs should be established. The time resources of entrepreneurs in micro and small enterprises must be considered when establishing training support systems.
- With specific regard to the support for R&D&I and TT, there is a need to **raise awareness** among SMEs of the potential benefits of investing in innovation and of the cooperation between science and business.
- Particular attention should be given to **simplifying administrative procedures** in the application phase as well as reporting, auditing and assessing the possibilities of increased advanced payments for SMEs. The **standardisation and harmonisation** of documents and regulations among different funding schemes should facilitate the accessibility of funding instruments for SMEs.
- There is a need for Managing Authorities and IBs to acquire a wider spectrum of **knowledge** about SME needs and European support systems in order to service SMEs with tailor-made funding.
- The **complementarities and synergies** between Structural Funds programmes and other (domestic) investment programmes should be strengthened. In particular, this should be pursued in Competitiveness and Employment Regions, where Cohesion Policy often covers only a small portion of support in comparison to the funds channelled through domestic streams.
- Financial engineering instruments are fully acknowledged as necessary, but procedures should be simplified. However, they should **not replace non-refundable grants completely**.
- The flexibility of available support should be increased and better targeted towards different beneficiaries. The **use of TA resources to support firms in drafting applications** and intermediaries for delivering training initiatives and support services should be facilitated and encouraged.
- A **quantitative and qualitative improvement** of the **performance assessment** of Structural Funds on different types of SME and micro-firms should be requested and supported by the EC.
- **Expenditure reporting** within the AIR should be in line with the expenditure codes of the regulations in order to facilitate a more comparable basis for further EU-wide analysis.
- The **effects of amendments of EC Regulations** implemented at national level and throughout Operational Programmes should be evaluated to develop lessons for future Cohesion Policy design.

SMEs form the backbone of the European economy, providing 67 percent of all jobs and 58 percent of the total value-added created by business in the European Union. In recent years, various European programmes have redesigned their instruments to facilitate and encourage better SME participation in innovation and research and technology. Yet SME support is only one of several objectives of Cohesion Policy, in which other objectives such as improving skills, training and infrastructure (following the Lisbon criteria) have to be taken into account.

About 20 percent of the total SF budget (i.e. €67bn in 2009 prices) for the period 2007-2013 is earmarked for enterprises. Thirty-nine percent of these funds are allocated for direct SME support (codes 03,04,06,09,14,15,68), 42 percent for general enterprise support (codes 05,07,08) and 20 percent for support for restructuring firms and adaptability of workers (code 62,63,64). The earmarking is not easy to evaluate because AIRs do not report on those criteria, but qualitative conclusions can nevertheless be drawn. The following findings and recommendations are based on a literature review and the analysis of the Annual Implementation Reports of eight operational programmes.

Acknowledgement of the different character of SMEs is required

The definition of SMEs covers a wide range of economic players within the European landscape and consequently does not serve as a satisfactory description for policy-making. Although SMEs are the main target group for several policy initiatives of the European Commission, not all groups of SMEs are addressed equally.

The recent evaluation of the 7th Framework programme FP7 stated that 'the officially recognised EU definition of an SME, stemming from a Council Decision (2003), is one which embraces "more" than the conventional notion of a small business driven by an entrepreneur with a bright idea. It includes certain not-for-profit organisations which appear to have the character of non-governmental organisations, rather than businesses' Reid A., Miedzinski M., Bruno N. and le Gars G. (2007). This statement, related to the European Research Framework Programme, shows that the generally-used current definition of SMEs not only lacks differentiation by sector, internationalisation and product, but above all does not distinguish between a non-profit organisation, entrepreneurs or the self-employed. The lack of recognition of the wide variety of different types of enterprises with fewer than 250 employees could cause drawbacks in targeted instruments and undercuts statistical data about SME-support results.

Understanding the nature of SMEs is essential; it is however equally important to consider the key development factors relevant for SMEs. Literature about SME development factors as such is manifold but sometimes deduced from the general discussion of development factors for all enterprises. Considering SMEs within the European Union, a variety of literature has been found that covers different topics and aspects of SMEs. The amount of different literature already shows the complexity of the topic and the difficulty of covering it all at once. SMEs from different sectors have different needs and therefore place different emphasis on development factors.

Nevertheless, a general grouping of development factors can be established from the available literature: market-economic, socio-economic, political/institutional and internal factors. Development factors impact differently through different stages of SMEs across various sectors. Therefore it is essential to understand which type, and at which stage, as support actions can dampen or reduce the impact of certain factors. With regard to their relative importance, specific factors are critical such as access to finance and managerial skills. While the former is widely acknowledged by all actors, the latter seems to be less recognised by entrepreneurs.

In the maze and abundance of those factors, the development of European SMEs differs in strategy and growth intention. While many SMEs do not survive the early years of their development, others do not plan to exceed a certain size.

Recommendation

The current definition of SMEs does not reflect the diversity of their nature (sector, age, location and level of innovation). A more target-oriented support should be based on a coherent and in-depth analysis of the nature of SMEs in different stages of their lifecycle and in different sectors. The improved definition should complement the current EU SME definition and provide a framework for a better earmarking of funding in future.

Link between policies and instruments and SME development factors

There is already a wide variety of instruments available to support SMEs directly or indirectly. It can, in general, be asserted that external factors are much more targeted than internal ones. The most direct support is given in terms of access to capital, information and infrastructure. Socio-economic factors are mainly covered with Cohesion policy instruments on one side and a particular financial engineering focus on access to capital on the other.

In general, the market-economic factors have only an indirect influence. Support in this respect can strengthen enterprises to cope with market-economic factors within the general competition rules. With the Maastricht Treaty and the European Central Bank (ECB) shaping taxes and interest rates, two significant pillars of support for the European economy are in place. The EU2020 strategy and the newly-adopted guidelines for the improvement of innovation and technology have yet to be implemented in a more differentiated way.

Political and institutional factors form a major element of the European landscape. Compared to international regulatory contexts, Europe is one of the most advanced markets, but also the one with the highest level of bureaucracy. The variety of different European and national rules and regulations creates an opaque jungle. It does however enable enterprises to cope with additional obstacles such as intellectual property rights. While the 'Small Business Act', announced in 2008, places emphasis on the simplification of rules and regulations, this has yet to be implemented at national level. Here again, a more accurate definition of SMEs would support implementation as would a focused simplification of procedures.

With regard to international issues such as standardisation and intellectual property rights, a maze of different support services may discourage SMEs that chronically lack the time and human resources required to process the amounts of information available. The financial resources required to engage regional or national consultancies to deal with these questions are normally not available to SMEs.

Beyond questions of financial barriers, internal factors are the most crucial for the success or failure of SMEs. Most of those factors concern skill development. Various programmes attempt to target training for SMEs, but in many cases entrepreneurs lack either the awareness or the resources necessary to benefit from this support.

Recommendation

There is a need to systemise support in different lifecycle stages with a better understanding of the individual needs and the degree of effects policies and instruments have on development factors.

A strategic framework has to be developed which defines the main target groups of SMEs to be supported. Better-earmarked funding and better-targeted services are required for these specified target groups. Finally, there is a substantial need for awareness-raising of public authorities in charge of the OP management on these aspects.

With a better understanding of the needs and difficulties of SMEs, target-oriented awareness-raising on the need for skill development should be established. The limited time resources of entrepreneurs in micro and small enterprises need to be taken into account when establishing training support for management and administrative skills.

Entrepreneurs need to be reached during the early seed phase to support their growth aspirations, and to help them to avoid potentially fatal management mistakes in later phases of their business development.

With specific regard to the support of R&D&I and TT, there is a need to raise awareness amongst SMEs about the potential benefits of investing in innovation, of the cooperation between science and business, and to account for the difficulties linked to the novelty of innovation-type projects, where implementation is more complex than in other types of measures. More promotional activities are therefore required.

The main support for SME development concentrates on growth, innovation and research and to some extent on support for skills development

The main support instruments can be grouped into four main types: regulatory support, financial support, advice and consultation, and networks and platforms. The regulatory support via specific guidelines such as the Small Business Act provides a general policy framework and should support the needs of SMEs in all fields.

The most important instruments at European level are financial support instruments at European Level – ranging from Cohesion Policy instruments, which are managed on MS and regional level, to thematically focused instruments such as CIP, LIFE for environment, FP7 for research and innovation and Leonardo da Vinci, Erasmus, etc. for upgrading skills. The latter are more centralised on EC level. Whilst the main emphasis of these programmes is research and innovation, ICT implementation and improvement of skills (FP7, CIP, LIFE), the Cohesion Policy instruments have a wider spectrum of support. Notwithstanding the codes outlined in Annex IV of the General Regulation 1083/2006 relevant for SMEs, Cohesion Policy programmes also target research, development and technology transfer, and ICT-related investments, as well as addressing support for entrepreneurship and on-the-job training. Further objectives refer to supporting general enterprise processes such as internationalisation, marketing, and training of workers and employees, which is in line with the EU2020 strategy. The Cohesion Policy objectives emphasise – in pursuit of the Lisbon strategy (to be followed by the EU2020 strategy) – strengthening knowledge, developing a skilled workforce and improving the performance of education and training systems. In addition to the EC support instruments, MS and regions operate their own funding schemes; in many cases, they do not fit easily with the EC support instruments.

The SME landscape includes a heterogeneous group, but only a very small group of SMEs can take advantage of different European and national instruments. Different instruments and policies overlap in their SME support, but they fail to provide adjusted support for a

wider spectrum of SMEs. For example, a significant share of SME support (e.g. in FP7, CIP, LIFE but also in certain priority axis of the Cohesion Policy instruments) is dedicated to innovation and research, but less than 30 percent of SMEs are involved in innovation and research. Many micro and small enterprises do not intend to invest in innovation and they are unaware of their potential lack of managerial skills.

While it is generally necessary to cover a wider proportion of SMEs (including those with no innovation approach), the different instruments and policies often lack a common strategy and overlap to some extent. Instruments are partly planned and implemented on EU level and partly at MS or regional level. The manifold channels of support lack transparency. This leads to significant confusion among the managers and users of instruments on MS/regional level and finally among target groups.

Recommendation

The complementarities and synergies between Structural Funds programmes and other (domestic) investment programmes should be strengthened. In particular, this should be pursued in Competitiveness and Employment Regions, where Cohesion Policy often covers only a small portion of support in comparison with resources channelled through domestic funding streams.

The synergies between Cohesion Policy and other EU instruments to effectively improve innovation and research funding in Europe need to be strengthened if the knowledge-based economy and innovation are really to be at the forefront of the EU2020 strategy.

A large spectrum of financial support instruments covers non-repayable grants, repayable loans and guarantees

Financial support differs according to the needs of different MS and regions and in line with the general Cohesion Policy objectives. Competitiveness and Employment regions tend to have a higher share of enterprise support in their priority axes than Convergence regions. Thematically-focused programmes offer support to target groups with a mix of (repayable) loans and (non-repayable) grants. The new financial engineering instruments, JEREMIE and JASMINE, now supplement such programmes. Their efforts are, however, much more focused on SMEs. This could represent a shift towards a greater role for loans and conversely a smaller role for grants.

A general trend towards a reorientation of direct support from non-repayable grants to loans and equity-based schemes has been widely reported. Whilst in many countries the better use of funds serves as the main reason, the Basel Accords on risk and capital management in the banking sector are also of importance.

In many Member States and regions, the use of repayable loans is still in a pilot phase with structural improvement being undertaken during the current funding period. The new financial engineering instruments have been implemented only recently and are not yet fully operational. This shift in financial support does not work in all countries, since national rules sometimes conflict with the EU funding regulations and private investment is a relatively scarce resource in many Convergence regions. The effectiveness of those instruments therefore cannot be evaluated at this time. Nevertheless, these financial instruments, and in particular JEREMIE, are used in two-thirds of the Member States.

This current task of improving access to finance for micro and small enterprises but also for entrepreneurs serves not only to boost European economies, but more importantly it supports the labour markets. Such instruments compensate, to varying degrees, the current credit restrictions imposed by risk-averse banks.

Recommendation

While fully acknowledging the advantages of the new financial engineering instruments moving towards repayable loans, there is a strong need to further simplify the structure of the instruments. However, this should not imply a complete withdrawal of non-refundable grants.

The management of those financial engineering instruments is not yet fully adopted, and it would be advisable to assess whether financial engineering organisations are actually more efficient in dealing with SMEs when such instruments are more widely used.

The impact of the financial crisis resulted in significant delays in the spending of the current Structural Funds

At the beginning of the crisis, the European Commission initiated the European Economic Recovery Plan (EERP). The simplification of procedures that formed part of the EERP has been widely appreciated and led to the generation of a number of projects receiving support that would have not been forthcoming under other circumstances. Many Member States did however re-evaluate project applications, and this procedure caused delays. Nonetheless, the financial crisis has led to a significant reduction in investment and spending on innovation. National budgets have been cut as a response to the recession, and this has also resulted in reductions in the levels of European funding actually committed. Original targets in many sectors have therefore been shown to be unrealistic (e.g. Poland). In many cases, the funds have been increased and additional instruments implemented as a response to the crisis. For the above reasons, the absorption of Cohesion Policy funds has been limited during the first two years of the 2007-2013 period. The time lag was partly covered by using up the remaining funds from the 2000-2006 period.

Recommendation

Defining and setting targets are difficult exercises that should be reconsidered when defining assessment indicators.

Simplification at national level and throughout Operational Programmes needs to be evaluated to determine its effects. Lessons learned should be applied in future Cohesion Policy design. Many simplifications led to a new approach to tackling funding shortages. A differentiated strategy had been adopted and each MS has used different strategies for responding to the economic recession.

There are still drawbacks in managing Cohesion Policy instruments and providing a suitable service to SMEs

The Cohesion Policy regulations allow national and regional administrations to define the operational programmes, and they decide who is eligible under each programme. Definitions and eligible beneficiaries differ between different programmes within Cohesion Policy instruments and even more between these instruments and those of other programmes.

In addition, the lack of harmonisation between European funding and national legislation frameworks leads to difficulties in the implementation of financial engineering instruments (e.g. Austria, Czech Republic). The lack of stable rules from the start of the programme periods (as has been the case with JEREMIE) or changes during the lifetime of programmes may cause a loss of credibility in that particular instrument. This can lead to a negative impact on general public opinion, and that of entrepreneurs, towards European funding in general.

The current national efforts in the adaptation of European funding regulations can give rise to additional administrative burdens because of changes in the application process, in reporting and auditing requirements, and especially in the payment process due to over-ambitious national implementation procedures. This complexity contrasts with other financial programmes, such as the Research Framework Programme managed by the European Commission, where the payment process is less bureaucratic.

Several stakeholders also pointed out that knowledge of service providers of different programmes is limited within that particular programme. Advisory services on different funding options are rarely implemented in the administrative structure. Competition, rather than cooperation, sometimes prevails between the responsible authorities.

Recommendation

The issue of strengthening the policy-delivery capabilities (mainly of agencies) is more important than the question of the appropriate policy mix. The service to SMEs should be more focused on SME needs and should be capable of advising about more than one programme. There is a need for a wider spectrum of knowledge about all European support systems.

In order to reduce the timescale for SME applicants, a timetable for programme authorities to establish and communicate whether a project has been successful should be obligatory, together with the establishment of rules available at the start of the programme period, which are clear-cut and not subject to change during the lifetime of the programme.

Many small enterprises avoid European support instruments because of their perceived complexity

A perception of complexity within European financial instruments is common in micro and small and even in medium-sized and larger enterprises. The reasons for this include the changing rules within one funding period and from one period to the next, and differences in requirements and rules from one programme to another. This perception of constantly changing regulations tends to discourage potential applicants, and it even deters some who qualified under previous programmes.

Particular aspects of pre-financing and the lack of proportionality of administrative requirements imposed on projects are not adapted to the limited resources of micro and small enterprises. Procedures offer only a short timescale for applicants to prepare their applications. These shortcomings will have to be addressed in order to increase acceptance and take-up and prevent firms from moving away from European funding schemes and towards domestic programmes/schemes. In many cases, this is also true for other programmes where only very experienced funding experts are able to cope with the different aspects of application within the timeframe.

Recommendation

The flexibility of support available should be increased and procedures for businesses simplified (for application and delivery, as well as fewer reporting obligations and more streamlined auditing). Linking projects to expected outcomes and imposing stronger conditions on firms that do not fulfil the intended goals (unless justified and agreed with the MA) should also be considered.

The increased use of advance payments and of payment plans based on staged reimbursements at subsequent steps of project completion (or, at least, the simplification and speeding up of reimbursement methods) should be considered based on assessments of crisis-related simplifications.

Last but not least, the service organisations should provide SME- oriented training for project applicants and management. The use of TA resources to support firms in drafting applications and intermediaries for delivering training initiatives and support services needs to be considered.

The evaluation of SME-related outputs of funding is difficult due to the weak evidence on the effectiveness of support

On the basis of the analysis of the literature and the eight operational programmes (covering different objectives), no general statement on the success and failure of SME related support can be established. Crucial factors are the design and focus of the programmes and the general approach of SME policies in the specific Member State. The financial crisis has impacted differently throughout the MS. This has led to a large variety of responses between MS, regions and OPs. Some MS depend much more on structural funding than others (mostly Convergence regions). Competitiveness programmes place more emphasis on their national programmes and research and innovation support instruments other than the SF instruments.

No clear pattern has emerged from the analysis of the eight selected programmes and the comparisons of their activities and objectives. The degree to which SME development factors are covered depends on the focus on enterprises in general and SMEs in particular. While some OPs, such as the Czech Enterprise & Innovation OP, target SMEs in all priorities, other programmes such as the Portuguese OP are mainly focused on general economic growth. The detailed evaluation of results in accordance with the codes is very difficult because the reporting system does not require detailed output assessments. However, the 2010 evaluation synthesis analysis has revealed that around 33 percent of commitments in relation to total ERDF and CF allocations for enterprise support could be reached.

Recommendation

Despite sizeable investments, there is not enough evidence to suggest that support has been effective. Better-targeted studies should be carried out – at EU, national and regional levels – on the impact that the Structural Funds have on different types of SMEs and micro-firms, and on the results and impacts of support, both generally and with regard to the specific aims pursued (e.g. increased innovation, human capital etc.)

In line with the need to strengthen the policy's effectiveness (as far as the support of SMEs is concerned), project appraisals should pay more attention to the longer-term goals of support than to the capacity of a project to spend its budget within the timetable required to fulfil N+2.

7. ANNEXES

Annex 1: Methodology of the study

Methodology outline

The study is structured around the six Tasks outlined in the Terms of Reference, namely:

- Listing and describing SME development factors (Task 1);
- Mapping and describing European SME support policies (Cohesion Policy and non) (Task 2);
- Cohesion Policy performance assessment Part I (literature review) and Part II (analysis of eight selected OPs) (Tasks 3 and 4);
- Cohesion Policy performance assessment - A framework for the future analysis, i.e. developing a questionnaire for potential future interviews amongst SMEs (Task 5);
- Pulling together the different findings (Task 6).

However, during the drafting phase the need for some adaptations emerged, which were subsequently implemented in agreement with the European Parliament. This concerned the fact that before entering the analysis of SME-relevant development factors and support instruments the study needed to take into account for differences that exist among SMEs; it was thus decided to add an introductory chapter on parameters that explain such differences.

Moreover, the selection process of the eight case studies was modified (see below), and it was decided that the questionnaire under Task 5, while provided together with the first version of the study, did constitute a draft for a future analysis rather than a tool ready to use.

Finally, the literature used for the performance assessment (Tasks 3 and 4) was agreed upon. This consisted mainly of relevant stakeholder documents, evaluation reports, policy documents, 2009 National Strategic Reports for selected countries and some material specifically on financial engineering instruments for Task 3/Chapter 4, whereas Task 4/Chapter 5 is based on the eight OPs selected and their Annual Implementation Reports for 2007, 2008, 2009, as available.

As a result, the chapter structure of the final version is as follows:

- A description of parameters explaining differences among SMEs (Chapter 1);
- A description of factors influencing the development of SMEs (Chapter 2);
- A description of the SME-relevant EU policies other than Cohesion Policy (Chapter 3);
- A brief overview of the current Cohesion Policy instruments, followed by an analysis of their performance with regard to SMEs and of their link with SME relevant development factors; where possible findings for the 2000-06 programming period are also presented (Chapter 4);
- An assessment of the performance of Cohesion Policy instruments with regard to SMEs based on case studies drawn from eight selected ERDF OPs, including an assessment of their link with SME-relevant development factors (Chapter 5);
- Relevant conclusions and recommendations (final part).

For a more detailed description of the content as well as for the main findings and recommendations, please refer to the Executive Summary at the beginning of the study.

Selection process

Though Task 2.3 of the Terms of Reference laid out a concrete selection procedure to be followed, it was first not clearly referred to; due to issues of data access in combination with time constraints a final, modified approach (concerning in particular the first step of selection) was adopted in agreement with the European Parliament.

Preliminary steps of selection

Given the competences of the Committee on Regional Development of the European Parliament it was decided not to take on board any ESF OP.

First step of selection

On the grounds of the data available in the OP summary database of the European Commission's DG REGIO²¹⁶ for each of the 3 Cohesion Policy objectives (CONV, RCE and ETC) the OPs with the highest EU allocation (ERDF and/or CF) were ranked and a certain number retained. Thus, Table 21, 22 and 23 contain respectively for convergence, RCE and ETC the 24, the 12 and the 5 OPs with the highest total EU allocation.

Table 20: 24 Convergence operational programmes with the highest EU contribution

MS	Name of Programme	EU Contribution	Type of enterprise support
Poland	OP Infrastructure and Environment	€27,913,683,774	Not relevant
Poland	OP Innovative economy	€ 8,254,885,280	Relevant
Spain	OP Andalusia	€ 6,531,308,334	Relevant
Hungary	OP Transport	€ 6,223,429,149	Not relevant
Czech Rep	OP Transport	€ 5,774,081,203	Not relevant
Czech Rep	OP Environment	€ 4,917,867,098	Not relevant
Spain	OP Cohesion Fund – ERDF	€ 4,900,164,342	Not relevant
Portugal	OP Territorial Enhancement	€ 4,658,544,223	Not relevant
Romania	OP Transport	€ 4,565,937,295	Not relevant
Romania	OP Environment	€ 4,512,470,138	Not relevant
Hungary	OP Environment and Energy	€ 4,178,846,341	Not relevant
Romania	Regional Operational programme	€ 3,726,021,762	Relevant
Greece	OP Improvement of Accessibility	€ 3,700,160,864	Not relevant
Italy	OP Campania	€ 3,432,397,599	Relevant

²¹⁶ http://ec.europa.eu/regional_policy/country/prordn/index_en.cfm.

MS	Name of Programme	EU Contribution	Type of enterprise support
Italy	OP Sicily	€ 3,269,802,550	Relevant
Latvia	OP Infrastructure and Services	€ 3,243,062,967	Not relevant
Slovakia	OP Transport	€ 3,206,904,595	Not relevant
Portugal	OP Thematic Factors of Competitiveness	€ 3,103,789,011	Relevant
Italy	OP Research and Competitiveness	€ 3,102,696,821	Relevant
Lithuania	OP Economic Growth	€ 3,098,853,525	Relevant
Germany	OP Saxony	€ 3,091,139,706	Relevant
Czech Rep	OP Enterprises and Innovations	€ 3,041,312,546	Relevant
Portugal	OP Norte	€ 2,711,645,133	Relevant
Greece	OP Central Macedonia - Western Macedonia - Eastern Macedonia & Thrace	€ 2,675,000,000	Relevant

Table 21: Operational programmes in Competitiveness and Employment with the highest EU contribution

MS	Name of Programme	EU Contribution
Hungary	OP Central Hungary	€ 1,467,196,353
Spain	OP Valencia	€ 1,326,340,547
Germany	OP North Rhine-Westphalia	€ 1,283,430,816
Spain	OP Canary Islands	€ 1,019,297,761
Germany	OP Berlin	€ 875,589,810
Spain	OP Castilla y León	€ 818,194,437
United Kingdom	OP North West England	€ 755,754,611
France	OP Nord-Pas-de-Calais	€ 700,953,570
Italy	OP Sardinia	€ 680,671,765
Spain	OP Catalonia	€ 679,074,228
Germany	OP Lower Saxony (excluding Lüneburg)	€ 638,769,613
United Kingdom	OP Yorkshire and The Humber	€ 583,580,959

Table 22: Operational programmes in European Territorial Cooperation with the highest EU contribution

MS	Name of Programme	EU Contribution
	OP North West Europe (NWE)	€ 355,443,293
	Interregional co-operation programme: INTERREG IVC	€ 321,321,762
	OP Spain-Portugal	€ 267,405,976
	OP Central Europe	€ 246,011,074
	Baltic Sea Region Programme 2007-2013	€ 230,642,709

Second step of selection

In line with to Annex IV of Regulation 1083/2006 the SME relevant codes of expenditure cover

- SME support (03, 04, 06, 09, 14, 15, 68);
- General enterprise support (code 05, 07, 08);
- Firm restructuring and adaptability of workers (code 62, 63, 64).

For each of the 28 OPs retained from the first step of selection, the three part-sums concerning the three groups of codes as well as their total were calculated.

Consequently, out of the 28 OPs, the seven highest for SME support have been retained while respecting a certain balance with regard to the CP objectives (i.e. the three OPs with the highest allocations in terms of direct SME support for CONV, the three highest for RCE and the highest for ETC were retained). The same exercise was carried out for general enterprise support and firm restructuring, for which however respectively only five OPs were retained (2 CONV, 2 RCE and 1 ETC).

The results of this code of expenditure/objective plotting are shown in Tables 23-25, which still cover a total of 17 OPs (14 without those listed twice) retained for the final step of selection:

Table 23: Operational programmes with the highest contribution of SME support

	MS	Name of programme	Type of programme
RP	Germany	OP North Rhine-Westphalia	Competitiveness
RP	Spain	OP Valencia	Competitiveness
RP	United Kingdom	OP North West England	Competitiveness
NP	Poland	OP Innovative Economy	Convergence
NP	Czech Rep	OP Enterprises and Innovations	Convergence
RP	Germany	OP Saxony	Convergence
	Europe	Interregional co-operation programme INTERREG IVC	European Territorial Cooperation

Table 24: Operational programmes with the highest contribution of general enterprise support

	MS	Name of programme	Type of programme
NP	Poland	OP Innovative Economy	Convergence
NP	Portugal	OP Thematic Factors of Competitiveness	Convergence
RP	Germany	OP Berlin	Competitiveness
RP	Hungary	OP Central Hungary	Competitiveness
	Czech Republic, Germany, Italy, Hungary, Austria, Poland, Slovenia, Slovakia	OP Central Europe	European Territorial Cooperation

Table 25: Operational programmes with the highest contribution of general firm restructuring

	MS	Name of programme	Type of programme
NP	Czech Rep	OP Enterprises and Innovations	Convergence
RP	Germany	OP North Rhine-Westphalia	Competitiveness
RP	Portugal	OP Norte	Convergence
RP	Germany	OP Lower Saxony (excluding Lüneburg)	Competitiveness
	Denmark, Estonia, Germany, Latvia, Lithuania, Poland, Finland, Sweden and Belarus, Norway and the Russian Federation as non MS	Baltic Sea Region Programme 2007-2013	European Territorial Cooperation

Third step of selection

The final step of selection consisted in taking into account two additional selection criteria outlined in the Terms of Reference, namely:

- Geographical distribution/coverage;
- Balance between national, regional and multi-regional programmes.

Thus, a, to some extent discretionary, rebalancing of the financial allocation and objective criteria lead to the final selection of eight OPs, all ERDF, listed in Table 26:

Table 26: Selection of eight operational programmes

	MS	Name of programme	Type of programme	Type of enterprise support
NP	Poland	OP Innovative Economy	Convergence	SME support
NP	Czech Rep	OP Enterprises and Innovations	Convergence	SME support
NP	Portugal	OP Thematic Factors of Competitiveness	Convergence	General enterprises
RP	Germany	OP North Rhine-Westphalia	Competitiveness	Firm restructuring
RP	United Kingdom	OP North West England	Competitiveness	SME support
RP	Spain	OP Valencia	Competitiveness	SME support
RP	Hungary	OP Central Hungary	Competitiveness	General enterprises
	Denmark, Estonia, Germany, Latvia, Lithuania, Poland, Finland, Sweden and Belarus, Norway and the Russian Federation as non MS	Baltic Sea Region Programme 2007-2013	European Territorial Cooperation	Firm restructuring

Annex 2: Case studies

The following section contains a description of the ERDF programmes, including a summary of the progress made with regard to the physical targets set, based on information taken from the Annual Implementation Reports for the years 2007, 2008 and 2009.

These tables were elaborated based on an assessment of the individual country expert who carried out the OP analysis; whilst country experts were given guidance on the interpretation to be given to the factors, the assessment includes an element of subjectivity which is inherent to the task.

Case study No. 1

Enterprise & Innovation					
Member State	Czech Republic		Objective	Convergence	
Total EU contribution	€ 3,041,312,546		Direct SME support	€ 806,045,986	26.5%
General Enterprise support	€ 1,223,818,705	40.2%	Support for restructuring	€ 146,261,421	4.8%
Programme summary					
<p>The Czech 'Enterprise & Innovation' OP aims at increasing the competitiveness in industry and enterprise, maintaining the attractiveness of the Czech Republic and its regions and cities for investors, promoting innovations, accelerating the implementation of R&D results in the manufacturing sector, especially by stimulating the demand for R&D results and the commercialisation of the results, promoting entrepreneurship and economic growth based on knowledge through the capacity to introduce new technologies and innovative products, including new ICT. Its global objective is to increase the competitiveness of the Czech economy and bring the innovation performance of the industry and services sectors closer to the level of leading industrial EU Member states. SMEs are the primary target of support.</p>					
Relevant findings					
<p>Public support for SMEs in the Czech Republic comes especially from EU sources, as the share of national support to SME has significantly decreased since the launch of Cohesion Policy in the country. The national support programmes financed entirely from national sources were closed in 2007 (with the exception of the programme 'Guarantee' announced in 2009 under the anti-crisis measures). From the current Czech Operational Programmes, the OP Enterprise and Innovation is the one that targets SMEs the most. Nonetheless, SME support is also provided by the Czech Rural Development Programme.²¹⁷</p> <p>By the end of 2009, within the priority axes 1, 2, 3, 5 and 6, a total number of 3,829 SME projects and 84 large enterprise projects were supported by the OP.</p> <p>The share of SMEs on the overall supported enterprises reached 93 percent in terms of grants and 89 percent in terms of other financial support. A very high share of SMEs in the OP funds used so</p>					

²¹⁷ Ministerstvo Zemědělství České Republiky (2007) *Rural Development Programme of the Czech Republic for 2007-2013*, Prague, January 2007.

far can be explained by the MA's decision to focus the first calls for project applications specifically on SMEs. An increasing portion of large enterprises funded by the OP Enterprise and Innovation can be expected in the next years.

The progress in fulfilling the target values of indicators is different in each Priority. This was also reflected in 2010, when the adjustment of selected target values was made. According to the monitored indicators, the Priorities 2 and 4 (mostly focused on innovations and implementation of new technologies by firms) have been the most successful so far. On the contrary, the slower implementation of the programme is apparent under the Priority 5. Values of some indicators (e.g. number of newly established incubators or number of newly established technology transfer centres) have achieved only about 12percent of the target value so far. Small progress of monitored indicators under the Priority 6 results from the limited number of calls, which were denounced by the end of 2009. Therefore, the allocation for this Priority axis was reduced by 50percent.

Relevance for SME development factors along codes of expenditure

Specific group of support	Objective/ Code of Expenditure	Programme/ Measures	socio-econ.	market - econ.	political - inst.	int. org.	cap.	HR	external posit.
Targeted SME support	code 03	5.1		x			x	x	x
	code 04	4.2, 5.1, 5.2	x	x			x	x	x
	code 06	2.1, 3.1, 4.1	x	x		x	x		x
	code 09	1.2 (not op.), 4.1, 5.3	x	x		x	x		x
	code 14	2.2, 6.2				x	x	x	X
	code 15	2.2				x	x		x
	code 68	1.1, 2.1				x	x		
General Ent. Support	code 05	1.2 (not op.), 2.2, 5.1, 6.1, 6.2		x		x	x	x	x
	code 07	4.1, 4.2, 5.2	x	x		x	x	x	x
	code 08	2.2, 3.1, 5.3	x	x		x	x		x
	code 62	5.2	x					x	x
	code 63	4.1	x	x		x	x		x
Restructuring & adaptability of workers	code 64	none							
	code 63	4.1	x	x		x	x		x
	code 64	none							

JEREMIE/JESSICA

NA

Case study No. 2:

Innovative Economy					
Member State	Poland		Objective	Convergence	
Total EU contribution	€ 8,254,885,280		Direct SME support	€ 1,654,768,290	20.0%
General Enterprise support	€ 3,404,272,910	41.2%	Support for restructuring	€ -	0.0%

Programme summary

The Polish 'Innovative Economy' OP has the main overarching aim of 'improving cohesion' in the fields of the economy, science, tourism and information technology, by improving the links between science and enterprises, particularly SMEs to whom two priorities are exclusively devoted.

The Polish priorities tackle: (i) the research and development of new technologies (especially within SMEs); (ii) obtainance of external finance for innovative projects (a priority exclusively devoted to SMEs); (iii) investment support, training and consultancy services for firms undertaking innovative undertakings (SMEs are favoured through preferential selection criteria); (iv) the investment, consultancy services and training related to the development of supra-regional cooperative relations and clusters, support to innovation centres (e.g. science and technology parks, technology incubators, technology transfer centres), support for the use of intellectual and industrial property rights by entrepreneurs and information and promotion on industrial property rights /design protection; (v) the support for the increase of external trade (counselling and training in sales promotion, export promotion, foreign market studies, participation in exhibitions and fairs; a priority exclusively devoted to SMEs); (vi) investments in IT, e.g. for creation of new, innovative e-services, innovative electronic solutions for business and the reduction of technologic, economic and mental barriers for using e-services in society (includes support for SMEs, for e-services and broadband access to internet).

Relevant findings

Most measures supporting innovation and entrepreneurship in Poland are still quite new and mainly financed through EU Structural Funds. Because of the importance of the SME sector in economic development and the existing barriers to its development most of the instruments designed in the OP are directed largely or exclusively at SMEs. Some of the fundamental challenges to the sector are directly addressed by the OP, such as the ones indicated by its priority axis.

As far as the implementation progress is concerned, in the early years of the programming period, the OP Innovative Economy had the highest value of contracted funds as a percentage of the overall allocation. However, challenges remain, as evidenced by the slow progress of some priorities and measures. This is partly explained by the impact of the crisis, which has led to a significant reduction of investment and to a reduction of spending on innovation. It is also explained by the challenge of promoting and supporting an innovative, collaborative approach among Polish entrepreneurs.

Given this, the targets originally assigned to several priorities are now considered as unrealistically high and policy makers accept that achieving visible progress in improving innovative, collaborative performance will take some time.

The OP only lists product (i.e. output) and outcome (i.e. result) indicators. It does not include any impact indicators. The AIR for the year 2009 contains a section on the achievement of Lisbon objectives through measures related to the National Reform Programme, but these are not linked

to specific codes of intervention. In addition to the above Priority-by-Priority account, information on the physical progress of the OP is also available for selected measures.

Relevance for SME development factors along codes of expenditure

Specific group of support	Objective/ Code of Expenditure	Programme/ Measures	socio-econ.	market-econ.	political-inst.	int. organis.	cap.	HR	external posit.
Targeted SME support	code 03	5.1, 5.3							x
	code 04	1.4		x					
	code 06	None							
	code 09	5.4				x			
	code 14	6.5, 7.1, 8.1, 8.2				x			x
	code 15	8.1, 8.2, 8.3, 8.4				x			x
	code 68	None							
General Ent. Support	code 05	3.1, 3.2, 3.3, 5.2, 6.1, 6.2				x	x		x
	code 07	3.1, 4.1, 4.2, 4.3, 4.4, 4.5				x	x		
	code 08	6.2							x
Restructuring & adaptability of workers	code 62	None							
	code 63	None							
	code 64	None							

JEREMIE/JESSICA

NA

Case study No. 3

Competitive Factors NOP				
Member State	Portugal		Objective	Convergence
Total EU contribution	€ 3,103,789,011		Direct SME support	€ 504,039,015 16.2%
General Enterprise support	€ 1,520,000,000	49.0%	Support for restructuring	€ - 0.0%

Programme summary

The Portuguese OP 'Competitiveness Factors' has as an overarching aim to contribute to the promotion of economic growth levels, so as to ensure a sustained recovery path of the Portuguese economy and its real convergence with the EU, based on the competitiveness of the country, its regions, businesses and territories.

In the field of tangible public goods (though these were not the focus of the present analysis), the Portuguese System of Support for Entities from the National Science and Technology System; the development of logistic centres and business incubation facilities funded by the Central Hungary OP.

The Portuguese programme's five priorities – all but one of which have direct relevance for SMEs – invest in R&TD, innovation and entrepreneurship, the information society, energy, and the strengthening of institutional capacity at national, regional and local levels.

Relevant findings

The programme reports on 3 sets of physical indicators:

- Programme indicators (by priority axis, including: baselines; targets for 2010 and 2015, as required by the regulations; and achievements at 2009);
- Core indicators (for the OP, no targets); and
- National common indicators (no targets).

The 2009 AIR makes the following assessment of physical progress, with breakdown for each priority.

Priority 1: Knowledge and technological development: Overall, there has been high demand with over 900 projects approved between 2007 and 2009 and an ERDF award value of €192m. However, the majority of project applications for the SAECTN Scheme (for the National Science and Technology System) occurred during late 2009 and are to be approved in 2009, thus the state of physical progress reported in the AIR should be treated with some care. The report notes that overall 75 percent of the 2010 targets have been achieved. The achievement of the targets for consortia and commercialisation of results projects reflect the priority placed on these typologies through project selection criteria and the incentive effect arising from the greater award rate for these types of project. The AIR concludes that the R&D component of the OP's aims, especially on the business side, will be achieved and should contribute to increased national R&D and pave the way for the development of new products and processes which induce greater competitiveness and innovation.

Priority 2: Innovation and renewal of the enterprise model and the pattern of specialisation: This priority contains 6 results indicators (to be assessed on project completion) and 6 output indicators. The AIR notes that targets for output indicators are set to be achieved, and as a matter of fact 2010 targets have already been achieved, apart from the entrepreneurship indicator ('No. firms created/total firms supported') which is explained by the decision to focus entrepreneurship support on SMEs under the ROPs not this NOP. Though there will be no available

information on results indicators until projects are completed, the report highlights the strong focus on innovative projects with potential for exporting (i.e. in tradable sectors) and that can contribute to the renewal of business model (concentrating in sectors with high technology intensity). With regard to the OPs' 'structuring projects',²¹⁸ the report highlights the high proportion in sectors with a high technology and knowledge intensity (two thirds).

Priority 3: Financing and risk sharing of innovation: The first indicator is on the quality of risk capital. The measure 'Investment in seed capital/total investment in risk capital' has no reported progress as no applications have come forward yet. Delays in the implementation of risk capital funds, which have only become operational in late 2009, explain the poor performance of the indicator on 'Investment in firms in knowledge intensive and med/high and high tech sectors/total investment in innovative finance' (i.e. funding geared toward high growth potential). By contrast, there has been high demand for guarantees by firms (the SME Invest Fund) and this indicator has already achieved its 2010 target (and is also at 70 percent of the 2015 target).

Priority 5: Networks and collective actions of enterprise development: This priority includes 2 results and 2 output indicators. The indicator for 'Investment supported in collective efficiency strategies/total investment supported' far exceeds the targets. This is because Collective Efficiency Strategies (CES) have received priority support, with 84 percent of projects approved in calls being embedded in a technology and competitiveness pole, cluster or other agglomeration. However, it is expected that this indicator's performance will fall relative to the overall investment supported value after the second phase of applications are reviewed at the end of 2009.

With respect to collective actions, even though many of the results and impacts of approved projects are yet to materialise (as the projects have yet to be completed), there is a high focus on SMEs in the current projects approved, resulting in 2015 targets already being achieved. However, the indicator value is clearly out of line with the target. The explanation is related to the focus that the Collective Actions instrument adopted during programme implementation. The AIR notes that it is necessary to bear in mind that another instrument was created with a similar focus on collective actions (Joint Projects/SME Incentive Scheme) where goods and services are individually and collectively appropriated by a group of SMEs, while the so-called SIAC initiatives (also targeted at SMEs) supports goods and services with positive externalities that are collectively appropriated (indivisible, non-rival and pursuing the general interest of the group). Thus the indicator is currently capturing the potential of SMEs to benefit from results of projects. The AIR notes that the indicator should be adjusted in due course.

Relevance for SME development factors along codes of expenditure

Specific group of support	Objective / Code of Expenditure	Programme/ Measures	socio-econ.	market-econ.	political-inst.	internal organis.	capital	HR	external posit.
General	NA	NA	x	x		x	x	x	x
JEREMIE/JESSICA									
NA									

²¹⁸ These are defined in the programmes as projects that focus on programme objectives by: a) driving forward new types of sectoral activities with future growth potential; and b) and with the capacity to generate spillover or multiplier effects on other organisations or activities.

Case study No. 4

North Rhine-Westphalia					
Member State	Germany		Objective	Competitiveness and Employment	
Total EU contribution	€ 1,283,430,816		Direct SME support	€ 362,660,108	28%
General Enterprise support	€ 163,505,250	13%	Support for restructuring	€ 211,355,795	16%

Programme summary

The North Rhine-Westphalia programme is very targeted, with an overarching goal of improving the competitiveness and adaptability of the economy and the creation of employment. This is done by promoting innovation and building on specific regional strengths. In order to attain convergence, however, structurally disadvantaged areas are specifically supported. In the North-Rhine Westphalia programme all three priorities are directly relevant to SMEs.

Relevant findings

All three Priorities of the North Rhine-Westphalia programme include measures for SMEs. Priority 1 is addressing SMEs explicitly and also Priority 2 offers a range of related schemes. In Priority 3 instead, only Measure 3.1 'Integrated development of urban problem areas' is of relevance to SMEs.

Progress of Priorities and Measures is mixed, and especially Priority 1 is behind most of its intermediate targets. For instance, innovation-relevant investments in SMEs amounted so far only to €159.1 million, which is significantly lower than the target until 2009 (€630 million). Also the number of consultancy services (908) is far behind the set targets. One reason for this is a changed domestic support framework for these services. The 'Beratungsprogramm Wirtschaft' amended its eligibility criteria in November 2007, and hence consultancy services to existing enterprises are no longer eligible. Another reason is of methodological character, since the collection of the number of beneficiaries is time-consuming and hence not carried out annually. Also the number of start-ups is lower than expected.

The 2009 AIR mentions that the achievement of the targets in Priority 1 is considered to be unlikely, due to the late start of the programme, the impact of the economic crisis and the lack of instruments explicitly targeting technology-oriented start-ups.

Priority 2 measures are performing better on the other hand; especially the number of innovations (860) is beyond the target set for the whole programme period (350). Also the number of supported networks and clusters (36) is higher than foreseen at this stage of the programme (21). In other areas, the performance is mixed. In terms of energy efficiency and renewable energies, for instance, the number of projects is still not as high as expected, while the reduction of CO₂ emissions is well beyond expectations. More efforts are needed in the area of inter- and intraregional pilot projects implementing innovative concepts. In 2009, the first four projects of this kind could be approved, but still more needs to be done.

Finally, Priority 3 is performing generally well. However, only one Measure can be linked to SMEs. Measure 3.1 aims at integrated development of urban problem areas and is hence only indirectly addressing SMEs. These benefit as part of projects safeguarding the cultural and natural heritage. Although the number of projects is in line with targets, the investment volume is behind expectations. But since many of the projects have only been approved in the past year, an increase of the investment volume can be expected over time.

Relevance for SME development factors along codes of expenditure									
Specific group of support	Objective / Code of Expenditure	Programme/ Measures	socio-econ.	market-econ.	political-inst.	internal organ.	cap.	HR	external posit.
Targeted SME support	code 03	2.1, 2.2, 2.4					x		x
	code 04	2.1, 2.2					x		x
	code 06	1.1, 1.2, 2.1	x		x	x		x	x
	code 09	1.2, 2.1			x	x		x	x
	code 14	2.1, 2.3					x		x
	code 15	None							
	code 68	1.1, 1.2, 3.1	x		x	x		x	
General Ent. Support	code 05	1.2, 2.1, 2.3, 3.1	x		x	x	x	x	x
	code 07	1.1, 2.1, 2.2	x				x		x
	code 08	1.1, 3.1	x						
Restructuring & adaptability of workers	code 62	1.2, 2.3, 3.1	x		x	x	x	x	
	code 63	1.2, 2.1, 2.3, 3.1	x		x	x	x	x	x
	code 64	1.2, 2.3, 3.1	x		x	x	x	x	
JEREMIE/JESSICA									
JEREMIE and JESSICA are planned in Priority 1, no further information in OP or AIRs.									

Case study No. 5

Valencia					
Member State	Spain		Objective	Competitiveness and Employment	
Total contribution EU	€ 1,326,340,547		Direct SME support	€ 233,564,863	17.6%
General Enterprise support	€ 113,140,678	8.5%	Support for restructuring	€ -	0.0%

Programme summary

The OP for the 'Comunidad Valenciana' (Spain) aims to tackle a number of challenges, not all of which have to do with the role and development of firms. It covers not just the difficulties faced by the manufacturing sector (replaced as the key economic activity by the construction sector), but also the relative delays in the establishment of transport infrastructure, the limited availability of hydric resources (which hampers development), and the training/integration needs required by the considerable immigration inflow. As a result, the strategy – as expressed in the programme's strategic objectives and outlined in the priorities of interventions – is mixed, aiming at physical capital and technological endowment so as to boost international competitiveness, strengthening the productivity of businesses and the diversification of production (towards higher added value and technological productions), environmental improvement (including the more efficient use of water resources) and social integration. The programme thus funds investments in a number of fields, from transport, to tourism, environmental protection and risk prevention and culture and urban and rural regeneration.

Relevant findings

The AIR for the OP reports progress on the following programme indicators (for the part relevant to the present study). Financial implementation rate is of 10 percent. Physically, some 315 projects have been supported according to the specific physical indicator for code 9 (which, however, does not tally with the disaggregated physical information provided for in this code).

- The SME agency (IMPIVA) has supported around 60 projects in the domains of 1) knowledge information and management, 2) cooperation platforms and 3) R&D internationalisation.
- The Department of Industry, Trade and Innovation has supported 56 projects under 3 action lines, most (27) relating to the action plan for promoting SME participation in national and international R&D and innovation plans (such as the Seventh Framework Programme (FP7)).
- For the schemes implemented under the responsibility of the Ministry of Industry, Tourism and Trade:
- The DG for Information Society has supported SMEs with loans for ICTs (12 percent of all beneficiaries in Spain, though does not state how many);
- The Dirección General de Política de la Pequeña y Mediana Empresa (DG for SME Policy) has supported 353 projects/files (which can include business associations and SMEs) in the domains of organisational innovation and advanced management, technological innovation and quality, and innovation in cooperation. It notes that progress is good, although more 'innovation in cooperation' projects are needed.

- The Export Agency (ICEX) has provided credit support for 84 internationalisation projects in firms.
- With regard to the Chambers of Commerce the Programme for Firms Initiating Exports (PIPE) has supported 80 firms; the programme for initiation of international procurement projects (ILI) for SMEs provides assistance and training too, but the number of projects is not reported; territorial platforms for business development (a support network for services for firms) has progressed through feasibility studies for setting up excellence centres on energy efficiency and renewable energies; the programme for adaptation of firms to the digital economy does not provide project information, but states that the programme has shown that that investment in ICTs increases productivity, although it also stated that there is resistance to change in firms.

The Foundation for the creation and development of firms (ICYDE) has provided support for the creation of three incubators.

Relevance for SME development factors along codes of expenditure

Specific group of support	Objective/ Code of Expenditure	Programme / Measures	socio-econ.	market-econ.	political-inst.	int. orga-nis.	cap.	HR	external posit.
Targeted SME support	code 03	None							
	code 04	P1.04		x					
	code 06	P1.06	x						
	code 09	P2.09	x	x		x	x	x	x
	code 14	None							
	code 15	None							
	code 68	None							
General Ent. Support	code 05	None							
	code 07	None							
	code 08	P2.08	x	x					x
Restructuring & adaptability of workers	code 62	None							
	code 63	None							
	code 64	None							

JEREMIE/JESSICA

NA

Case study No. 6

North West England					
Member State	United Kingdom		Objective	Competitiveness and Employment	
Total contribution EU	€ 755,754,611		Direct SME support	€ 235,819,792	31.2%
General Enterprise support	€ 228,827,744	30.3%	Support for restructuring	€ 11,269,261	1.5%
Programme summary					
<p>The North West England programme, is similarly focused, articulated around the vision 'to create a dynamic, sustainable international economy which competes on the basis of knowledge, advanced technology and an excellent quality of life for all'. Like the North Rhine-Westphalia programme, the OP for North West England pursues an element of territorial cohesion in tandem with increasing the region's competitiveness, with its Priority 4 devoted to the stimulation of enterprise in disadvantaged communities, the support of linkages to key employment areas and to employment creation in areas in need of regeneration.</p>					
Relevant findings					
<p>The North West England OP has a strong emphasis on SMEs, given that it states that the main part of the OP strategy is tackling the low rates of enterprise, innovation and productivity in the region. The OP predominantly targets SMEs for support, although it focuses on added value in key areas, rather than supporting basic business and enterprise support infrastructure in the region. The OP was designed to complement the major source of match funding available in the region (at that time), the RDA's Single Programme, as well as resources for innovation and knowledge transfer from the region's HEIs (Higher Education Institutions). The OP was also intended to build on the government's Business Link initiative. 2009 was the first full year of the programme. During 2009, two significant financial engineering initiatives were approved. Due to many projects starting comparatively late, and the financial engineering instruments only starting to make funds available in 2010, outputs and results were still low in 2009. Significant increases were expected in 2010. The recession also had a strong impact on programme implementation, with many projects being re-evaluated in terms of their viability.</p>					
<p>The programme faces even more significant challenges in the remaining years of the programming period. Changes to the regional economic development context in England (e.g. abolition of the RDAs) and severe cuts in government spending (e.g. abolition of the Single Programme) mean that matching funding may be difficult to find. This, together with changes in the business development environment in England (abolition of the Business Links and their replacement with a national telephone help-line and website) means that SME support in the region faces a difficult and uncertain future.</p>					
<p>The AIRs provide a review of the progress made by the programme towards achieving its physical targets at Priority level only.</p>					

Relevance for SME development factors along codes of expenditure									
Specific group of support	Objective / Code of Expenditure	Programme/ Measures	socio - econ.	market-econ.	political-inst.	int. organis.	cap.	HR	external posit.
Targeted SME support	code 03	1.2; 2.1	x	x	x	x	x	x	x
	code 04	2.1	x	x	x	x			
	code 06	1.3	x		x				x
	code 09	1.1; 1.2; 2.1; 2.2; 4.1	x	x	x	x	x	x	x
	code 14	None							
	code 15	2.2	x	x			x	x	x
	code 68	None							
General Ent. Support	code 05	1.1; 1.2; 2.2	x	x			x	x	x
	code 07	1.2; 2.2	x	x			x	x	x
	code 08	1.1	x				x	x	
Restructuring & adaptability of workers	code 62	None							
	code 63	None							
	code 64	1.2	x	x			x	x	x
JEREMIE/JESSICA									
For JESSICA 'North West Urban Investment Fund': ERDF €55.6 mill. + €55.6 mill match funding by NWDA, the region's RDA									
For JEREMIE 'Venture Capital and Loan Fund': ERDF €101.6 mill. + €101.6 mill match funding through EIB loan. In addition, over £200m of co-investment capital will be sought from a wide range of sources.									

Case study No. 7

Hungary - Central Hungary									
Member State	Hungary		Objective	Competitiveness and Employment					
Total EU contribution	€ 1,467,196,353		Direct SME support	€ 70,605,500	4.8%				
General Enterprise support	€ 281,976,093	19.2%	Support for restructuring	€ -	0.0%				
Programme summary									
The OP for 'Central Hungary' is also multi-dimensional. With the overarching goal of improving the international competitiveness of the region while respecting the principles of sustainable development (i.e. strengthening internal cohesion, R&D/innovation potential and transport, education and health infrastructure) the OP supports innovation and enterprise development, but also funds investments in the fields of tourism, the environment, natural resources, basic infrastructure (e.g. healthcare, higher education and school infrastructure), urban regeneration and others.									
Relevant findings									
The implementation progress of the SME-related measures of the OP Central Hungary seems to be somewhat lagging behind. Overall, with regard to Priority 1, the indicators measured in the AIRs are: <ol style="list-style-type: none">1. Planned amount of investments induced by support (Target: 85 billion HUF);2. Increase in R&D investment of firms (Target: 14 percent average p.a. until 2015);3. No. of new jobs created (Target: 5,000). Results at 2009 are reported only for the first two indicators: <ul style="list-style-type: none">• Investment volume: 31.25 billion HUF (2009 AIR), c. 36.7 percent of the target value;• R&D investment in firms: some 56 percent increase from 2008 to 2009.									
Relevance for SME development factors along codes of expenditure									
Specific group of support	Objective / Code of Expenditure	Programme/ Measures	socio - econ.	mar- ket- econ.	politi- cal- inst.	int. orga- nis.	cap.	HR	exter- nal posit.
Targeted SME support	code 03	1.1, 1.2, 1.5				x			x
	code 04	1.2				x			
	code 06	1.2				x			
	code 09	None							
	code 14	None							
	code 15	1.4					x		x
	code 68	None							

General Ent. Support	code 05	1.3					x		
	code 07	1.1				x			x
	code 08	1.2				x			
Restructuring & adaptability of workers	code 62	None							
	code 63	None							
	code 64	None							

JEREMIE/JESSICA

Yes, designed to widen access to external sources of finance for SMEs via various means of finance and related consultancy services. JEREMIE framework amount: € 40.04 mill. (AIR 2008); contracted amount at end 2008: €25.26 mill. No framework amount available for 2009. Split between ERDF and national public co-financing not specified in the tables (however, EU funding is 85 percent of total public funding).

Case study No. 8

Baltic Sea Region					
Member State	Denmark, Estonia, Germany, Latvia, Lithuania, Poland, Finland, Sweden and Belarus, Norway and the Russian Federation as non MS		Objective	ETC	
Total contribution EC	€ 230,642,709		Direct support SME	€ 29,332,865	12.7%
General Enterprise support	€ 5,866,573	2.5%	Support for restructuring	€ 3,911,048	1.7%
Programme summary					

The Baltic Sea Region Programme is by nature specifically focused on transnational cooperation. Its overarching strategic objective is to strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region (BSR) by connecting potentials across borders, to increase the attractiveness of the Baltic Sea Region as a place for investment, work and living. In pursuing this goal, the OP aims to boost the knowledge-based, socio-economic competitiveness of the macro-region and the continued enhancement of territorial cohesion across the area. The programme also addresses the strategic objectives of the EU's external relations in view of the multilateral co-operation with EU neighbours.

The Baltic Sea Region programme funds a range of investments, of which those targeted by Priority 1 - 'Fostering of Innovations across the BSR' – are of direct relevance to SMEs, with the explicit aim to advance the innovation-based regional development of the BSR through the support of the innovation sources and their links to SMEs, facilitation of transnational technology transfer and knowledge, and the strengthening of the societal foundations for absorption of new knowledge.

Relevant findings

SME-related interventions are implemented through Priority 1. According to the AIR 2009, no significant problems in the implementation were encountered. In financial terms, 57 percent of the ERDF funds, half of the Norwegian funds and 7 percent of European Neighbourhood and Partnership Instrument (ENPI) funds have been committed. In physical terms, the Priority-level targets have so far already been well overachieved. The one clearly SME-relevant indicator at OP-level (Number of approved projects involving technology institutes and SMEs) has also already been reached (achieved 21; target: 20). Overall, the SME-related parts of the OP appear to have been implemented successfully.

Relevance for SME development factors along codes of expenditure

Specific group of support	Objective/ Code of Expenditure	Programme/ Measures	socio - econ.	market-econ.	political-inst.	int. organis.	cap.	HR	external posit.
Targeted SME support	code 03	1.1, 1.2			x				x
	code 04	1.2			x				x
	code 06	1.2			x				x
	code 09	1.2			x				x
	code 14	1.3	x					x	
	code 15	1.3	x					x	
	code 68	1.1			x				x
General Ent. Support	code 05	1.1			x				x
	code 07	1.1			x				x
	code 08	1.1			x				x
Restructuring & adaptability of workers	code 62	1.3		x				x	
	code 63	1.3		x				x	
	code 64	1.3		x				x	

JEREMIE/JESSICA

N.A

Annex 3: Cohesion Policy performance assessment - SWOT analysis of OPs

Table 27: SME-specific strengths and weaknesses of each programme

Programme	SME strengths	SME weaknesses
Czech R. - Enterprise & Innovation	Geographical location, good access to Western markets, relatively high degree of the labour force qualifications, relatively low labour costs, improving innovative infrastructure, development of the national 'cluster strategy' and the system of supporting sub-suppliers of final global manufacturers. Significant position of small and medium-sized enterprises in Czech industry, increasing share of SMEs on GDP, financial instruments for the support of SMEs.	Low mobility of Labour Force, decreasing availability of workers with skills necessary for modern branches, low effectiveness of R&D transfer, lack of commercial/marketing proficiency by SMEs, lower labour productivity in SMEs than in large companies and in Euro zone, low ability of SMEs regarding hiring qualified workers, shortcomings in non-technical competencies by SMEs, undeveloped risk financing of companies focused on innovation.
Poland - Innovative Economy	SMEs have a significant share in total investment of the enterprise sector; the SME sector has a relatively large share in Polish sales on the Single European Market.	Low level of investment outlays of entrepreneurs, especially in SMEs; Limited access to external sources of financing for innovative activities of enterprises, especially SMEs (in particular limited access to external sources of financing or innovative start-ups); SMEs are not an attractive partner for scientific entities because of their low technological advancement and inability to spend substantial funds on R&D projects; the competitiveness of enterprises operating in Poland is weaker in comparison with the EU-15 due to their limited resources.
Portugal - Competitiveness Factors	Business fabric, internationalisation & entrepreneurship: a) emergence of new dynamic poles outside metropolitan areas b) development of poles with high-tech intensity c) greater awareness of modern management practices by businesses exposed to external competition d) increased internationalisation of business processes e) positive responses by firms to e-government. R&D&I: a) emergence of innovative firms in areas with high growth potential b) existence of	Business fabric, internationalisation & entrepreneurship: a) low productivity b) organisational/management weaknesses, lack of involvement in cooperation and knowledge networks c) capital investment focused on physical assets instead of intangibles (marketing, ICTs, eco-efficiency, quality training) d) low skills in population and lack of recognition of the importance of job training in firms e) SME products and services with low technology inputs and in areas with weak demand and high competition in cost f) competitiveness challenges for exporting firms in traditional sectors

Programme	SME strengths	SME weaknesses
	<p>consortium projects within the national science & innovation system with positive results c) existence of business-led cooperation projects on innovation d) internationalisation of science system with increasing output in international journals and international cooperation e) existence of res. centres of excellence f) increased use of ICTs in society and firms.</p> <p>Support framework for business competitiveness: a) good national coverage of support b) good capacity in some technol. centres c) supply of technology courses adapted to firms' needs d) recent experiences with risk capital e) PA reforms simplifying business regulatory costs f) accumulated experience with firms support in business organisations.</p>	<p>g) high concentration of exports in European markets h) falling potential to attract high value foreign investment.</p> <p>R&D&I: a) National Innovation System with resource deficiencies b) inability to attract young scientists c) insufficient cooperation between sub sectors d) low expenditure on R&D and training among firms e) capacity deficits in transfer of R&D results f) insufficient capacity to generate quality entrepreneurship and boost business opportunities in innovation g) high number of individuals with low knowledge of ICTs.</p> <p>Support framework for business competitiveness: i) regional disparities in investment in R&D (heavily focused in Lisbon) a) dispersed business associations and research units often lacking critical mass b) inexistence of a strategic map of support infrastructures c) dependence on state finance and weak relationships between business fabric and science/technology infrastructure d) weak organisational capacity, business management and financial sustainability in most business support structures e) conservative financial institutions in terms of financing innovation and SME development (risk capital, seed finance etc.) f) bureaucracy, lack of transparency, management inefficiency, lack of focus on consumers, low skills and ageing human resources and duplications with public sector functions g) lack of evaluation culture.</p>
Germany - North Rhine-Westphalia	Central position of NRW in Europe/good accessibility; big market; very good infrastructure; motivated and skilled workforce; dense network of educational institutions and good R&D potential.	Investment rate and number of newly founded companies below average; comparatively low capital intensity.

Programme	SME strengths	SME weaknesses
Spain - Valencia	Higher relative share of businesses (density) than the national average; extensive network of adequately organized business parks. Cluster-based economy; exporting orientation of agriculture and industry; positive trade balance, significantly above EU average; clearly competitive in foreign markets; high exporting capacity.	High proportion of small firms in labour-intensive sectors with low value-added. This limits growth potential, productive development, the penetration of new technologies and investment in R&D; Most SMEs are micro-enterprises with fewer than 10 workers; Insufficient education levels in businesses. Lack of knowledge of languages; Small service sector firms. Very segmented market and low competitiveness; Weak presence of advanced services sector; Low export intensity in high-technology products; High share of exports in low productivity sectors.
UK - North West England	High levels of entrepreneurialism in some ethnic minority groups; two large core cities; above average levels of enterprise in Cheshire and Warrington; strong HEI science base; largest concentration of graduate level workers outside London; diverse economy.	Low rates of innovation and a large mass of SMEs investing little in R&D; too few workers in knowledge based sectors, too little of economy operating in these sectors; large productivity gap in service sector, especially business services; HEI-private sector collaboration weak; significant enterprise gap on rest of country and start-up rate too low; lack of culture of enterprise; below average survival rates of new businesses.
Hungary - Central Hungary	Budapest, with its region, is the dominant socio-economic force (as a financial, trade and services centre) in the country and the centre of public administration, and its influence spreads internationally throughout the Carpathian Basin; Good sites for businesses (especially logistics sites), including industrial and innovation parks; large share of the country's knowledge base, higher education, R&D and innovation potential; strong presence of creative industries and copyright activities; high rate of employment and levels of qualification; active and well developed civil sector; easy international and national access (motorway intersections, airport, port); crossroads of international transport and freight routes.	Major differences in wealth within the Region (Budapest-Pest County); dual economic structure, with multinational and local businesses working in un-cooperating isolation; lack of cooperation between large companies and local enterprises; SMEs' inadequate business skills, innovation ambitions, ICT facilities and access to finance; weak cooperation between businesses and researchers; structural and capacity deficiencies of transport links, including public transport, railway and urban transport.

Programme	SME strengths	SME weaknesses
CBC - Baltic Sea Region	Good conditions for cluster development, rich portfolio of regional clusters and advanced industries having their base especially in W-BSR; Well-educated population and considerable R&D capacity as a high potential for knowledge-based development; Innovative potential of Baltic SMEs; High ICT usage in some parts of the BSR; High potential and know-how for production of renewable energy.	Large disparities and lagging behind development of rural areas in some parts of the BSR; Insufficient use of innovation potential and low intensity of joint efforts; Weak innovation absorption capacity in some parts of the BSR, especially in rural areas; Large disparities in the territorial distribution of leading clusters; Insufficient support structures for boosting and transferring innovations due to low population and settlement density and to lagging behind socio-economic development especially in the E-BSR; Poor infrastructure especially in E-BSR.

Annex 4: Cohesion Policy performance assessment - OP description

Table 28: SME-related instruments

Programme	Main SME-related instruments			
Czech R. - Enterprise & Innovation	<p>1.1 purchase of machinery and equipment for leased premises and the initial procurement of inventories; renovation of buildings and addition of machinery and equipment, and initial procurement of inventories; purchase of office equipment and initial procurement of office stocks;</p> <p>1.2 Use of new financial instruments (NB Not operational yet); 2.1 Bank instrument to support small and medium-sized enterprises: Support the implementation of small scale business development projects for new entrepreneurs with low capital resources or with limited ability to provide guarantees; facilitate the implementation of SME business projects to help maintain competitiveness or drive further expansion of the firm in the cases when providing bank loan is more risk; by means of a comprehensive energy service, ensure a reduction in energy consumption, and support</p>	<p>2.2 Support of new production technologies, ICT and selected strategic services: launch or expansion of information systems required in the development of new products or having an impact on the internal efficiency of undertakings; the enhancement of the technical infrastructure or the outsourcing of information systems. In strategic services, projects receiving assistance will involve the creation of new IS/ICT solutions and applications, centres for the design and implementation of IS/ICT, service pooling centres, customer support centres, centres for the repair of hi-tech products and technologies. 3.1 Energy savings and renewable energy sources: support and stimulate the activities of businesses focusing on the reduction of energy consumed during manufacturing processes and to lower the consumption of fossil fuels used to produce energy, as well as to support and encourage current and new businesses to apply measures allowing them to use</p>	<p>4.1 Increasing the innovative performance of firms: support of innovation activity, which can lead to the promotion of environmentally-friendly products/production processes;</p> <p>4.2 Capacities for industrial research and development: establishment/development of industrial research, acquisition of land used for entrepreneurial development & innovation centres, buildings, machinery/equipment and other facilities required for the centre's operations and used exclusively for the centre's activities;</p> <p>5.1 Cooperation platforms: joint purchase and use of testing facilities, measuring and laboratory equipments, joint workshops, seminars, exhibitions, establishment & renovation of technology transfer centres, science & technology parks; establishment & development of business incubators & Business Angels network;</p> <p>5.2 Infrastructure for HR development: acquiring or refurbishing training facilities and equipping them with training aids</p>	<p>6.1 Support for consulting services: (i) analyses of the state of enterprises, identifying their weaknesses and strengths in the fields of management and performance, defining possible remedies, encouraging their implementation and the phasing in of new management methods; (ii) analyses of global and Czech development trends influencing the innovative activity of the Czech economy and, by extension, its competitiveness; (iii) encouragement of the establishment and development of a network of regional consulting points providing services to SMEs (area of intervention exclusive for SMEs);</p> <p>6.2 Support for marketing services: websites creation and training to increase marketing readiness of SMEs and strengthen their international competitiveness (area of intervention exclusive for SMEs).</p>

Programme	Main SME-related instruments			
	performance enhancements in energy generation and consumption in customers' equipment, while using EPC ('Energy Performance Contracting').	renewable sources of energy.	and programmes; support for training activities in the OP HRE; renovation of an existing training centre; modernisation/fitting out of premises for training.	
JEREMIE	Initially foreseen, but not operational. JEREMIE is not yet operational in the Czech Republic. According to the 'Study of the feasibility of implementing the JEREMIE financial instruments under the OPEI 2007-2013, using this tool is not feasible at this time and would require a longer-term horizon. Based on the conclusions of the study, a proposal was made to use the funds originally foreseen for JEREMIE in other OPEI areas of intervention (notably measure 2.1), where they can more effectively and efficiently respond to the economic conditions and their impacts on SMEs.' (AIR 2009)			
JESSICA	No			
Poland - Innovative Economy	1.4 Support to projects that cover specific technical, technological or organisational undertakings that involve applied industrial research and development works carried out by enterprises; 3.1 Initiating innovative activities; 3.2 Supporting capital funding higher risk; 3.3 Creating a system facilitating investment in SMEs (including mobilisation of the market of private investors through creating favourable conditions for SME investment).	4.1 Supporting the application of the results of R&D work; 4.2 Stimulating the R&D activities of firms and support in terms of business design 4.3 Technological credit; 4.4 New investments targeting high innovative potential; 4.5 Supporting investments of great significance to the economy; 5.1 Support for the development of cooperation concerning activities on supra-regional scale including clusters. Involves investments, consultancy services & training; 5.2 Strengthening business support institutions that provide pro-innovation services and their supra-regional networks; 5.3 Comprehensive support for innovation centres. For example,	6.1 Passport to export (a package of instruments for SMEs including, consultancy, financing costs of participation in economic fairs and missions and gaining documents necessary to launch products or services in selected foreign markets); 6.2 Development of networks of centres for investors and exporters and establishing new areas of investment; 6.5 Promotion of the Polish economy - Support for SME entrepreneurs interested in trade contacts with foreign partners, in particular: counselling and trainings in sales promotion of SEM, export promotion, foreign market studies, participation in exhibitions and fairs; 7.1	8.1 Supporting economic activities in the sphere of the e-economy. 8.2 Supporting eServices, particularly 'business to business'. 8.3 Addressing exclusion from information – eInclusion. 8.4 Guaranteeing access to the internet at the stage of the last mile (i.e. the final leg of delivering connectivity).

Programme	Main SME-related instruments			
		science and technology parks, technology incubators, technology transfer centres, located in the areas with top development potential; 5.4 Managing intellectual property: information projects run by institutions from the business environment.	Establishing compatible electronic platforms providing public eServices for enterprises.	
JEREMIE	No			
JESSICA	No			
Portugal – Competitive-ness Factors	Innovation Incentive Scheme: aims to stimulate the innovation potential of firms through the production of new goods and services, the adoption of processes which generate increases in the value chain, a greater orientation towards international markets, the promotion of qualified entrepreneurship, and investment in new areas with high growth potential.	SME Incentive Scheme: aims to promote business competitiveness through increases in productivity, flexibility and response capacity, and by encouraging the presence of SMEs in international markets. Four main types of projects are supported a) SME Invest I and II: SME credit lines agreed with banks to support the funding of: new investment in fixed assets, tangible or intangible, excluding the acquisition of land, buildings, vehicles and goods in working order; working capital associated with increased activity.	Fund for Cinema and Audiovisual Investment (FINCA): Risk capital to support SMEs in the audiovisual and cinema sectors.	Portugal Venture Capital Initiative (PVCi): in partnership with the European Investment Fund to support other applications for risk cap; Collective action intervention types are: (i) dissemination of knowledge - promoting the dissemination of general knowledge, reducing the gap between technological development and organizational and management in the business, fostering entrepreneurship and improving the connection between universities, infrastructure support to companies and SMEs; (ii)

Programme	Main SME-related instruments			
				Reduction of imperfect information - enhancing access to information and knowledge of markets for SMEs; (iii) Coordination and networking - encouraging cooperation and fostering networking for business.
JEREMIE	No			
JESSICA	No			
Germany - North Rhine-Westphalia	1.1 Financial support for SMEs and start-ups: a) Innovative financial instruments for enterprises: revolving funds, extension of SME fund to whole Land, increase of venture capital fund, investment grants, investment programme sustainable economic activity; b) Innovative financial instruments for start-ups: programme for the financial security of university start-ups (PFAU), fund for university start-ups, regional seed investment fund, micro-finance instruments; 1.2: Consultancy services for SMEs and start-ups: Pilot projects as part of 'STARTERCENTER NRW' supporting start-ups with bureaucratic issues; Public	2.1: Innovation & cluster and network support (a) Support of network- and cluster-potentials; b) Support of collaboration between enterprises, universities, research bodies and knowledge transfer institutions (e.g. transfer of scientific innovations into the business world); c) Support of ecological innovations and technologies); 2.2: Business-related RTD-infrastructure: Support of science parks, start-up centres, research institutions and training centres; 2.3 Innovative services: Development and support of innovative services in the areas of logistics, environment, cultural and creative industries, tourism, trade and health services; 2.4 Inter- and intraregional cooperation: Studies, development of concepts and	3.1: Integrated development of urban problem areas: a) Integrated strategic concepts; b) Support of the local economy through creation of business-related infrastructure; 4.1 Stimulating enterprise in disadvantaged communities	

Programme	Main SME-related instruments			
	relations and business plan competitions to foster a culture of self-employment and entrepreneurship, especially at universities; a) Consultancy services to SMEs and start-ups through the 'Beratungsprogramm Wirtschaft' (BPW), and more targeted consultancy services, e.g. for crisis prevention, environmental protection in production processes and environmental management systems; b) Knowledge vouchers	strategies, exchange of experiences, participation in European networks, pilot projects to test innovative approaches and establishment of a (limited number of) regional development agencies.		
JEREMIE	Yes. Use planned in Priority 1, no further information in OP or AIRs.			
JESSICA	Yes. Use planned in Priority 1, no further information in OP or AIRs.			

Programme	Main SME-related instruments			
Spain - Valencia	<p>Organisational capital improvements and business innovation: a) Promotion of innovation in SMEs: Enhance competitiveness of enterprises through projects relating to strategy, driving innovation in the business to increase the knowledge and dissemination of new techniques. It includes projects in cooperation with major companies for continuing development of innovation programme; b) Promotion of entrepreneurship innovation: Promote entrepreneurship in order to develop new innovative business initiatives and encouraging diversification especially in emerging business sectors intensive in application of knowledge. Will promote the use of BIC as intermediate agencies providing innovative activity in creation of new businesses. In addition, encourage the use of financial engineering instruments for implementing innovation strategies in SMEs based on technological factors and non-technical such as: forecasting techniques, design management, product development and</p>	<p>Business investment support: a) Incorporate R&D in SMEs: support for technology transfer; b) Chambers of commerce points: in science and technology parks will serve as bridges between the science and business. Their objective is to facilitate the creation of new technology-based businesses; c) Facilitate access risk finance: Program for creating business angels; d) Programme for venture capital: to facilitate financing of business project during early stages; e) Facilitation of access to bank credit: Programs to support the refinancing of the Mutual Guarantee Societies to facilitate SME access to bank credit; f) Promotion of private investment: support for micro credits; g) Promotion of competitiveness: services for local development of the Chambers of Commerce.</p>	<p>Various measures delivered by a range of national and regional ministerial departments:</p> <ol style="list-style-type: none"> 1. Boost entrepreneurship <ol style="list-style-type: none"> a) Awareness-raising through media campaigns, videos leaflets etc. b) Encouraging the location of productive investments disadvantaged areas c) Analysis and forecasting through the creation of a national level observatory to promote entrepreneurship, studies, statistics etc. 2. Promote quality and improvement of the management of commercial establishments <ol style="list-style-type: none"> a) Improvement of rural trade through commercial distribution efficient and quality b) Quality of commercial establishments through implementation of a certified quality label. c) Promotion of business cooperation and urban and rural trade in collaboration with local authorities 3. Internationalisation and external promotion <ol style="list-style-type: none"> a) Programme for establishment of firms abroad: aims to help companies explore new ways of 	<p>Development of Information Society in SMEs: a) Programmes to facilitate SME access to ICTs: preliminary development projects, dissemination & coordination activities to integrate ICT tools in SMEs; awareness-raising; needs analysis for ICT services sector; b) Promotion measures in e-commerce, management-company relations, single business, billing electronic products sold online. Support to industrial research, pre-competitive development and innovation to encourage technological change in the productive structure of the region: direct aid to business projects to enhance their technological level or that incorporate R&D personnel and support for the use of ICTs in firms. [The AIR 2009 reformulates the objectives as promoting industrial research, pre-competitive development and technological innovation in SMEs to develop new products or services which improve those available in the market, or to incorporate or adapt existing technologies</p>

Programme	Main SME-related instruments			
	<p>communication strategies, access to new markets, logistics and distribution, and organisational innovation management, among others; c) Creation of innovative enterprises: setting up incubators, giving special importance to basic technological and territorial platforms for business development creation and implementation of infrastructure to support the company; d) Plans for SME competitiveness: firms need to refocus on quality and added value activities, product design, after sales services, technological upgrading; these plans provide: (i) Access to advanced technology services (laboratories, resources for R&D+i, advisory services and technology transfer), (i) Internationalisation (management of opportunities for cooperation, participation in international programs, market development, etc.); e) technological innovation and quality: support for research and technology centres as intermediary agents for promoting innovation in SMEs;</p>		<p>increasing efficiency, particularly through expansion into new international markets b) Programmes for trade promotion and internationalisation of SMEs: Initiation and strengthening of export companies; support for exhibitions and International competitions; support for international bidding contests; trade missions; promotional actions; advanced services to exporters; programmes to support foreign investment companies; detection of opportunities abroad. c) Programmes of financial support for exporting and/or internationalisation d) Programmes for sector Support (tourism).</p>	<p>which can be considered novel in the firm's sector or field].</p>

Programme	Main SME-related instruments			
	technology, environmental, safety certification, certification of R&D; implementation of quality management programs, environmental, safety, etc; sector projects to promote management quality such as the retail and crafts; f) Innovation projects consortia: support for business groups within the same value chain, process integration, logistics management, anchor companies; identification of technology needs; g) Promotion of business cooperation: creation of new purchasing power; creation of brand or design of products or establishments; development of logistics networks for storage and transport, etc.			
JEREMIE	No			
JESSICA	No			

Programme	Main SME-related instruments		
UK - North West England	<p>1.1 Developing new high value enterprise: mentoring, advice and guidance, start-up grants, loans etc, business premises, promotional and marketing activity promoting self employment; 1.2 Developing higher added value activity in target regional sectors: specialist premises, facilities and incubators; sectorally-focused business advice; supply-chain development; venture capital; networking; leadership and technical skills; promotion of trade opportunities; 1.3 Increasing sustainable consumption and production: supporting SMEs with waste efficiency and environmental audits; development of low carbon technologies; promotion of use of renewables and best practice in SMEs; future-proofing SMEs vs environmental legislation.</p>	<p>2.1 Exploiting the science and R&D base of the region: information access and brokerage o help SMEs access R&D opportunities; facilities to support R&D transfer to SMEs; access to finance to support R&D, new product and process development and enhanced business performance processes; collaborative R&D programmes; knowledge transfer mechanisms; graduate placement; 2.2 Encouraging innovation to improve productivity in all companies: diagnostic support for SMEs on innovation potential, and skills to support this; brokerage assistance; access to finance; innovation and ICT facilities and activities for SMEs; promotion of trade opportunities.</p>	<p>4.1 Stimulating enterprise in disadvantaged communities: enterprise stimulation activity; business advice; financial support.</p>
JEREMIE	Yes, 'North West Urban Investment Fund': ERDF €55.6 mill. + €55.6 mill match funding by NWDA, the region's RDA (source: press release)		
JESSICA	Yes, 'Venture Capital and Loan Fund': ERDF €101.6 mill. + €101.6 mill match funding through EIB loan (source: press release). In addition, over £200m of co-investment capital will be sought from a wide range of sources).		
Hungary - Central Hungary*	<p>1.1 R&D and innovation development, dissemination of results: creation and maintenance of high-standard research sites, innovation and technology parks; the establishment of modern and concentrated R&D infrastructure; training and exchange schemes for researchers; incubation of start-up enterprises; 1.2 Development of enterprises, encouragement of their technological modernisation; Supporting SMEs in accessing finance; 1.3 Supporting SMEs in Accessing Finance (JEREMIE); 1.4 Business environment development: Providing investment incentive, consulting and market development services to facilitate access to the information enterprises require; development of logistic centres; 1.5 Local economy development: consultancy services for firms; development of regional and/or sectoral partnerships, networks and 'clusters'; business incubation facilities; development of the regional business infrastructure; 1.6 Project preparation: support for the project preparation process</p>		

Programme	Main SME-related instruments		
JEREMIE	Yes, designed to widen access to external sources of finance for SMEs via various means of finance and related consultancy services. JEREMIE framework amount: €40.04 mill. (AIR 2008); contracted amount at end 2008: €25.26 mill. No framework amount available for 2009. Split between ERDF and national public co-financing not specified in the tables (however, EU funding is 85 percent of total public funding).		
JESSICA	No		
Baltic Sea Region	1.1: Providing support for innovation sources: setting up of transnational structures (platforms, networks etc.); providing services to innovation sources in their international activities; establishing of transnational structures for supporting generation of innovations towards the Region's leading technologies (e.g. environmental) and for SMEs; stimulation of transnational interactions between enterprises, R&D institutions and public authorities towards commercialising the inventions and territorial expansion of clusters, notably in the EBSR; creation and application of good practise in the public support to the innovation sources and their links to SMEs (as exemplified by provision and sharing of appropriate technical and social infrastructure or improvement and use of employees skills); marketing of BSR capacities and success stories in international activities of the innovation sources, e.g. in the SMEs support.	1.2 Facilitating the technology transfer and diffusion of knowledge across the BSR: development of financial, organisational, legal and administrative support frameworks at the transnational level for technology transfer institutions; creation of transnational structures and links for innovation, qualification and transfer of technology, dedicated, in particular, to better access of rural/peripheral areas of the BSR to knowledge-based economy and to better access of SMEs to knowledge and competence available in the BSR; integration of SMEs into existing transnational co-operation clusters and promotion of specific SME-related co-operation networks in the BSR; joint pilot implementation of transnationally relevant innovations in the BSR companies, notably in SMEs and craft firms (e.g. promotion and transfer of knowledge in alternative and renewable energy management patterns, environmentally sound and eco-efficient technology); harmonisation of national and regional level support schemes to technology transfer and diffusion of knowledge between the BSR countries.	1.3 Strengthening the social capacity in generation and absorption of new knowledge: strengthening the co-operation of educational facilities and structures in higher and further education or life-long learning for more efficient diffusion of knowledge across the BSR; facilitation of networking and exchange of good practices across the BSR on education and other public policies, which shape the innovation environment; preparation and implementation of strategies improving communication of various support organisations (e.g. acting for SMEs), actors, social groups etc. for the benefit of diffusion of knowledge across the BSR; development of good practice and joint creation of pilot solutions on attracting people of different age, gender and profession to innovation issues and on promotion of entrepreneurship and spirit of innovation in the BSR; provision of transnationally relevant solutions increasing absorption of knowledge (e.g. technical knowledge) among various age groups.

Programme	Main SME-related instruments
<i>JEREMIE</i>	No
<i>JESSICA</i>	No

Annex 5: Examples of SME-relevant projects (drawn from the airs of the eight reviewed OPs)

Some examples of projects implemented for the support of SMEs in the programmes reviewed are presented below, based on information provided in the Annual Implementation Reports for 2008 and 2009. The information available in different programmes' AIRs varies, thus also that provided on the projects reported varies in scope.

RTDI and related commercialisation

Czech OP Enterprise and Innovation - Measure 4.1. Project title - Introduction of a new technology - Company DCH Bohemia Trade s.r.o. (Code 7)

The project is introducing highly efficient production processes of the interior accessories and components (e.g. parts of plastic windows) made of compact materials based on polyacrylates and natural fillers, whose unique characteristics substantially increase the utility value of the final products. The output of the project is a new technology, which significantly streamlines the process. The amount of subsidy totalled €0.23 million.

Czech OP Enterprise and Innovation - Measure 4.1. Project title: PEGAS – GONDA s.r.o. - implementation and application of new, high performance band saws in large series manufacturing process.

The company establishment dates back to 1991 and since then the company has been focusing on development, manufacture, sale and assembly of band saw machines used for metal cutting operations. The fact that this company is a successful business entity and a manufacturer is very clear, as its innovative product, the Golem 1200 x 1600 saw machine, was awarded a Gold medal at the International Machinery Fair and nominated for the best product of the year award. The company currently employs almost 100 employees and its annual turnover exceeds CZK 180 million (€6.8 million). The supported project, represents a product innovation process and it is based on results and conclusions achieved by the company development team during two years of research and development activities. This research and development was successfully completed in the spring of 2007 and supported by funds from the state budget under the IMPULSE programme, which supports and focuses on industrial research and development. The concept and goal of the programme is to increase the export activities of the company. The project was submitted under the first programme call, which allowed the submission of projects in connection with the INNOVATION programme – the Innovation project. Financial aid in the amount of €877,787 was credited to the PEGAS GONDA s.r.o. company account on 27 February 2009.

Polish Innovative Economy OP - Measure 4.5.2 – Acquisition of Services: Supporting investment in modern services; Project title – Launching research and commercialisation of MTT technology in ATON-HT

The main objective of the project is to create a Centre for Research & Development (the company ATON-HT) and subsequently to prepare prototype devices using the company's patented Technology MTT (Microwave Thermal Treatment). The project will result in the commercialisation of R&D and manufacture of products which will have a significant, beneficial impact on the environment. The project was scheduled for implementation in the

period from 1 September 2008 to 31 August 2009, and had a total value in the region of €900,000 (PLZ 3.7 million).

Information and Communication Technologies

Czech OP Enterprise and Innovation – Measure 2.2. Project title: TietoEnator Consulting, a.s. – the development of iMedOne

The fund beneficiary is TietoEnator Consulting a.s., which is a subsidiary of a national holding company TietoEnator Corporation. This company is considered as one of the leading architect company in the IT field and provides consulting services focusing on the development of digital consumer hosting services. It employs 16,000 professional workers and is one of the largest IT service providers in Europe. System iMedOne is a central and complex hospital information system, suitable for use in all medium and large hospitals. The goal of this project is to develop new modules integrating Czech legislation and operational requirements and rules. The mid-term goal of this project is the further development of the iMedOne system and solutions based on new legislation and requirements of individual users of the system. The long-term goal is to create a system that can be used in as many hospitals in the Czech Republic as possible. The approved amount of the financial aid for this project was set to €0.77 million. The project subsidy shall mostly cover personal expenses of employees working in newly created work positions. Thanks to this project, a total of 26 new jobs were created. The applicant also promised to invest an additional €0.2 million into tangible and intangible properties in connection with this project (however, he has no financial aid to help with the purchase of these assets or equipment).

OP Valencia – Project title: Programme for the adaptation of firms to the digital economy

Investments in ICTs increase the productivity of the beneficiary firms. However, SMEs are reticent to acquiring new products in the area of new technologies, due to concerns relating to trust, safety, efficiency, productivity and cost. This reluctance of SMEs towards technological investments is exacerbated by the current economic climate which drives firms to focus about financial solvency rather than funding for new investments.

The project aims to increase the take-up of Sage's SaaS (Software as a Service) model, by addressing the issue of trust. It has entailed work by the Chambers of Commerce – who play an important advisory and awareness raising role on the tools available to SMEs – to:

- Streamlining technology providers offering SaaS solutions with the aim of offering attractive and high quality solutions for SMEs at competitive prices;
- Targeting a large number of SMEs in awareness raising campaigns about the benefits to SMEs of incorporating ICTs;
- Facilitating direct contact between suppliers and companies through awareness workshops organized by the Chambers of Commerce or by Business Fora organized Developing partnerships.

Access to finance

Czech OP Enterprise and Innovation - Measure 2.1: Bank Instrument to support SMEs. Project Title: KLABUK s.r.o (Code 68)

A company, KLABUK s.r.o., received a guarantee in the amount of CZK 1.925 million (€72,900) on top of a loan for CZK 2.75 million (€104,200) for its project 'Production of steel structures'. This company was established as a new company with the intention to take over the manufacturing activities of another company that ceased operating (in particular with regard to the production of steel structures that are used for filter and other equipment installation processes). The beneficiary firm employs approximately 20 employees who had lost their jobs, were unemployed and registered as at the Social Security and Labour Office. The project has thus both an economic and a social impact.

New firm formation (self-employment and start-ups)

Czech OP Enterprise and Innovation – Measure 1.1. Project title: Programme START

A businesswoman Pavlina Plivová owns her business license since 1.11.2007. She is also employed by the company MARROM ART Ltd., which produces decoration products. The company decided to sell to Mrs. Plivova activities which represent about 10percent of the turnover. Mrs. Plivova applied for an interest-free credit of €28.000, expecting to fund investment from a mix of own resources and the above loan. The credit will be used for purchase of tangible and intangible assets, which will be used for the innovation and marketing of new products.

North West England OP – Priority 4. Project Title: Business Start Up Ph 2 – Priority 4

The project recognises the regional need to significantly improve its enterprise performance in order to become a more productive and prosperous region as one of five drivers for increasing productivity in the region. It aims to contribute to actions highlighted in the Regional Economic Strategy (RES) in narrowing the productivity gap between the region and the south of the UK, by increasing the business formation, survival and growth rates of the business stock in the North West. The focus of the project is to provide intensive and specialist services and support for people considering setting up in business - improving survival rates and contributing towards improved levels of enterprise activity in the region. The project will aim to ensure that individuals who are in need of support to start a business possess the relevant skills, confidence and receive practical assistance to set up their business, as well as ongoing support to improve business survival and growth rates. The nature of the support provision will include enquiry handling, business diagnostic service, direct training, and trading / aftercare support for businesses once they start trading. The total investment in this project is £36.1 million (€39.7m), of which £8.4 million of EU contribution (€9.24 million). It is expected to create in excess of 6,000 new gross jobs.

Services

Czech OP Enterprise and Innovation – Measure 6.2. Project title: Plastkon product s.r.o. - 'Expansion of Existing Export Activities in European Markets'

Plastkon product s.r.o. was founded in 1998. It specializes in production of plastic products, focusing above all on garden accessories, winter sport equipment for children, packaging materials and household goods. The products are manufactured by conventional technological processes (injection). A smaller part of the products are manufactured by the technology of rotation moulding. The weight of individual products ranges from 100g to 3 kg. All plastic materials are of the approved types PP, PE and ABS and represent no health-related risks. The project's objective was to expand existing export activities in European markets. The company established new business contacts in selected European countries thanks to its participations in trade fairs abroad. As a part of the project, the company took part in 2 fairs in Germany, created advertising materials – leaflets promoting the company, catalogues with its garden range and a new website in English and German. The amount of subsidy paid totalled €32,566.

North West England OP – Priority 2. Project Title: Future MAS

The UK manufacturing sector accounts for a smaller share of the economy than other economically advanced countries. National manufacturing policy identifies this under-representation of manufacturing relative to other advanced economies as a missed opportunity. The project seeks to encourage firms to acquire specialist business expertise to take advantage of the opportunities represented by major advances in business, technologies and production processes. It will provide businesses with the opportunity to acquire the following services: (i) initial contact, basic assistance, signposting to other agencies; (ii) diagnostic or manufacturing review consisting of an on-site review, lasting between 1-4 days; (iii) awareness events, such as seminars and workshops; and (iv) in-depth support through consultancy work, up to 30 days in any one year. The project is delivered through regional centres using independent contractors with manufacturing expertise. It has a total cost of £20.67 million (€22.74 million), of which the EU contribution is £8.5 million (€9.36 million). It is expected to positively affect 1,920 firms and to deliver an increase in GVA of £157 million.

Networking and clustering

Polish Innovative Economy OP - Measure 5.1 Support for the development of cooperation concerning activities on supra-regional scale. Project Title: NUTRIBIOMED CLUSTER

The project involves the development of cooperative relations around the Cluster NUTRIBIOMED, under the leadership of the Wrocław Technology Park. The Cluster consists of six universities (University of Technology, University of Wrocław, University of Life Sciences in Wrocław, Poznań University of Economics and Wrocław Medical University), Wrocław Medical Science Park and dozens of entrepreneurs. The project aims to create a cluster with a strong position in the global market for Polish food supplements and preparations, and biomedical research based on natural raw materials and Polish expertise. The cluster includes the food, cosmetics, pharmaceutical, and chemical industries. It aims to develop and implement new technologies through collaboration and the development of new projects and investment, and to integrate all Members of the cluster by

exchange of know-how, training, conferences, and Members' support through the transfer of knowledge from academia to business. The project is scheduled for implementation in the period from 1 January 2009 to 28 February 2011. Its value is around PLZ 13 million (around €3.5 million).

Environmentally friendly products/energy efficiency

Czech OP Enterprise and Innovation - Measure 3.1 Energy savings and renewable energy sources. Project title: FORMPLAST PURKERT, s.r.o. – Ecological use of waste heat

FORMPLAST PURKERT s.r.o., the company that is implementing this project, is regarded as an important manufacturer of injection tools (including construction and design) and technical plastic products manufactured through the injection moulding process. It also specializes in the manufacture of moulds used for the production of precise technical parts. The current manufacturing operations require the use of heat necessary for the TUV system and for operation of electric boilers. Currently only a part of this heat is provided by a waste heat created by the manufacturing process. By implementing this project, the entire waste heat will be used for heating of new manufacturing halls and office spaces and also to eliminate the heating up process required for the operation of the electric boilers used in the current operations. The subject of this project is the use of waste heat energy created by 37 modern injection press machines located in the newly constructed production hall. The project does not require any additional energy source necessary for the heating or cooling of the production hall at any season of the year. Such use of waste heat will enable the company to save energy equal up to 2,600 GJ per year. At the same time, the waste heat will be used for cooling or heating of current operations, which represent savings of approximately 1.400 GJ. The approved amount of the financial aid for this project is €257,576. The whole investment amounts to €643,939.

Other general support

Central Hungary OP - Project Title: Development of intermodal logistic services in Budapest

Implemented by BILK Logisztikai Zrt. and with an amount of support of 473,367,001 HUF, equivalent to c. €1,687,102 (supported investment, not total project value), the project aims to establish the relevant background for the development of complex logistic services that will ensure high-quality product management. The investment entails the purchase of storage-technology and other technological tools, including stand (rack)-system and fork-lift trucks.

Annex 6 Framework for future assessment

GENERAL QUESTIONS

Contact Information

SME Name:	
Address 1:	
Address 2:	
City/Town:	
Region:	
ZIP/Postal Code:	
Country:	
E-mail of respondent:	
Name of respondent:	

Legal status

<input type="checkbox"/>	Private
<input type="checkbox"/>	NGO/association
<input type="checkbox"/>	Limited company
<input type="checkbox"/>	Other: specify: _____

Year of company foundation:

<input type="checkbox"/>	Before official office start
<input type="checkbox"/>	< than 2 years
<input type="checkbox"/>	Between 3 to 5 years
<input type="checkbox"/>	> than 5 years

Turnover

<input type="checkbox"/>	0 to 2 million EUR
<input type="checkbox"/>	More than 2 million to 10 million EUR
<input type="checkbox"/>	More than 10 million to 50 million EUR
<input type="checkbox"/>	More than 50 million EUR

Size of the company

Size	Full-time	Part-time
0 employees	<input type="checkbox"/>	<input type="checkbox"/>
< 10 employees	<input type="checkbox"/>	<input type="checkbox"/>
10-49 employees	<input type="checkbox"/>	<input type="checkbox"/>
50-249 employees	<input type="checkbox"/>	<input type="checkbox"/>

In which of the following industry sectors are you active?

<input type="checkbox"/>	Agriculture, forestry and fishing
<input type="checkbox"/>	Manufacturing, mining and quarrying and other industrial activities
<input type="checkbox"/>	Construction
<input type="checkbox"/>	Wholesale and retail trade, transportation and storage, accommodation and food service activities
<input type="checkbox"/>	Information and communication
<input type="checkbox"/>	Financial and insurance activities
<input type="checkbox"/>	Real estate activities
<input type="checkbox"/>	Professional, scientific, technical
<input type="checkbox"/>	Administrative and support service activities
<input type="checkbox"/>	Public administration and defence, education, human health and social work activities
<input type="checkbox"/>	Other service activities

In which geographical market are you active with your products?

Market	Share of turnover in percent
Local/Regional	
National	
Other European Union	
Other countries outside the European Union	

How many research and innovation projects have been launched within the last 5 years in your company?

	Number of projects launched	Year of launch
<input type="checkbox"/>	< 10	
<input type="checkbox"/>	1-5	
<input type="checkbox"/>	1	
<input type="checkbox"/>	none	

How many research and innovation projects have been funded by EU funding programmes?

	Number of projects funded	Year of launch
<input type="checkbox"/>	< 10	
<input type="checkbox"/>	1-5	
<input type="checkbox"/>	1	
<input type="checkbox"/>	none	

What kind of research and innovation projects have been launched?

<input type="checkbox"/>	Technology innovations
<input type="checkbox"/>	Product innovations
<input type="checkbox"/>	Production/process innovations
<input type="checkbox"/>	Service innovations
<input type="checkbox"/>	Other (Please, define)

CRISIS-RELATED QUESTIONS

What are the main development factors you had to deal with before the crisis and during the crisis (ranking in each subsection from 1 to 6, where 1 is the most important and 6 is the least important)?

External factors	Before crisis	During crisis
Socio-economic factors		
Geographical location (density, accessibility)	<input type="checkbox"/>	<input type="checkbox"/>
Demographics	<input type="checkbox"/>	<input type="checkbox"/>
Ecological change	<input type="checkbox"/>	<input type="checkbox"/>
Labour market (Availability of employees, cost of labour,	<input type="checkbox"/>	<input type="checkbox"/>

External factors	Before crisis	During crisis
skills)		
Access to infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
Access to information	<input type="checkbox"/>	<input type="checkbox"/>
Access to capital	<input type="checkbox"/>	<input type="checkbox"/>
Macro-economic factors		
Inflation	<input type="checkbox"/>	<input type="checkbox"/>
Exchange rates	<input type="checkbox"/>	<input type="checkbox"/>
Economic situation	<input type="checkbox"/>	<input type="checkbox"/>
Market uncertainty	<input type="checkbox"/>	<input type="checkbox"/>
Consumer demand	<input type="checkbox"/>	<input type="checkbox"/>
Internationalisation	<input type="checkbox"/>	<input type="checkbox"/>
Competition	<input type="checkbox"/>	<input type="checkbox"/>
Innovation/Technology	<input type="checkbox"/>	<input type="checkbox"/>
Interest rate	<input type="checkbox"/>	<input type="checkbox"/>
Political/institutional factors		
Policies (relevant for SMEs)	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory and legal system (Bureaucracy, Intellectual property rights, Public procurement)	<input type="checkbox"/>	<input type="checkbox"/>
Political stability	<input type="checkbox"/>	<input type="checkbox"/>
Public contracting	<input type="checkbox"/>	<input type="checkbox"/>
Standardisation	<input type="checkbox"/>	<input type="checkbox"/>
Trade barriers	<input type="checkbox"/>	<input type="checkbox"/>
Taxes	<input type="checkbox"/>	<input type="checkbox"/>
Interest rates	<input type="checkbox"/>	<input type="checkbox"/>
Internal factors	Before crisis	During crisis
Organisation		
Ownership	<input type="checkbox"/>	<input type="checkbox"/>
Hierarchy	<input type="checkbox"/>	<input type="checkbox"/>
Size and age of firm	<input type="checkbox"/>	<input type="checkbox"/>

Knowledge management	<input type="checkbox"/>	<input type="checkbox"/>
Company culture	<input type="checkbox"/>	<input type="checkbox"/>
Capital		
Costs (working capital, costs of production, overhead costs for administration)	<input type="checkbox"/>	<input type="checkbox"/>
Assets and equity capital	<input type="checkbox"/>	<input type="checkbox"/>
Technology transfer,	<input type="checkbox"/>	<input type="checkbox"/>
Product/Service innovation	<input type="checkbox"/>	<input type="checkbox"/>
Human resources		
Skills (administrative, technical)	<input type="checkbox"/>	<input type="checkbox"/>
Management competences	<input type="checkbox"/>	<input type="checkbox"/>
Loss of employees	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge	<input type="checkbox"/>	<input type="checkbox"/>
External positioning		
Competitiveness	<input type="checkbox"/>	<input type="checkbox"/>
Marketing	<input type="checkbox"/>	<input type="checkbox"/>
Network-Cooperation	<input type="checkbox"/>	<input type="checkbox"/>
Access to distribution	<input type="checkbox"/>	<input type="checkbox"/>

PARTICIPATION

Are you aware of European Funds? And if so which funds do you have experience with?

<input type="checkbox"/>	No experience with European funds
<input type="checkbox"/>	Eureka
<input type="checkbox"/>	6 th and/or 7th research framework programme
<input type="checkbox"/>	Competitiveness and Innovation programme
<input type="checkbox"/>	Cohesion Fund
<input type="checkbox"/>	European Regional Development Fund (Cohesion Policy instrument)
<input type="checkbox"/>	European Territorial Cooperation Programme (Cohesion Policy instrument) (former INTERREG)
<input type="checkbox"/>	European Social Fund

Did you perceive any differences with structure and procedure of European Funds in the funding period between 2007 and 2013?

	Answers	Comments
<input type="checkbox"/>	Not enough knowledge about funds	
<input type="checkbox"/>	Funds get easier with restructuring	
<input type="checkbox"/>	Funds get more complicated each funding period	
<input type="checkbox"/>	I cannot compare with previous periods since I did not participate	

Did you directly participate in:

Project co-financed by	Lead contractor	Sub contractor
Eureka	<input type="checkbox"/>	<input type="checkbox"/>
6 th and/or 7th framework programme	<input type="checkbox"/>	<input type="checkbox"/>
Competitiveness and Innovation programme	<input type="checkbox"/>	<input type="checkbox"/>
Cohesion Fund	<input type="checkbox"/>	<input type="checkbox"/>
European Regional Development Fund (Cohesion Policy Instrument)	<input type="checkbox"/>	<input type="checkbox"/>
European Territorial Cooperation Programme (Cohesion Policy Instrument) (former INTERREG)	<input type="checkbox"/>	<input type="checkbox"/>
European Social Fund	<input type="checkbox"/>	<input type="checkbox"/>

What was the main purpose of the funding you?

<input type="checkbox"/>	General financial support
<input type="checkbox"/>	Financial support for Innovation
<input type="checkbox"/>	Financial support for cooperation
<input type="checkbox"/>	Financial support for production
<input type="checkbox"/>	Financial support for training
<input type="checkbox"/>	Financial support for marketing
<input type="checkbox"/>	Purchase of facilities
<input type="checkbox"/>	Leverage of crisis related financial bottlenecks

What kind of financial support did you receive for so far?

<input type="checkbox"/>	Non-repayable grants
<input type="checkbox"/>	Repayable loans
<input type="checkbox"/>	Guarantees for repayable investments

If you didn't participate in any programme what have been the reasons?

<input type="checkbox"/>	Limited knowledge about funding instruments
<input type="checkbox"/>	Limited network links for potential partners
<input type="checkbox"/>	Irrelevant for the company aims and procedures
<input type="checkbox"/>	Fear of too much bureaucracy
<input type="checkbox"/>	Limited human resources for project management
<input type="checkbox"/>	No use for international funding

TECHNICAL ASPECTS**What have been the main issues you have had to deal with?**

	very problematic	problematic	Relatively easy to handle	easy to handle
Bureaucracy within the financial payment procedure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Long-winded contractual procedure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The necessity of pre-financing of projects from own budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Long proposal evaluation period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complex reporting requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FINANCIAL ENGINEERING

	very problematic	problematic	Relatively easy to handle	easy to handle
Financial management of < fund > has been:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	significant	not relevant
Funding rates in < fund > have been	<input type="checkbox"/>	<input type="checkbox"/>

	On time	inadequate
Pre-financing < fund > has been	<input type="checkbox"/>	<input type="checkbox"/>

	very problem atic	problema tic	Relatively easy to handle	easy to handle
The synchronization between European financial engineering instruments < fund > and local banks has been	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	perfect	neutral	impossible	never tried
The combination of different financial engineering instruments was	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ASSISTANCE

How was the access to information?

<input type="checkbox"/>	Easy
<input type="checkbox"/>	Neutral
<input type="checkbox"/>	Hard go get

What form of assistance?

	fairly good	valuable	could be improved	didn't exist
Web site on European level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brochures and papers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information days	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Direct consulting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IMPACT ON FIRM LEVEL

What was the main value added by the specific instrument? (rating by relevance 1 – the best, 2 – second best, 3 – third best)

	1	2	3
access to finance in difficult situations	< fund >	< fund >	< fund >
access to public contract	< fund >	< fund >	< fund >
possibility to grow	< fund >	< fund >	< fund >
possibility for start up	< fund >	< fund >	< fund >
possibility for implementation of innovation	< fund >	< fund >	< fund >
access to network	< fund >	< fund >	< fund >
improvement of skills	< fund >	< fund >	< fund >
improvement of internal process	< fund >	< fund >	< fund >
improvement of external positioning	< fund >	< fund >	< fund >
other please indicate	< fund >	< fund >	< fund >
none	<input type="checkbox"/>		

INTERACTION OF COHESION POLICY INSTRUMENTS WITH OTHER EUROPEAN POLICY INSTRUMENTS

Have you been involved in projects with more than one European Fund involved?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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If you have such experience what have been the major drawbacks, if any?

<input type="checkbox"/>	No problems everything worked fine
<input type="checkbox"/>	Incompatibility of funding
<input type="checkbox"/>	Rigid rules of legislation
<input type="checkbox"/>	Incompatibility of national legislation and funding procedures.
<input type="checkbox"/>	Insurmountable bureaucratic barriers
<input type="checkbox"/>	Lack of local assistance, lack of consultation
<input type="checkbox"/>	Lack of knowledge at the specific local information points
<input type="checkbox"/>	Lack of interlinked information provision

FUTURE REQUEST

What would you need to use a European funding system?

What would be the major improvement in the existing funding systems?

What would you suggest should be kept in the future?

What would you suggest should be diminished in the future?

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