

**Unlocking Business Potential,
especially of SMEs**

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List of abbreviations

BSSP:	Business Support Simplification Programme
CEB:	County Enterprise Board
CEC:	Community Enterprise Centre
CEMR:	Council of European Municipalities and Regions
CIP:	Competitiveness and Innovation Framework Programme
CLP:	Community Lisbon Programme
CoR:	Committee of the Regions
DG:	Directorate General
EESC:	European Economic and Social Committee
EGF:	European Globalisation Adjustment Fund
EIB:	European Investment Bank
ERDF:	European Regional Development Fund
ESF:	European Social Fund
ESPON:	European Spatial Planning Observatory Network
EU:	European Union
FP7:	7th Framework Programme for Research and Technological Development
GDP:	Gross Domestic Product
ICT:	Information and Communication Technology
LMP:	Lisbon Monitoring Platform
LRAs:	Local and Regional Authorities
LS:	Lisbon Strategy
MAP:	Multi-Actor Partnerships
NAP:	National Action Plan
NGO:	Non-governmental Organisation
NRPs:	National Reform Programmes
OMC:	Open Method of Coordination
OP:	Operational Programme
PPS:	Purchasing Power Standard
RDA:	Regional Development Agency
SIR:	Registry Interconnection System
SME:	Small and Medium-sized Enterprises
TEC:	Treaty Establishing the European Community
VAT:	Value Added Tax
VEC:	Vienna Economic Chamber

Executive Summary

This report sets out to offer an illustrative presentation of the roles, approaches, efforts and achievements of Local and Regional Authorities (LRAs) in implementing the "Unlocking Business Potential, especially of SMEs" priority of the Lisbon Strategy. It is a contribution to the establishment of the Committee of the Regions (CoR) Lisbon Monitoring Platform.

SMEs are the main drivers of the EU's economic performance although less productive than their US counterparts.

Entrepreneurship and small and medium-sized enterprises (SMEs) are increasingly recognised as the main drivers of the EU's economic performance. SMEs represent 99 % of all enterprises in the EU and provide around 65 million jobs. Within the category SMEs the vast majority (92%) are micro enterprises, having less than 10 employees.

An overall increase of SMEs in EU27 can be observed between 2002 and 2007, where the number of SMEs increased by over 2 million, while the number of larger enterprises only rose by 2,000 over the same period. At the same time the contribution of SMEs to employment growth was much larger (84%) than could be expected from their share in total employment (67%). The new Member States show higher creation, and failure, rates for enterprises than those found in the old Member States. Most new firms are created in the service sector and are micro enterprises.

However, in terms of performance, SMEs in the EU are still less productive than their US counterparts where "small businesses" employ about half of the private sector work force and produce about half of private sector output.

Constraints on SMEs' economic activity to be tackled primarily at a local and regional level – LRAs as key players.

Analysis of the constraints for SMEs reveals that the biggest obstacles perceived by entrepreneurs are the limited purchasing power of customers, excessive administrative regulations, and the availability of appropriate and attractively-priced human resources. At EU level, 44% of SMEs consider themselves to be operating in an over-regulated environment.

The current economic recession and credit crisis are having a serious impact on SMEs, which tend to be vulnerable as they are more dependent on external sources of finance than larger businesses. The general scarcity of credit makes

credit institutions more risk averse, which in turn impacts on firms' borrowing demands and their ability to invest.

Increasing emphasis on SMEs in renewed Lisbon Strategy but uneven contribution of LRAs to different policy areas.

Against this background the Lisbon Strategy for Growth and Jobs aims at alleviating specific SME problems in five key areas: cutting red tape; improving SME access to markets; promoting entrepreneurship and skills; improving SME growth potential; and strengthening dialogue and consultation with SME stakeholders.

The Community Lisbon Programme (CLP) for the period 2008-2010 sets out a series of actions that should be achieved at Community level by 2010.

The priority "Unlocking business potential, especially of SMEs" is the second of the four policy priorities set by the 2008 European Council to boost the implementation of the renewed Lisbon Strategy for Growth and Jobs. It concerns objectives Nos. 3, 4 and 5 of the ten key objectives of the Community Lisbon Programme 2008-2010. Overall, the emphasis on SMEs has been substantially increased in the context of the new Lisbon cycle.

The contribution of LRAs differs depending on the policy area in question. It is evident that in some areas the contribution can be more immediate (e.g. simplification of bureaucracy at local or regional level), whereas in other areas (e.g. impact assessments of EU policies) the contribution of LRAs has to be different by nature (e.g. a more consultative role).

In the context of the policy priority "Unlocking business potential", LRAs are particularly active in thematic areas such as "Better Regulation" and "EU integrated policy approach for SMEs". The thematic area "Single Market" is less addressed by LRAs.

Regionalised implementation and territorial approach of Community funding instruments widens the participation of LRAs in SME policy.

LRAs use different instruments at Community, national, regional and local level for addressing the policy priority "Unlocking business potential, especially of SMEs".

In FP7 LRAs may participate as beneficiaries in the Specific Programmes. The specific action "Regions of Knowledge" under the Capacities Programme explicitly fosters the participation of public administration at local and regional

level by supporting the development of research-driven clusters. In addition to a research entity and an enterprise (including SMEs) a local or regional authority is an obligatory partner for such a research-driven cluster. LRAs are not involved in programme design and programme implementation under FP7.

The Competitiveness and Innovation Framework Programme (CIP) promotes innovation activities, provides better access to finance and delivers support services in the regions. SMEs and business support services are the main target groups. The specific programmes do not target LRAs. While LRAs may not participate as beneficiaries in schemes such as access to finance or support for entrepreneurship, regions are asked to take part in exchanges and networking activities in the context of the CIP so that their specific situations when identifying good practices can be taken into account.

When it comes to participating LRAs, Structural Funds differ largely from the CIP and FP7, since resources within the Structural Fund system are spent with shared responsibility under the multi-level governance architecture. Responsibility is shared between Member States, their regions and the Commission. Regional authorities manage and implement the operational programmes in cooperation with their Member States, i.e. projects are selected, controlled and assessed.

Evidence for strong involvement of LRAs in complementary national and sub-national instruments for supporting SMEs – but limits of reporting.

With regard to national and regional interventions, different types of instruments are applied: National and regional acts/laws for unlocking business potential are the most formalised type of intervention. Actions for facilitating SMEs access to finance are prominently covered in national programmes through the use of traditional instruments (loan guarantees, micro credits) as well as through more innovative financing instruments (district bonds, venture capital funds, pre-seed capital, mutual guarantee capital, venture micro-capital solutions). National support programmes for unlocking business potential tend to provide incentives for unlocking business potential. Such programmes are initiated and implemented at national level. In federal or regionalised Member States access to credit is also covered in regional operational programmes or at the sub-regional level. There are examples where national solutions for improving SME access to finance are combined with actions at regional or local level. However, it has to be emphasised, that Lisbon-reporting does not fully cover sub-national activities in the field concerned and therefore LRAs' contributions are rather underestimated.

LRAs show strong implementing role in SME policies, but also vertical coordination between different administrative levels.

LRAs are involved in several activities which require strong vertical coordination between different administrative levels. Such activities include access to financing, grant schemes for business support as well as awareness raising and information activities in the field of internationalisation of services and instruments and bringing businesses together. In federal or regionalised States (e.g. Italy) the area “access to finance for SMEs” can also be addressed at regional level, while in all other cases, this issue is primarily handled at national level. LRA contributions in the field of “Better Regulation” are particularly relevant and have an immediate effect for SMEs (e.g. regional experimentation with the regulatory burden in Twente in the Netherlands or the municipal simplex programme in Portugal).

Activities of LRAs in the field of SME policy cover the whole cycle from policy planning and implementation to policy learning.

LRAs play a key role in developing policy for unlocking business potential. They initiate projects to create platforms for information exchange and contacts between potential start-ups (e.g. in Twente, NL), they take part in projects for simulating different policy approaches for SME support in order to improve policy planning (e.g. E-teams in Katowice, PL). LRAs contribute to harmonisation policies in the field of business support, e.g. to eliminate overlapping actions by different administrations (state, regional and local), as demonstrated by the Spanish Creating Business Together Programme.

During policy implementation LRAs have taken a supportive role when proactively establishing a platform for exchange of information and contacts between SMEs or when creating a forum for entrepreneurs and employers.

They may play a piloting role in approaches that lead to better regulation. LRAs can play an interlinking role, e.g. in the case of the Start-up service in Vienna, where the relevant authorities (governmental and non-governmental) for business start-ups have been interlinked in order to facilitate dealing with a variety of regulations and standards (one-stop shop for the applicants).

In the policy learning and dissemination phase, LRAs play an information, awareness-raising and dissemination role e.g. internationalisation strategies for SMEs, specific instruments for SMEs, or for better regulation.

Measures for unlocking business potential promoted by the national and/or regional level are very rarely funded exclusively through national or regional

funds. The vast majority of these activities are integrated in, and co-financed by, EU funds under SF Operational Programmes and Cohesion Fund operations.

Funding resources and competences as key factors for LRAs' room for manoeuvre in launching activities for 'Unlocking business potential'.

The majority of economic and SME support instruments exist at national level. At regional level, if autonomous budgets exist, regional economic activities and SME support can either follow regionally-established strategies, or can be linked to national aid schemes.

Unlocking business potential, especially of SMEs, depends substantially on the competences and financial resources given to LRAs. In the last decade decentralisation has gained momentum in Europe. In decentralised countries (e.g. Austria, Germany, Sweden, Spain, etc) LRAs have developed their activities in terms of offering both 'hard' and 'soft' support to the economy, in improving the business environment and in unlocking business potential, especially of SMEs.

In centralised countries the shift of competences towards the regional and sub-regional level has involved various sectors (health, education, etc.), but rarely SME policies. As often the shift of competences is not accompanied by a transfer of the respective budgets, LRAs still depend on the transfer of funds from higher administrative levels. LRAs assigned new responsibilities must also receive the necessary funding to accompany these responsibilities.

The diversity of local SME contexts, cooperation between regions and the economic crisis are key challenges for LRAs in their SME policy.

The national and local environments in which SMEs operate are very different and so is the nature of SMEs themselves. Policies addressing the needs of SMEs must therefore fully recognise this diversity and respect the local context.

Cooperation between regions has to be improved to make best use of European initiatives. The implementation of isolated initiatives at local and regional levels has been shown to be less effective than coordinated and harmonised implementation of joint strategies and instruments.

Against the background of the current financial crisis and the prominent role of Cohesion Policy for the Economic Recovery Plan – it is the Community's largest source of investments in the real economy – it is clear that LRAs face dramatic challenges and have a leading role to play in bringing about economic recovery.

1 Preface

The purpose of the report is to establish a systematic and illustrative collection of contributions of cities and regions in the implementation of the relevant priority area of the renewed Lisbon Strategy for Growth and Jobs.

The report is part of a broader effort to establish the CoR “Lisbon Monitoring Platform”. The background report should serve directly as a thematic contribution to the new Lisbon Monitoring Platform Report. In addition, the report also serves as:

- A contribution to developing a clear and transparent methodology for the nascent monitoring and evaluation of Lisbon reforms,
- A contribution to the exchange of good practice between regions and cities,
- A contribution to strengthening the involvement of relevant stakeholders in the Lisbon process and to increased ownership, especially at the local and regional level of government, leading to more coherent and effective policymaking.

This report is a first approach in closing a “reporting gap” about the contributions to the implementation of the Lisbon strategy at local and regional level. It will identify in which Lisbon-related fields regional contributions are well documented and where information gaps still exist.

The practical method applied in monitoring regional and local contributions is based on a review of existing literature to demonstrate a variety of approaches to ‘Unlocking Business Potential, especially of SMEs’ in different regional contexts. It should be borne in mind that the issue of identifying contributions at local and regional level is complex and important and cannot be resolved solely on the basis of this background report.

This report is organised into five main chapters:

- Chapter 2 sets out (i) the trends, challenges and obstacles in unlocking business potential, especially of SMEs, (ii) the main priorities of the Lisbon strategy, which are delivered by EU institutions, Member States and LRAs and (iii) a non-exhaustive overview of the variety of relevant public interventions (incl. main programmes and allocations under Cohesion Policy).
- Chapter 3 describes the contributions of LRAs to the policy priority of unlocking business potential, especially of SMEs. This chapter illustrates the Lisbon-driven LRA contributions to enhancing local and regional business policies in interaction with EU policies. For analytical purposes, distinctions are drawn between the governance dimension (concepts/mechanisms/ capacities for implementation, coordination and communication of the Lisbon-related priority) and the operational dimension (activities undertaken and instruments applied by LRAs).

- In chapter 4, the synthesis identifies the main policy approaches of LRAs for coordination and the means available to LRAs for the delivery of the policy priority. The interaction between local, regional, national and EU levels is taken into consideration.
- In chapter 5, the report closes with conclusions structured in three parts: critical aspects for the involvement of LRAs; challenges for the future; and questions for further debate.

2 Background: unlocking business potential, especially of SMEs, and the EU Lisbon strategy

2.1 Trends, challenges and obstacles to unlocking business potential, especially for SMEs

In the 1960s and 1970s the global economy was dominated by large companies located in the market of origin, near to their owners and acting closely with consumers. By implementing new economic forms and focusing on production chains, this situation changed in the following decades with a shift towards the establishment of smaller units. Structural changes led to smaller companies based on more flexibility, rising productivity, higher identification with the company and/or the products and entry to new markets with smaller units. This was accompanied by rationalisation, restructuring and outsourcing. Meanwhile entrepreneurship and small and medium-sized enterprises (SMEs) are increasingly recognised as the main drivers of the EU's economic performance. SMEs represent 99 % of all enterprises in the EU and provide around 65 million jobs. Within the category SMEs the vast majority (92%) are micro enterprises, having less than 10 employees.

Globalisation. One of the most important current trends in the world economy is the globalisation of economic activity, a term which describes both the internationalisation of trade and production processes: world trade has grown twenty-seven fold in volume terms since 1950, which is three times faster than world output growth¹. The internationalisation of economic activity combined with the tendency for companies to locate in close physical proximity (clusters) has become a dominant trend in the last decades, with consequences for SMEs.

The fragmentation of production has brought with it new forms of relationship between SMEs and large companies as well as a reorganisation of production in spatial terms. Against this background, the overall fragmentation of production has created new opportunities for SMEs: Compared to larger enterprises, they can use their flexibility to position themselves more quickly in new niche markets and to profit to a higher degree from the relevant knowledge and information flow, technology transfer and learning opportunities. EU27 evidence suggests that the intensity of innovation per size class and country

¹ WTO (2007): The World Trade Report. Six decades of multilateral trade cooperation: What have we learnt?: http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report07_e.pdf.

shows a high level of correlation, which indicates that there are complementarities between large and innovative small firms.²

Knowledge-based economy. The exploitation of knowledge and information in business has increasingly become a precondition for achieving a competitive advantage. SMEs can achieve considerable complementarities with larger enterprises in a knowledge-based and interlinked economy. In this new situation, SMEs are more likely to achieve productivity growth through economies of scale as they can now participate in and benefit from networks which are formed on an ad hoc basis. However, the increasing opportunities also result in a more unpredictable business environment with greater competition between enterprises and stronger pressure for innovation.

Geographically differentiated increase in SMEs in EU27. Between 2002 and 2007, the number of SMEs increased by over 2 million, while the number of large enterprise rose by only 2,000. At the same time the contribution of SMEs to employment growth was much larger (84%) than could be expected from their share in total employment (67%).³ The new Member States show higher birth and death rates of enterprises than the old Member States. Most new firms are created in the service sector and are micro enterprises.

Comparatively low productivity of SMEs in the EU. Comparative analysis⁴ suggests that SMEs in the EU are not fulfilling their potential in terms of aggregate economic growth, job creation and social cohesion (in particular when compared to their US counterparts): SMEs in the EU have generally lower productivity than large companies and their US counterparts, where “small businesses” employ about half of the private sector work force and produce about half of private sector output.

Regional disparities with regard to business structures. With regard to business structures, there are considerable disparities between European regions. The entry of 10 new Member States in May 2004 and the subsequent enlargement of the EU at the start of 2007 to include Bulgaria and Romania, has, in many cases, widened these gaps.

The largest regional differences within a country can be found in the United Kingdom between Inner London and Cornwall/Isles of Scilly, where there is a factor of 3.9 between the two extreme values. A factor of 3.4 can be found in Slovakia between Východné Slovensko and Bratislavský kraj and in France between Guyane and Île de France. The lowest values can be found for Irish and Slovenian regions, a factor of 1.5 in each case. Moderate regional disparities in terms of GDP per inhabitant (i.e. factors of less than 2 between the highest value

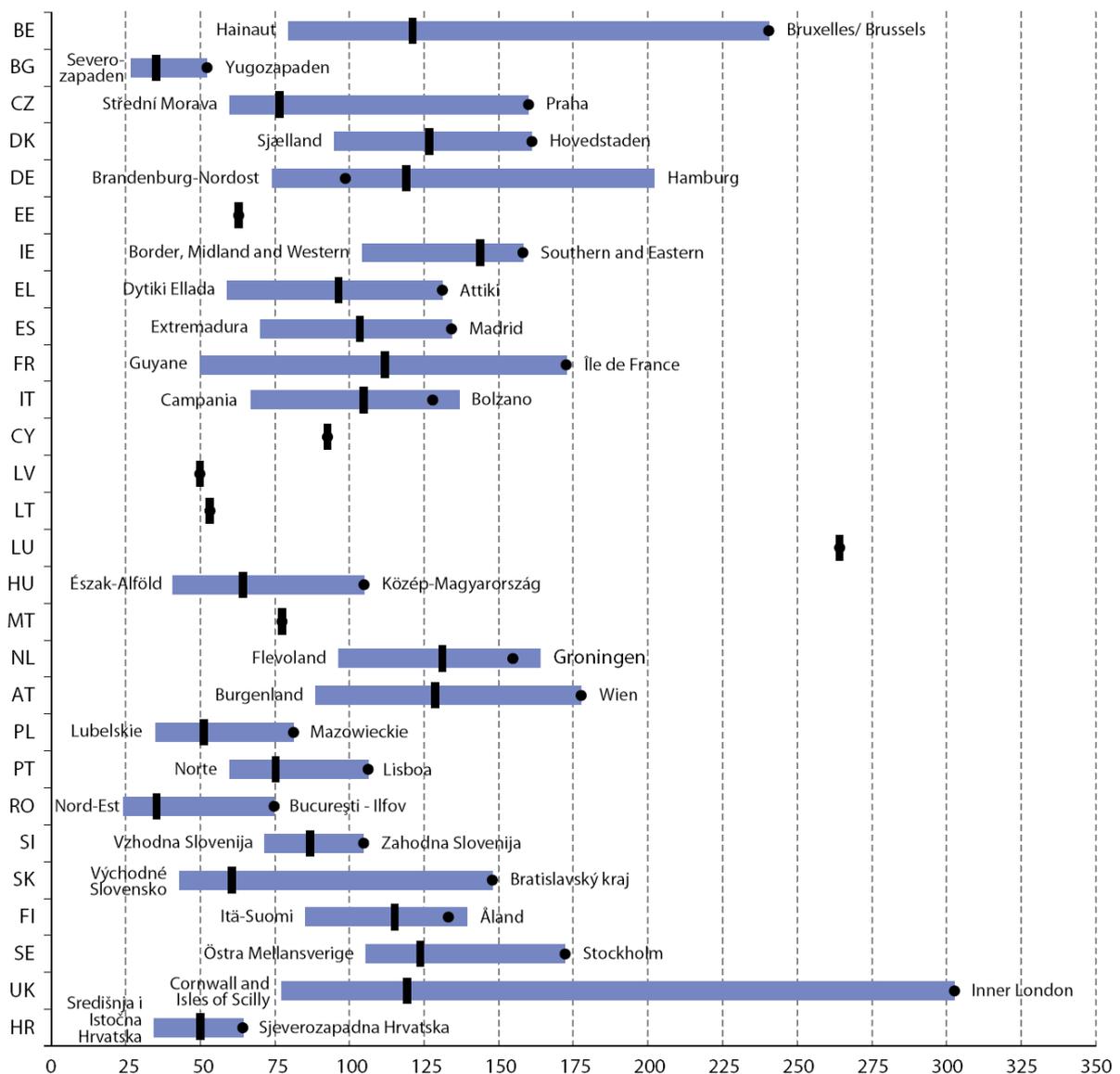
² COM(2008) 394: “Think Small First”. A “Small Business Act” for Europe: ec.europa.eu/enterprise/entrepreneurship/docs/sba/com_2008_394_sba.pdf.

³ EIM Business & Policy Research (2008): Annual Report on European SMEs: http://ec.europa.eu/enterprise/entrepreneurship/craft/sme_perf_review/doc_08/spr08_annual_report.pdf.

⁴ COM(2008) 394: “Think Small First”. A “Small Business Act” for Europe. ec.europa.eu/enterprise/entrepreneurship/docs/sba/com_2008_394_sba.pdf.

and the lowest) are found only in the EU-15 Member States and in Bulgaria, Croatia and Slovenia. In most Member States, and in particular in the new ones, a substantial share of economic activity is concentrated in the capital regions, which results in a very prominent position for the regions of Brussels, Prague, Sofia, Athens, Madrid, Paris, Lisbon, Budapest, Bratislava, London, Warsaw, Bucharest and Zagreb.

Figure 1. GDP per inhabitant, in PPS, by Nuts 2 regions, 2005. In percent of the EU-27 average (EU-27=100)⁵

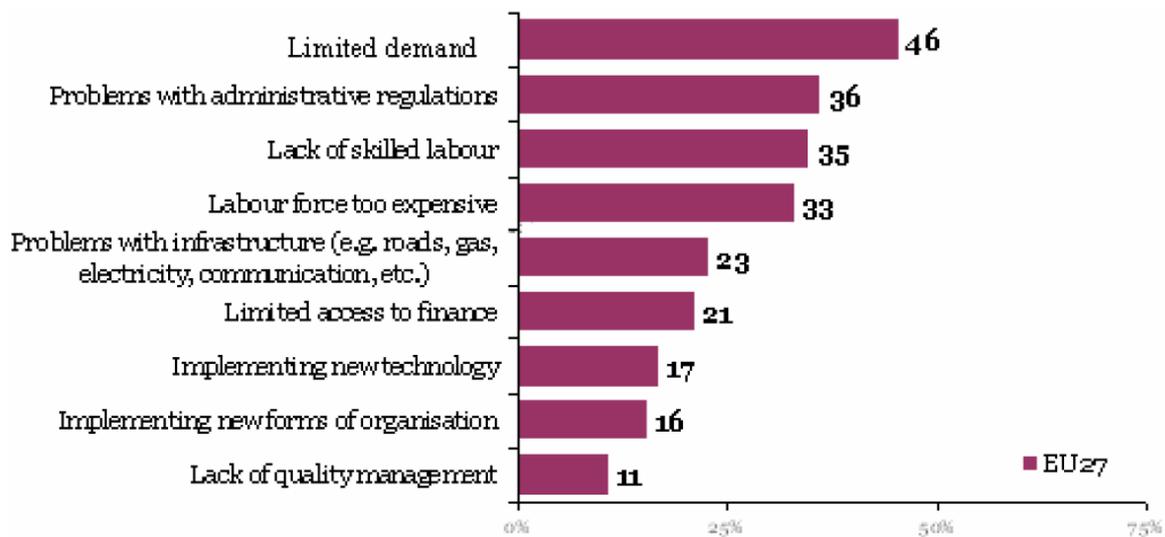


⁵ Eurostat Regional Yearbook 2008:
http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-HA-08-001-03/EN/KS-HA-08-001-03-EN.PDF.

Challenges and obstacles

Business constraints for SMEs. In 2006 Gallup⁶ interviewed 16,339 SMEs (17,283 enterprises in total), including 14,683 SMEs in the 27 Member States of the European Union (EU). A question concerning the most important individual business constraints perceived by managers revealed that the biggest obstacle is the **limited purchasing power of customers** (46% of the managers interviewed). Other business constraints of SMEs in the EU include **excessive administrative regulations** (36%), the availability of **appropriate human resources** (35% reported problems) and their cost (33%). At EU level, 44% of SMEs consider themselves as operating in an over-regulated environment.

Figure 2. Constraints/difficulties encountered in the last two years (%)



Q₂₁. Did your enterprise encounter any of these constraints or difficulties in the last two years?
Base: SMEs

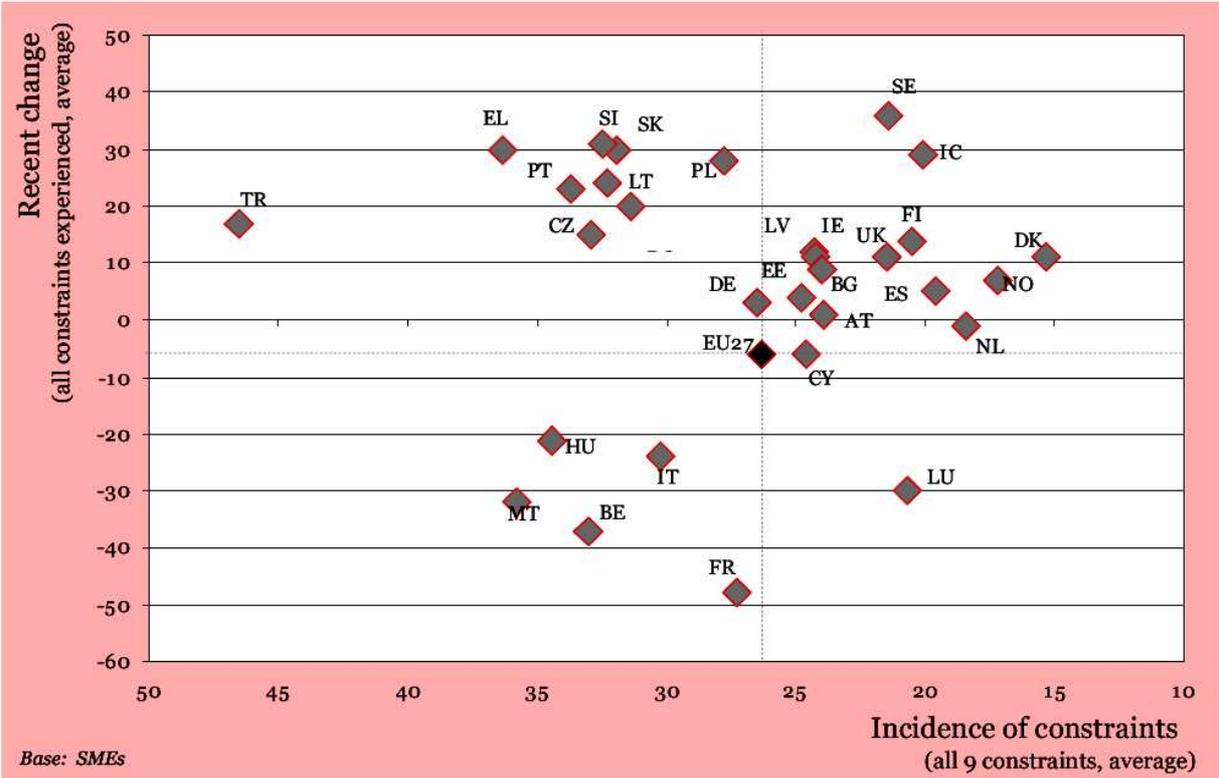
Source: Flash Eurobarometer No 196 – Enterprise Observatory Survey. 2006.

⁶ Flash Eurobarometer No 196 – Enterprise Observatory Survey: Survey of the Observatory of European SMEs Conducted by The Gallup Organization Hungary at the request of Directorate-General for Enterprise and Industry:

http://ec.europa.eu/enterprise/enterprise_policy/analysis/doc/2007/02_summary_en.pdf.

With respect to the **geographic** distribution of the above-mentioned group of constraints, the following picture emerges:

Figure 3. Current level of constraints & recent change of situation (Eurobarometer 2006)



Source: Flash Eurobarometer No 196 – Enterprise Observatory Survey. 2006.

In the countries in the upper right square SMEs face only a few obstacles. This is the case in the Nordic countries (Norway, Denmark, Iceland, Finland and Sweden) as well as in the UK, Spain and the Netherlands. The upper left square contains those countries where SMEs are constrained more than the EU average, but their situation has not been deteriorating further. This is the case in many of the new Member States (Czech Republic, Slovakia, Slovenia, Lithuania, Poland, and Romania) as well as in Greece and Portugal. The most disadvantageous situation concerns countries in the left square where SMEs are troubled by the constraints and have been experiencing further deterioration (France, Belgium, Italy, Hungary and Malta).⁷

⁷ Flash Eurobarometer No 196 – Enterprise Observatory Survey: Survey of the Observatory of European SMEs Conducted by The Gallup Organization Hungary at the request of Directorate-General for Enterprise and Industry: http://ec.europa.eu/enterprise/enterprise_policy/analysis/doc/2007/02_summary_en.pdf.

Impact of the global financial crises in field of business potential and SMEs

The **global financial crisis** that originated in the liquidity crisis in the US banking system in 2007 has quickly spread to global financial markets. As this crisis restricts the flow of finance to companies and households it is affecting SMEs in many ways: less business investment and lower household spending result in falling economic activity and a decline in economic growth. **SMEs face particularly strong exposure**, as they are more dependent on external sources of finance. The general scarcity of credit results in greater risk aversion of credit institutions, which lowers both the demand of companies and their ability to invest. Consequently the access of small and medium-sized enterprises (SMEs) to finance during the unfolding economic and financial crisis is essential.

In response to this the European Commission has launched a comprehensive '**European Economic Recovery Plan**'⁸, which was endorsed by the Member States in December 2008. Comprising several short and long-term measures, this plan provides for the coordination of national budgetary stimulus packages and amounts to around €200 bn (1.5% of the EU GDP) within national budgets (€170 bn) and EU/EIB budgets (€30 bn).

For businesses the Economic Recovery Plan provides for measures to (1) enhance access to financing for business (increased EIB loans of €30 bn for loans to SMEs), a simplification package to speed up State aid decision-making; temporary authorisation for Member States to ease access to finance; and (2) measures to reduce administrative burdens and promote entrepreneurship building on the Small Business Act, faster start-up procedures. etc.

At **local and regional level** Cohesion Polic, which as the Community's largest source of investment in the real economy, provides considerable support to public investment. LRAs play a prominent role in the delivery of this policy.

⁸ COM(2008) 800 final: ec.europa.eu/commission_barroso/president/pdf/Comm_20081126.pdf.

Main findings:

Trends:

- **Globalisation of economic activity**, the tendency of companies to locate in close physical proximity (**clusters**) and **fragmentation of production** have become the most dominant trends in the last decades, affecting SMEs in the EU27. This creates new opportunities for SMEs to position themselves in new niche markets.
- In the context of a **knowledge-based economy** SMEs are more likely to achieve productivity growth through economies of scale as they can now participate in and benefit from networks which are formed on an ad hoc basis. However, the increasing opportunities also result in a more unpredictable business environment with greater competition between enterprises and stronger pressure for innovation.
- In most Member States, and in particular in the new ones, a substantial share of **economic activity is concentrated in the capital regions** which results in a very prominent position for the regions of Brussels, Prague, Sofia, Athens, Madrid, Paris, Lisbon, Budapest, Bratislava, London, Warsaw, Bucharest and Zagreb.
- **An overall increase in SMEs in the EU27** can be observed between 2002 and 2007, where the number of SMEs increased by over 2 million, while the number of large enterprises increased by only 2,000. At the same time the contribution of SMEs to employment growth was much larger (84%) than could be expected from their share in total employment (67%).
- The **new Member States show higher birth and death rates of enterprises** than the old Member States. Most new firms are created in the service sector and are micro enterprises.
- In terms of performance, **SMEs in the EU still show lower productivity** compared to their US counterparts where “small businesses” employ about half of the private sector work force and produce about half of private sector output.

Challenges and obstacles:

- **Perceived constraints** for SMEs reveal that the biggest obstacles for SMEs are the limited purchasing power of customers, the excessive administrative regulations and the availability of appropriate human resources and their cost. At EU level, 44% of SMEs consider themselves as operating in an over-regulated environment.
- **The current financial crisis is likely to have a strong impact on SMEs**, which are particularly exposed, as they are more dependent on external sources of finance. The general scarcity of credit results in greater risk aversion of credit institutions, which lowers both the demand of companies and their ability to invest.

2.2 Lisbon priority action on unlocking business potential, especially of SMEs

The overall EU Policy Framework

The Lisbon Strategy is the key political objective of the European Union to become “*the most competitive and dynamic knowledge-based economy in the world*”. The **integrated guidelines for growth and jobs**⁹, last updated in 2008 and to be reviewed in 2010, are the principal policy document for implementing the Lisbon Strategy. They guide Member States as they implement national reforms, through their National Reform Programmes (NRP). In this way, the Commission, the Member States and also regions commit themselves to implementing the Lisbon Growth and Jobs Strategy. While reporting with respect to the integrated guidelines is ensured at Member State level, the local and regional level’s contribution to the Lisbon Strategy remains under-represented. The Lisbon Monitoring Platform fills this “reporting gap” by providing direct information on the local and regional dimensions of the Lisbon strategy.

Key Community-level measures are set out in the Community Lisbon Programme (CLP) for the period 2008-2010 with ten key objectives and corresponding actions that should be achieved by 2010:

1. The Renewed Social Agenda to address the skills gap by mid-2008
2. Proposals for a common policy on immigration in 2008
3. Adoption of a Small Business Act to unlock the growth potential of SMEs throughout their life-cycle
4. Reduction of EU administrative burdens by 25% by 2012 and implementation of an ambitious simplification programme
5. Strengthening of the single market, increasing competition in services and taking further steps to integrate the financial services market
6. Realisation of the Fifth freedom (the free movement of knowledge) and creation of a genuine European Research area
7. Improvement of the framework conditions for innovation
8. Completion of the internal market for energy and adoption of the climate change package
9. Promotion of an industrial policy geared towards more sustainable production and consumption and
10. Bilateral negotiation with key trading partners to open up new opportunities for international trade and investment, and create a common space of regulatory provisions and standards.

⁹ http://ec.europa.eu/growthandjobs/pdf/european-dimension-200712-annual-progress-report/200712-annual-report-integrated-guidelines_en.pdf.

Unlocking business potential, especially of SMEs

The priority “**Unlocking business potential, especially of SMEs**” is the second of the four policy priorities set by the 2008 European Council to promote the implementation of the renewed Lisbon Strategy for Growth and Jobs. It concerns objectives Nos. 3, 4 and 5 of the ten key-objectives of the Community Lisbon Programme (CLP) 2008-2010.

With regard to SME policy, the Member States were asked to introduce **one-stop shops** and to **reduce the time to set up businesses**, already as a result of the decisions of the 2006 Spring European Council. Additionally, in the first Lisbon cycle (2005-2008) the EU’s better regulation agenda is gradually being put in place as well, although many Member States still need to implement the necessary instruments. As Europe does not yet have a dynamic entrepreneurial culture and an integrated approach towards SME policy the strategic report on the renewed Lisbon strategy¹⁰, adopted on 11 December 2007, substantially increased the emphasis on SMEs in the context of the Lisbon cycle 2008-2010.

In March 2008 the European Council expressed support for the “**Small Business Act**”¹¹, which was adopted in the same year by the European Commission and the Member States. This initiative aims to improve the administrative and legal environment for enterprises. The SBA comprises 10 politically binding principles for the Member States and the Commission, a set of 4 legislative proposals and various policy actions (e.g. EU Centres in third countries, mobility programmes etc.). The four legislative proposals concern the European private company statute, the reduction of VAT rates for labour intensive services, and the revision of the late payments directive. Starting in 2009, the Member States will report on their implementation measures in the course of their Lisbon National Reform programmes. The local and regional dimension of the SBA is reflected in particular in the ‘**Think small first**’ principle, which implies that also local and regional authorities give full consideration to SMEs at the early stage of policy development. They are asked to be proactive in addressing the needs of SMEs.

At **Member State level** actions include the implementation of the services directive, the screening and assessment of national legislation, the setting up of single contact points and electronic procedures and the introduction of an effective system of administrative cooperation across borders; the reduction of national administrative burden, the full implementation of the services directive and the better regulation agenda, and the continuation of modernising public administrations.

¹⁰ COM(2007) 803 final: Strategic report on the renewed Lisbon strategy for growth and jobs: launching the new cycle (2008-2010). Keeping up the pace of change: http://ec.europa.eu/growthandjobs/pdf/european-dimension-200712-annual-progress-report/200712-annual-report_en.pdf.

¹¹ COM(2008) 394: “Think Small First”. A “Small Business Act” for Europe: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:DOC>.

The local and regional dimension of the policy framework

The overarching EU policy framework comprises high-level guidelines such as the Integrated Guidelines for Growth and Jobs and the Spring European Council's priorities and are as such not always directly transferable to the local and regional level. The mentioned areas show that a contribution by LRAs is in principle possible, although it is evident that in some areas such a contribution can be more immediate (e.g. simplification of bureaucracy at local or regional level) than in others (e.g. impact assessment of EU policies).

The formal Lisbon delivery process provides for the translation of these high-level guidelines into the National Reform Programmes of the 27 Member States and the reporting of the respective achievements in Annual Progress Reports.

The following areas of specific interest to LRAs have been identified through the work of the CoR-Lisbon Monitoring Platform (see <http://lisbon.cor.europa.eu/>).

1. Better regulation

- Reduction of administrative burdens
- Simplification and reduction of bureaucracy
- Modernisation and transparency of public administration
- Impact assessment

2. Single Market

- Increase competitiveness in services (implement Services Directive by 2009)
- Integrated financial services market

3. EU integrated policy approach for SMEs

- European Small Business Act
- Facilitate access to finance (including EU financial instruments)
- Facilitate participation of innovative SMEs in clusters and in public procurement

4. External dimension of the LS¹²

- Free trade and multilateral trading system
- Secure access to energy and strategic raw materials
- Regulatory cooperation, convergence of standards and equivalence of rules

¹² Although the “external dimension” is listed no particular examples of LRA involvement could be found. The heading is therefore not further considered in the rest of the report.

Main findings

- The **Lisbon Strategy for Growth and Jobs** aims at alleviating SMEs' specific problems as well as market and regulatory failures in five key areas: cutting red tape; improving SMEs' access to markets; promoting entrepreneurship and skills; improving SMEs' growth potential; strengthening dialogue and consultation with SME stakeholders.
- Key Community-level measures are set out in the Community Lisbon Programme (CLP) for the period 2008-2010 with a series of actions that should be achieved at Community level by 2010.
- The priority "**Unlocking business potential, especially of SMEs**" is the second of the four policy priorities set by the 2008 European Council to promote the implementation of the renewed Lisbon Strategy for Growth and Jobs. It concerns objectives Nos. 3, 4 and 5 of the ten key objectives of the Community Lisbon Programme (CLP) 2008-2010.
- The **emphasis on SMEs has been substantially increased** in the context of the Lisbon cycle between 2008-2010.
- The local and regional dimension of the policy priority is not specifically emphasised, although the importance of the role of LRAs is recognised.

2.3 Overview of EU, national, regional and local policies and initiatives for unlocking business potential

2.3.1 Entrepreneurship and SME support through policies, strategies and initiatives at EU level

SME Support in the 7th Framework Programme for Research and Technological Development

The 7th Framework Programme for Research and Technological Development (FP7) is the main instrument at EU level for supporting research and development, bundling all research-related EU initiatives together under a common roof.

FP7's main strategic objectives are: firstly, to strengthen the scientific and technological base of European industry, and, secondly, to enhance its international competitiveness, while promoting research that supports EU policies.¹³ FP7 supports technological development, transnational research

¹³ EC (2008): Synergies in funding opportunities between: 7th Framework Programme for Research, Competitiveness & Innovation Programme and the Structural Funds. Practical Guide to EU funding opportunities for research, development and innovation, draft version, Directorate-General for Research, Information and Communication Unit, Brussels.

cooperation, as well as research activities and researcher mobility, in particular between enterprises and public bodies.¹⁴

The programme's budget is spent on "grants to research players all over Europe and beyond, in order to co-finance research, technological development and demonstration projects".¹⁵ Calls for proposals and a highly competitive peer review process determine the allocation of grants. FP7 follows an excellence-driven, competitive approach with the characteristic feature that there are no fixed national or regional allocations.¹⁶

The total budget of €50,521 million (current prices) covers five Specific Programmes:

- Cooperation - fostering collaborative research projects carried out by transnational consortia of industry and academia in ten thematic areas (€32, 413 million);
- Ideas - supporting research projects without transnational obligation only on the basis of scientific excellence carried out by "individual teams" (€7, 510 million);
- People – supporting mobility of researchers and career development (€4, 750 million);
- Capacities – strengthening research capacities in the six specific knowledge areas "Research Infrastructures", "Research for the benefit of SMEs", "Regions of Knowledge", Research Potential", "Science in Society" and "International Cooperation activities" (€4,097 million);
- Nuclear Research – covering the activities in the field of nuclear energy carried out by the Joint Research Centre (€1, 751 million).¹⁷

FP7 is mainly targeted at industry including knowledge-intensive SMEs, universities, research centres, individual researchers and public bodies. The overall participation of SMEs is supported by the Competitiveness and Innovation Framework Programme. The involvement of SMEs in the Specific Programmes is ensured through a simplified approach to research funding as well as measures for their benefit.¹⁸

In particular, the specific action "Research for the benefit of SMEs" under the Capacities Programme enables SMEs to engage in development of research and networking activities with international partners and to gain access to research centres of excellence. By means of relationship building with research entities

¹⁴ European Parliament (2007): Synergies between the EU 7th Research Framework Programme, the Competitiveness and Innovation Framework Programme and the Structural funds, Policy Department Economic and Scientific Policy, Brussels.

¹⁵ EC (2008): Synergies in funding opportunities.

¹⁶ EC (2008): Synergies in funding opportunities.

¹⁷ European Communities (2007): FP7 in brief. How to get involved in the EU 7th Framework Programme for Research. A pocket guide for newcomers, Luxembourg.

¹⁸ European Parliament (2007): Synergies.

the measure helps SMEs to strengthen their research efforts, the exploitation of their research results and the acquisition of technological know-how.¹⁹

LRAs may also participate as beneficiaries in the Specific Programmes. The specific action “Regions of Knowledge” under the Capacities Programme fosters explicitly the participation of public administration at local and regional level in FP7 by supporting the development of research-driven clusters. Besides a research entity and an enterprise including SMEs, a local or regional authority is an obligatory element for such a research-driven cluster.²⁰ The budget for “Regions of Knowledge” amounts to €126 million.²¹

As for Programme design and Programme implementation, LRAs are not involved in FP7. The EU Council, the European Parliament and the European Commission (DG Research, DG Information Society, Joint Research Centre) are in charge of programme design. Business and research organisations may be consulted at national level. FP7 is implemented by DG Research and DG Information Society.²²

SME Support in the Competitiveness and Innovation Framework Programme

The Competitiveness and Innovation Framework Programme (CIP) should be seen as a toolbox of activities and instruments aimed at enhancing the competitiveness of European enterprises by targeting mainly SMEs. The programme promotes innovation activities, provides better access to finance and delivers support services in the regions. It fosters better take-up and use of information and communication technologies (ICT), focusing the development of the information society. Moreover, it promotes increased use of renewable energies and energy efficiency.²³

The CIP brings together “*specific Community support programmes and relevant parts of other Community programmes in fields critical to boosting European productivity, innovation capacity and sustainable growth, whilst simultaneously addressing complementary environmental concerns*”.²⁴ The CIP promotes support services for technology transfer and the implementation and commercialisation of existing new technologies, particularly in fields such as ICT, environmental protection and energy. In addition, it develops and coordinates regional innovation programmes and policies. On top of that, the CIP aims at improving the availability and access of innovative SMEs to

¹⁹ EC (2008): Synergies in funding opportunities.

²⁰ EC (2008): Synergies in funding opportunities.

²¹ http://cordis.europa.eu/fp7/capacities/regions-knowledge_en.html.

²² European Parliament (2007): Synergies.

²³ http://ec.europa.eu/cip/index_en.htm.

²⁴ European Parliament (2007): Synergies.

financing, in particular for R&D and innovation activities. Moreover, it promotes the participation of SMEs in FP7.²⁵

Apart from the specific “Entrepreneurship and Innovation Programme”, the CIP’s budget is spent on grants to enterprises and public bodies all over Europe and beyond. The grants co-finance best-practice exchange and networking activities, as well as pilot and market replication projects. Calls for proposals and highly-competitive evaluation procedures determine the allocation of grants. The CIP follows an innovation and competitiveness oriented-approach with the characteristic that there are no fixed national or regional allocations.²⁶

The CIP has a total budget of over €3,600 million (current prices) covering three specific programmes:

- Entrepreneurship and Innovation Programme – continuing actions from the Multiannual Programme (MAP) for SMEs, actions for innovation from the FP6, actions for Industrial Competitiveness and eco-innovation actions (€2170 million).
- Information and Communication Technologies Policy Support Programme (ICT PSP) – continuing actions of the previous e-TEN, Modinis and e-Content programmes by supporting strategy i2010 (€730 million).
- Intelligent Energy-Europe Programme – supporting energy efficiency, new and renewable resources, and technological solutions for the reduction of greenhouse gas emission (€730 million)²⁷

The Entrepreneurship and Innovation Programme aims to achieve better access to finance for SMEs. Another scheme that also focuses particularly on SMEs is the Enterprise Europe Network, consisting of regional centres which deliver business and innovation support services to players in the field of RTDI. Moreover, the specific programme encourages trans-national networking of innovative companies including innovative SMEs and other players in the triple helix. It supports eco-innovation and policy-making that encourages entrepreneurship in the field of innovation. All these schemes give direct support to SMEs and knowledge-intensive SMEs in particular by providing access to finance, support for entrepreneurship, networking and trans-national networking.²⁸

The ICT PSP aims at developing a single European information space. The specific programme focuses on an European internal market for ICT and ICT-based products and services fostering innovation and competitiveness “*through*

²⁵ European Parliament (2007): Synergies.

²⁶ EC (2008): Synergies in funding opportunities.

²⁷ European Parliament (2007): Synergies.

²⁸ http://ec.europa.eu/cip/docs/factsheets_en.pdf.

the wider uptake and best use of ICT by citizens, governments and business and in particular SMEs”²⁹.

The Intelligent Energy Europe Programme – the “*Community’s non-technological programme in the field of energy*”³⁰ – supports the removal of market barriers, change of behaviour and the creation of a more favourable business environment for increasing energy efficiency. The latter directly supports the activities of enterprises, in particular SMEs, engaged in the field of energy efficiency.³¹

SMEs and business support services are the main target groups. The specific programmes do not target LRAs. Therefore, LRAs cannot apply for funding. While LRAs may not participate as beneficiaries in schemes such as those providing access to finance or support for entrepreneurship, “*regions are asked to take part in exchanges and networking activities in the context of the CIP to be able to take account of their specific situations when identifying good practices*”.³²

The CIP is implemented by DG Enterprise and DG Information Society; innovation relay centres may be involved in programme implementation at regional level. DG Enterprise and DG Information Society are also the stakeholders in charge of programme design and may be consulted by business federations and innovation agencies at national level.³³

SME support in the Structural Funds

The Structural Funds’ management and implementation system is closely linked to the multi-level governance system of the European Union. Multi-annual operational programmes are jointly managed by the Member States, the regions and the Commission. These programmes are based on public-private-partnership, i.e. the Commission together with the Member States and the regional authorities contribute their share of public funding. This is a big difference in comparison with the CIP and FP7.³⁴

The Structural Funds consist mainly of three main funds, which are:

- Cohesion Fund – supporting Member States whose Gross National Income is lower than 90% of the EU average;
- European Regional Development Fund (ERDF) – strengthening regional and Member States’ competitiveness and employment as well as strengthening territorial cooperation;

²⁹ EC (2008): Synergies in funding opportunities

³⁰ http://ec.europa.eu/cip/docs/factsheets_en.pdf.

³¹ http://ec.europa.eu/cip/docs/factsheets_en.pdf.

³² European Parliament (2007): Synergies.

³³ European Parliament (2007): Synergies.

³⁴ European Parliament (2007): Synergies.

- European Social Fund – strengthening employment and competitiveness in the regions and Member States with the focus on lifelong learning and investment in human resources.³⁵

The JEREMIE initiative of the ERDF has to be particularly highlighted in this context, since it is a “*pre-defined mechanism for using the budget from the ERDF effectively for SME finance*”³⁶, helping SMEs to move towards more sustainability in terms of finance. This is in accordance with the Strategic Guidelines for Cohesion Policy 2007-2013, since strategic guidelines “*put improving access to finance for SME development as a top priority*”³⁷.

These three funds pursue three priorities or objectives distributing around €347,000 million (current prices):

- Convergence – supporting growth and job creation in the least developed regions and Member States, i.e. where Gross Domestic Product is less than 75% of the EU average (€282,800 million);
- Competitiveness and employment – supporting Member States and regions whose Gross Domestic Product is more than 75% of the EU average in terms of dealing with economic and social change (€55,000 million);
- Territorial cooperation – stimulating cross-border, transnational and interregional cooperation, whereas the existing co-operation areas cover all EU regions and citizens (€8,700 million).³⁸

³⁵ EC (2008): Synergies in funding opportunities.

³⁶ EC (2008): Synergies in funding opportunities.

³⁷ European Parliament (2007): Synergies.

³⁸ EC (2008): Synergies in funding opportunities.

Synoptic overview of community funding instruments³⁹

Table 1. Main features of FP7, CIP and Structural Funds

	Instrument		
	FP7	CIP	Structural Funds
Priorities / Specific Programmes	<ul style="list-style-type: none"> - People - Ideas - Capacities - Cooperation 	<ul style="list-style-type: none"> - Entrepreneurship and innovation programme - ICT policy support programme - Intelligent Energy Programme 	<ul style="list-style-type: none"> - Convergence - Competitiveness and employment - Territorial Cooperation
Budget	€50,521 million	€3,600 million	€347,000 million
Type of approach	Competitive approach, excellence-driven	Competitiveness and innovation oriented	Cohesion oriented
Target groups	Public research institutions, Researchers, Knowledge intensive SMEs, Big enterprises, local and regional authorities	SMEs, Big enterprises, Business support organisations	Local and regional authorities, SMEs, public research institutions, Business support organisations etc.
Programme design and implementation	EU Council, European Parliament, European Commission (DG Research , DG Information Society, JRC)	EU Council, European Parliament, European Commission (DG Enterprise, DG Information Society)	EU Council, European, Parliament, European Commission (DG Regional Policy, DG Employment, DG Agriculture), National governments, Regional authorities

Source: European Parliament (2007): Synergies; EC (2008): Synergies in funding opportunities.

³⁹ For an extended version see table 4, annex.

2.3.2 Unlocking business potential, especially of SMEs, with national, regional and local instruments

The regionalisation level of Structural funds programmes from 2007-2013

As outlined in the previous chapter, SME policies and programmes co-funded by the Structural Funds also play a crucial role at national, local and regional level. For their delivery, however, the degree of regionalisation of the respective programmes is essential.

Structural Funds programmes – and the many national, regional and local activities linked to them – in the programming period 2007-2013 are streamlined towards the Lisbon and Gothenburg agenda and contribute significantly to the development of entrepreneurship and support for SMEs. These initiatives are included in several national and regional Operational Programmes co-financed by the structural Funds under the convergence and competitive objective in one or more priorities. Information included in the Inforegio database (http://ec.europa.eu/regional_policy/index_en.htm) and selected by the predefined criterion “support for enterprises” gives the following picture for the current programming period (2007-2013), which clearly points out the involvement of regional players in this area.

Table 2. Objective 1 and 2 Operational Programmes (2007-2013)

	Objective 1 and 2 Operational Programmes (2007-2013)	
	Regional	National
Austria	1	
Belgium	2	
Bulgaria		1
Czech Republic		1
Germany	11	
Greece	2	1
France	8	
Hungary		1
Italy	2	
Latvia		1
Poland	5	2
Portugal	2	2
Romania		1
Spain	4	
United Kingdom	3	

Source: own description based on http://ec.europa.eu/regional_policy/index_en.htm

In all three strands of Territorial Cooperation under Objective 3 the predefined criteria “support for enterprises” is mentioned at priority and area of intervention level in 19 of the Operational Programmes. In Operational Programmes in all the other Member States and regions the criterion “support for enterprises” is not included in the priority and area of intervention level. Very often entrepreneurship and SME support are also given a specific focus within the topic of innovation, research & development in different Operational Programmes.

National and regional types of instruments

With respect to ongoing national, regional and local policies, programmes and initiatives in addition to EU co-financed policies, illustrative examples are provided in chapters 3.1 and 3.2. The diversity of these interventions reflects the different background conditions (in terms of state structure), funding traditions and priorities at the level of Member States and regions. The availability of comparative information at EU level is very limited, as respective documents are provided mainly in the national languages and as they are not specifically requested in the context of the Lisbon reporting mechanism. By way of an overview, the various types of instruments are briefly presented below:

National and regional acts/laws for unlocking business potential are the most formalised types of intervention under this policy priority.

National Programmes facilitating access to finance and financial engineering. Actions for facilitating SMEs' access to finance feature prominently in national programmes, in the form of traditional instruments (loan guarantees, micro credits) and more innovative financing instruments (district bonds, venture capital funds, pre-seed capital, mutual guarantee capital, venture micro-capital solutions).

National support programmes for unlocking business potential typically provide incentives for unlocking business potential. Such programmes are initiated and implemented at national level.

Regional operational programmes for facilitating access to financing In federal or regionalised Member States the question of access to credit is also addressed in programmes at the respective regional or sub-regional level.

National level solutions with combined regional and local level solutions: There are examples where national solutions for improving SMEs' access to finance are combined with actions at regional or local level.

Main findings

Relevance of Community instruments for LRAs

- In **FP7 LRAs may participate as beneficiaries** in the Specific Programmes. The specific action “Regions of Knowledge” under the Capacities Programme fosters explicitly the participation of public administration at local and regional level by supporting the development of research-driven clusters. In addition to a research entity and an enterprise including SMEs, a local or regional authority is an obligatory element for such a research-driven cluster. LRAs are not involved in FP7 in the area of programme design and programme implementation.
- The **Competitiveness and Innovation Framework Programme (CIP)** promotes innovation activities, provides better access to finance and delivers support services in the regions. SMEs and business support services are the main target groups. The **specific programmes do not target LRAs**. While LRAs may not participate as beneficiaries in schemes involving, for example, access to finance or support for entrepreneurship, regions are asked to take part in exchanges and networking activities in the context of the CIP so as to be able to take account of their specific situations when identifying good practices”.
- **Structural funds resources are distributed among the Member States according to fixed shares** and national and regional budgets are mobilised, in addition to Community financing triggering private sector investments. Also in contrast to the CIP and FP7, Structural Funds are cohesion-oriented and they do not use a project-based approach as they are implemented in multi-annual programmes. **SMEs are one of the main target groups of Structural Funds**. In the framework of multi-annual operational programmes Structural Funds deliver support for start-up and micro-enterprises by means of technical assistance, grants loans, equity, venture capital and guarantees.
- As for LRA involvement, Structural Funds differ largely from the CIP and FP7, since resources within the Structural Funds’ system are spent with shared responsibility in line with the multi-level governance architecture. Responsibility is shared between Member States, their regions and the Commission. **Regional authorities manage and implement the operational programmes in cooperation with their Member States**, i.e. projects are selected, controlled and assessed. The Commission’s tasks are to approve the operational programmes and to allocate resources.

3 The contributions of Local and Regional Authorities to the policy priority ‘Unlocking business potential, especially of SMEs’

3.1 *The operational dimension: the activities of LRAs*

This chapter investigates the **kind of activities** in which LRAs have been involved in the delivery of the Lisbon Priority. The **examples have been selected from the National Progress Reports 2008**. Only those examples have been chosen that explicitly mention the involvement of local or regional authorities, though their role may be of a different nature, as analysed in the following⁴⁰. The selected examples are illustrative and do not cover the EU27.

3.1.1 Policy area: Better regulation

- **In Spain more than 500 local governments and Autonomous Communities are linked to the central government via the SARA Network administrations’ communications infrastructure:** The pilot Registry Interconnection System (SIR) programme has been developed, and will allow for the electronic connection of registry offices and the electronic exchange of data and documents with other agencies and administrations. Furthermore a system has been implemented for the online payment of fees to the central government.
- **In the UK the Business Support Simplification Programme (BSSP) will reduce the number of publicly funded schemes from about 3,000 to no more than 100 by 2010,** simplifying and improving access to business information and support services. Local authorities in the United Kingdom are working together with the central government and Regional Development Agencies (RDAs) to streamline publicly funded business support, making it more targeted, focussed and measurable, so increasing take-up, impact and value for money.
- **With a view to better regulation in Portugal the Municipal Simplex Programme was launched in 2008.** In 2009 this programme will be evaluated and broadened to incorporate more municipalities, including new simplification measures which do not necessitate collaboration

⁴⁰ The formal quality of the reporting made it sometimes difficult to assess the extent to which LRAs have been involved.

between municipalities or between municipalities and central administration.

3.1.2 Policy area: Single Market

- **In the Netherlands a Project Group⁴¹ has been working in many areas in close cooperation with local authorities, ministries, umbrella organisations and social partners for the implementation of the Services Directive.** The implementing legislation has been prepared: the Minister of Economic Affairs has sent the ‘Services Act’ bill to the Lower House of Parliament. An Amending Act and a Clean-up Act will follow in 2009. Regional meetings have been held throughout the country to inform local authorities of the opportunities offered by the Services Directive and of the work they need to do to take advantage of these opportunities.
- **In Germany the transposition of the Services Directive encompasses a large number of tasks at the level of the Federal Government, the Federal Länder, the municipalities and chambers.** The Federal Länder will be responsible for establishing single points of contact. The Federal Government and the Federal Länder have drawn up a joint list of requirements. In order to ensure that the single points of contact are able to work efficiently by the time the transposition period expires, decisions on where they are to be located need to be taken swiftly in all of the Federal Länder. In the area of the review of standards and regulation, the Federal Government and the Federal Länder have agreed to highlight the directive requirements in a common inspection grid. The review of legislation is to be completed by the end of 2008 in order to ensure that any legal amendments that may be required can be implemented by the end of 2009.
- **In Cyprus local authorities are participating in a review of horizontal legislation in order to enhance the enforcement of internal market legislation.** For this purpose a guide was prepared and circulated to the ministries and to the relevant authorities in order to assist them with the screening exercise. Working groups are being established for each Ministry with representatives from the Law Office of the Republic, the Planning Bureau, other broad public sector organisations, including local authorities, as well as competent private sector bodies.

⁴¹ The Project Group consists of the Ministry of Economic Affairs, the Ministry of the Interior and Kingdom Relations and the Ministry of Justice.

3.1.3 Policy area: EU integrated policy approach for SMEs

- **In France already in 2004 a national competitive cluster policy was launched to make businesses more competitive, to boost employment on promising markets and to strengthen the local regions.** Competitive clusters pool businesses, research centres and training institutes in their area in order to generate synergies and cooperation, primarily through innovative cooperative projects. After a favourable independent assessment of this experience, the French government is set to launch the second phase of this policy for a further three-year period (2009-2011), with a total budget of €1.5 billion, similar to the appropriation for the period from 2006 to 2008. The clusters, the local authorities and the State will sign new three-year performance contracts setting out objectives and guaranteeing a governance budget for the period. Clusters with inadequate results will have one more year to catch up.
- **Enterprise Ireland in partnership with other relevant agencies, such as City and County Enterprise Boards, has established an Entrepreneurship and Regional Development Business Unit, which has responsibility for developing the conditions for entrepreneurship throughout Ireland.** A City and County Enterprise Boards (CEB) Coordination Unit has also been established within Enterprise Ireland to facilitate greater cohesion of strategic and operational activities in the enterprise development support offered to companies. Enterprise Ireland encourages entrepreneurship at grass roots level through financial assistance for Community Enterprise Centres (CECs). CECs provide the space in a supportive environment for entrepreneurs and serve to help the development of locally based employment. In 2008, the capital allocation for the 35 CEBs is over €20 million.
- **In cooperation with regional and local governments, the initiative Creating Business Together promotes the annual celebration of Entrepreneur Day in Spain.** Entrepreneur Day is a meeting place for entrepreneurs and employers, involving activities based on knowledge sharing, acknowledgement, practical learning, entertainment, counselling and training, business cooperation and meetings and dissemination. It also serves as a forum for sharing business experiences, of both success and failure. Public and private enterprises that support the entrepreneurship initiative and business creation participate in the sessions. A cooperation agreement between the central government and various organisers is necessary for the implementation of the initiative. Three editions have been held in May 2006, March 2007 and May 2008. In preparation for the 4th initiative for 2009, it may be linked with actions carried out as part of the European Commission's initiative «"uropean SME Week".

- In Italy the **Emilia-Romagna Region facilitates SMEs' access to credit by means of Regional Law No. 3 of 21 April 1999**, via the establishment of guarantees with the region's own dedicated funds (possibly on a revolving basis) in collaboration with regional borrowing consortiums representing industry, the craft trade and cooperatives. The regional guarantee funds are used for creating and developing businesses, partly through various types of capitalisation of the same, and assisting SMEs in the region in their international expansion. The region also enhances and supports the regional borrowing consortiums representing industry, the craft trade and cooperatives by setting up a regional counter-guarantee fund to be used for enhancing the capacity of the regional consortium system. The region is also pushing for the decentralisation of the Central Guarantee Fund created by Law 662/1996. Where stipulated by the rules governing the establishment of the funds, the region gives priority to businesses owned and operated by women (as identified using the criteria set out in Law 215/92) and to businesses owned and operated by young people (as identified using the criteria set out in Law 44/85). Another support measure is the Ingenium Fund, which is designed to stimulate the creation of venture-capital funds focusing on areas of the region that are less developed but that offer significant potential in view of the presence of universities, research centres or industrial districts. The initiative entails participation in the creation of a risk capital fund in partnership with the private sector, with the aim of supporting the start-up and development of projects arising from academic and research spin-offs, or entailing innovative activity, with minority investments made in the share capital of small- and medium-sized businesses.
- In Portugal the **FINCRESCÉ Programme** provides solutions to optimise the financing conditions for companies pursuing innovative growth strategies through Venture Capital and Mutual Guarantee Solutions targeted at growing innovators and/or SMEs. The **FINICIA Programme** provides specialised financial instruments in support of company formation, such as Pre-seed Capital Solutions targeted at concept testing phases, Seed Capital Solutions targeted at the formation of knowledge-based companies, Venture Capital and Mutual Guarantee Capital Solutions directed at the initial growth stage of start-ups, and Venture Micro Capital and Microcredit Solutions, directed at young female entrepreneurs, , associated with new clusterisation processes.
- Veneto Region has, as part of the 2007-2013 Regional Operational Programme, spelled out a series of **actions to facilitate SMEs' access to credit and to provide customised financial services** that will enable SMEs to adapt in a rapid and timely manner to changes in markets and to augment the propensity to invest in research and innovation. In particular, the following have been provided: a system of guarantees for investments

in innovation and entrepreneurial undertakings, with the objective of favouring access to credit by SMEs or consortiums of SMEs, through the granting of guarantees on financing for investments in innovation and for the development of the entrepreneurial undertakings and the consolidation of the borrowing consortiums; minority and temporary investments in the risk capital of innovative enterprises; and the creation of a revolving fund for the subsidised financing of innovative investments made by SMEs.

- Under Regional Law No. 12/2007, the Campania Region has outlined **special regional aid schemes to finance the development of businesses** operating in the region; the schemes differ according to whether the aid is provided under contract, on an automatic basis or on the basis of an evaluation. More specifically: the incentives for complex projects to be awarded through contract procedures refer to the regional programme contract, which is designed to favour the implementation of complex territorial and sector development projects carried out by a single business or by groups of businesses within a concerted planning framework and aimed at getting the most out of programmed contracting at regional level; the incentives for new investments to be awarded through automatic procedures refer to the regional tax credit for new productive investments, which is aimed at streamlining and specialising the instrumentation used for the support and development of the businesses in the region and for addressing economic situations and the tax credit for increasing employment, designed to facilitate an increase in stable employment and the creation of new opportunities for long-term job placement in the business world; the aid to investments awarded on the basis of an evaluation refers to incentives for innovation and development, with the aim of promoting processes to innovate and develop the region's business fabric via structural measures that will have long-term effects on the competitiveness of the regional productive system.

3.2 The governance dimension: the role of LRAs and their interplay with EU and national levels

This chapter illustrates the Lisbon-driven LRAs contributions to the policy priority 'Unlocking business potential'. For this purpose, several case studies, already briefly mentioned in the previous chapter, are analysed in more depth in order to elaborate the different functions of LRAs in the delivery of Lisbon-related activities.

For the purpose of this analysis it is however relevant to briefly consider the different conditions of LRAs in individual Member States, according to their respective state structure. An EU working group on multi-level governance divided the Member States into four categories. These types are distinguished by

the degree of autonomy of the sub-national levels and the mode of transfer of powers:

Table 3. Typology of State Structures

Unitary States	Decentralised unitary states	Regionalised unitary states	Federal States
Bulgaria Cyprus Estonia Greece Hungary Ireland Lithuania Luxembourg Portugal Romania Slovenia	Czech Republic Denmark Finland France Latvia Slovakia Sweden The Netherlands	Italy Malta Poland Spain United Kingdom	Austria Belgium Germany

Source: http://ec.europa.eu/governance/areas/group10/report_en.pdf and ESPON project 2.3.2. Final Report (for New Member States' classification)

(Centralised) unitary states have only a local level infra-national hierarchy. Regional levels may exist for administrative reasons but are subordinate to the central government. **Decentralised unitary states** have undertaken a process of reform to establish elected regional authorities above the local level. **Regionalised unitary states** are characterised by the existence of elected regional governments with constitutional status, legislative powers and a high degree of autonomy. **Federal states** have a power-sharing guaranteed by the constitution.

3.2.1 Case study 1: Internationalisation of SMEs

Title	Distribution of information on internationalisation services and instruments, Finland⁴²
Authorities involved	Local level: several local organisations National level: several national organisations
Content	SMEs in Finland are not sufficiently aware of the variety of the internationalisation services and instruments available. The project aims to join public, semi-public and private organisations in creating platforms where information and contacts for these services are provided. All national and a number of local organisations promoting internationalisation are partners in the project. The project provides a concept and platform for organising events where information concerning internationalisation services and instruments is distributed. The project uses an internet-based platform, which makes communication more efficient and provides a service for all local players. In the same platform there are number of instruments available. Events are attended in order to disseminate information in the form of presentations, company cases studies, as well as a mini fair where all interested service providers have a stand in the lobby of the seminar venue. All the presentations are posted on the national platform for later use. The target group comprises SMEs, as well as representatives of large companies, public, semi-public and private organisations promoting internationalisation. The project aims at improving awareness of the services and financial instruments available for internationalisation among entrepreneurs and company representatives.
Role of LRAs	<ul style="list-style-type: none"> ■ supportive function: proactive establishment of a platform for exchange of information and contacts for SMEs ■ coordination and harmonising function: All national and a number of local organisations promoting internationalisation are partners in the project. ■ dissemination function: awareness-raising and information concerning internationalisation strategies for SMEs and specific instruments for SMEs

⁴² Supporting the internationalisation of SMEs, good practice selection 2008.

3.2.2 Case study 2: Reducing the regulatory burden

Title	Regional experimentation with the regulatory burden, Twente (NL)
Authorities involved	Local level: City of Twente, five affiliate municipalities
Content	The Networked City of Twente ordered a collective approach to reducing the regulatory burden for its five affiliate municipalities. Many licences and permits are being converted into general rules; several have been abolished altogether. This has led to direct savings for the businesses in the municipalities of the Networked City of Twente. Following this example, the project on ‘shortening through-time for licences’ led to the saving of 10,000 days of waiting time in the municipality of Enschede, in part by changing internal processes.
Role of LRA	<ul style="list-style-type: none"> ■ initiating function: The city of Twente took the initiative to start this project. ■ piloting function: The city has started an innovative approach, which probably could not have worked immediately for a larger territory. Once the approach has turned out to be feasible and successful, it is followed by others. ■ dissemination function: The project has obviously been effectively communicated: the city of Enschede is going to start a similar process.

3.2.3 Case study 3: Better regulation for SMEs

Title	Start-up service in Vienna ⁴³
Authorities involved	Local level: Vienna Economic Chamber (VEC)
Content	<p>The start-up portal which has been set up provides all the information needed for starting a business, ranging from general information to very specific questions on regulations. As each start-up gives rise to very specific questions, the portal also offers personalised advice (free of charge). The assistance provided includes:</p> <ul style="list-style-type: none"> ■ guidelines for starting a business and a guide to authorities in the form of a brochure; ■ free workshops on the Crafts, Trade, Service and Industry Act, company law, social security, taxation, financial support; ■ a telephone advice line; ■ free personal advice sessions (up to 1 hour) based on a rough business plan. <p>Businesses can register online at the offices of the VEC. The information is sent to the relevant authorities, thereby linking them in a network. This leads to savings in time and money (one-stop shop) for all start-up companies. Administrative procedures are coordinated and interlinked, which results in the removal of several obstacles. Additionally, those who intend to start a business get free legal and financial advice from an impartial intermediary, which however can guarantee legal certainty. Consequently, the average time needed to start up a business has been reduced to a minimum. While the VEC start-up service is a one-stop shop for registering a business, there is still some scope to improve the situation for starting up ‘legal persons’. However, the most important prerequisite, cooperation between the relevant players (representatives of companies, legislative bodies, authorities) has already been achieved.</p>
Role of LRAs	<ul style="list-style-type: none"> ■ facilitating function: Business start-ups have to deal with a lot of regulations and standards that have been established at very different administrative levels. Local authorities however take the direct initiative of

⁴³ European Charter for SME, 2007 good practice selection.

coordinating between these players in order to provide a one-stop shop for applicants.

- **mediation function:** while local authorities do not directly mediate between the players in this case, they create an intermediary platform. This “independent” body can interact more autonomously with start-ups and is more capable of meeting their demands.
- **interlinking functions:** the relevant authorities (governmental and non-governmental) for the start-up of businesses have been interlinked.

3.2.4 Case study 4: Improving access to information

Title	E-TEAMS boost entrepreneurship and internationalisation of SMEs, Katowice/Poland⁴⁴.
Authorities involved	Regional level: diverse regional players concerned with SMEs Local level: diverse local players concerned with SMEs
Content	Regional competitiveness and growth depend to a large extent on the ability of regional institutions to stimulate entrepreneurial spirit in their regions, e.g. to build the required social capital, or to reinforce the internationalisation of small businesses. However, many regions, particularly those lagging behind, lack pro-active policies to address these needs. "E-Teams - Interregional Entrepreneurial Teams" aims to improve the knowledge base of its partnership and offer an interregional platform to work on joint solutions. E-teams aims to: (1) increase knowledge amongst local and regional policy-makers and other stakeholders on how to assist SMEs in their development and internationalisation processes, (2) build capacity among relevant players in the regions to identify and meet the needs of SMEs, (3) stimulate interaction between SMEs, universities and local and regional policy-makers, (4) design and test approaches facilitating access for SMEs to knowledge, and (5) provide input for reforming regional development policies and practices. E-Teams results in increased knowledge on efficient SME policies and practices and improved intervention skills of public players. Furthermore, it increases comparability of regional performance data through the establishment of a joint benchmark and indicator system. Activities include the establishment of Multi-Actor Partnerships (MAP) to secure broad involvement and support for pro-active policies in the partner regions. MAP consists of wider regional partnerships, including local and regional policy makers, universities, and business support organisations. Partners also establish Entrepreneurial Teams (E-teams) that include SMEs of different sectors to test ideas for SME support in a real business environment and to help design new policy approaches and regional action plans on SME support.
Role of	■ multiplying functions: LRAs take part in multi-actor

⁴⁴ <http://www.interreg3c.net>.

LRAs	<p>partnerships (MAP) in order to develop pro-active policies together with universities and business support organisations.</p> <ul style="list-style-type: none"><li data-bbox="416 331 1410 461">■ supporting function: LRAs take part in the formation of Entrepreneurial teams (E-teams) within the project in order to conduct project activities<li data-bbox="416 461 1410 562">■ planning functions: LRAs simulate different policy approaches for SME support at local and regional level
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3.2.5 Case study 5: Fostering entrepreneurship

Title	Creating Business Together Programme, Spain.
Authorities involved	Local and regional level: different players National level: central government (Ministry)
Content	<p>This national programme is developed in cooperation with regional and local governments; the initiative promotes the annual celebration of "Entrepreneur Day" in their respective territories. "Entrepreneur Day" is a meeting place for entrepreneurs and employers, involving activities based on knowledge sharing, acknowledgement, practical learning, entertainment, counselling and training, business cooperation and meetings and dissemination. It also serves as a forum for sharing business experiences, of both success and failure. Public and private enterprises that support the entrepreneurship initiative and business creation participate in the sessions. A cooperation agreement between the central government and various organisers is necessary for the implementation of the initiative. The Ministry contributes 40% of the organisation costs (capped at €100,000), is in charge of the initiative's image and slogan, organises a national advertising campaign, and maintains the website. It aims to: to encourage a culture of entrepreneurship and provide evidence of the significant contribution made by employers to Spain's economic and social development; to create forums for entrepreneurs to meet among themselves and to meet with institutions; to offer an overview of all services and aid available to entrepreneurs for creating and consolidating their businesses; to eliminate overlapping actions by different administrations (state, regional and local); to increase efficiency by combining the efforts and work of all institutions involved in promoting entrepreneurship. Three editions have been held: May 2006, March 2007 and May 2008. In preparation for the 4th initiative for 2009, it will probably be linked with actions carried out as part of the European Commission's initiative "European SME Week".</p>
Role of LRAs	<ul style="list-style-type: none"> ■ implementing function: LRAs implement a programme, that has been initiated at national level. ■ supporting function: a meeting place and forum for entrepreneurs and employers is being created at regional or local level

- **information function:** LRAs offer a comprehensive overview of all services and aid available to entrepreneurs to create and consolidate their businesses.
- **harmonising function:** LRAs eliminate overlapping actions by different administrations (state, regional and local).

3.2.6 Summary of functions of LRAs in described case studies

The functions of LRAs in policies related to 'Unlocking business potential' can also be described within the specific functions of the policy cycle: (1) role of LRAs in policy development; (2) role of LRAs in policy implementation; (3) role of LRAs in policy learning. The results of this analysis are described in the Synthesis chapter (4.1).

Table 4. Synthesis table on functions of LRAs in selected case studies

CASE STUDY (see chapter 3.1) / function	Policy develop-ment	Policy imple-mentati-on	Policy learning
1) Distribution of information on internationalisation services and instruments (FL)			
supportive function: proactive establishment of a platform for exchange of information and contacts for SMEs.		X	
coordination and harmonising function: All national and a number of local organisations promoting internationalisation are partners in the project.		X	
dissemination function: awareness-raising and information concerning internationalisation strategies for SMEs and concerning specific instruments for SMEs.			X
2) Regional experimentation with the regulatory burden, Twente (NL)			
initiating function: The city of Twente took the initiative to start this project.	X		
piloting function: The city has started an innovative approach that possibly could not have worked immediately for a larger territory. Once the approach has turned out to be feasible and successful, it will be followed by others.		X	
dissemination function: The project has obviously been effectively communicated: the city of Enschede is going to start a similar process .			X
3) Start-up service in Vienna (AT)			
facilitating function: Business start-ups have to		X	

CASE STUDY (see chapter 3.1) / function	Policy develop-ment	Policy imple-mentati-on	Policy learning
deal with a lot of regulations and standards that have been established at very different administrative levels. Local authorities however take the direct initiative to coordinate between these players in order to provide a one-stop shop for applicants.			
mediation function: while local authorities do not directly mediate between the players in this case, they create an intermediary platform . This “independent” body can interact more autonomously with start-ups and is more capable of meeting their demands.		X	
interlinking functions: the relevant authorities (governmental and non-governmental) for the start-up of businesses have been interlinked.		X	
4) E-TEAMS boost entrepreneurship and internationalisation of SME, Katowice (PL)			
multiplying functions: LRAs take part in multi-actor partnerships (MAP) in order to develop proactive policies together with universities and business support organisations.			X
supporting function: LRAs take part in the formation of Entrepreneurial teams (E-teams) within the project in order to conduct project activities.		X	
planning functions: LRAs simulate different policy approaches for SME support at local and regional level.	X		
5) Creating Business Together Programme (ES)			
implementing function: LRAs implement a programme that has been initiated at the national level.		X	
supporting function: a meeting place and forum for entrepreneurs and employers is being created at regional or local level		X	
information function: LRAs offer a comprehensive overview of all services and aid available to entrepreneurs for creating and consolidating their businesses.			X
harmonising function: LRAs eliminate overlapping	X		

CASE STUDY (see chapter 3.1) / function	Policy develop-ment	Policy imple-mentati-on	Policy learning
actions by different administrations (state, regional and local).			

4 Synthesis: The involvement of LRAs in the policy priority ‘Unlocking business potential, especially of SMEs’

4.1 Approaches of LRAs for the coordination of policies in the priority area

The following findings are based on the analysis of the case studies in chapter 3.

Fields of activity where the input of LRAs is particularly evident

- In the context of the policy priority “Unlocking business potential”, LRAs are particularly active in the **thematic areas** “Better Regulation” and “EU integrated policy approach for SMEs”. The thematic area “Single Market” is less touched upon by LRAs.
- LRAs are involved in several activities which require strong **vertical coordination between different administrative levels**. Such activities include access to financing, grant schemes for business support as well as awareness-raising and information activities in the field of internationalisation of services and instruments and creating businesses together.
- In federal or regionalised States (e.g. Italy) the area “**access to finance for SMEs**” may also be covered at regional level, while in all other cases, this is mainly initiated at national level. In some cases, however, even nationally initiated initiatives are implemented at local level (e.g. FINICIA Programme in Portugal).
- Contributions of LRAs in the field of “Better Regulation” are particularly relevant and have an immediate effect for SMEs (e.g. regional experimentation with the regulatory burden in Twente in the Netherlands; or the Municipal simplex programme in Portugal).

Role of LRAs in policy development:

- **LRAs play a key role in developing policy for unlocking business potential:** They initiate projects to create platforms for information exchange and contacts between potential start-ups (e.g. in Twente, NL), they take part in projects for simulating different policy approaches for SME support in order to improve policy planning (e.g. E-teams in Katowice, PL).

- **LRAs contributed to harmonising policies in the field of business support**, e.g. to eliminate overlapping actions by different administrations (state, regional and local) in the case of the Creating Business Together Programme (Spain).

Role of LRAs in policy implementation:

- **LRAs have performed a supportive role** when proactively establishing a platform for exchange of information and contacts between SMEs (in Finland) or when creating a forum for entrepreneurs and employers (in the case of the Creating Business Together Programme in Spain.)
- **LRAs may exercise a piloting function in order to test approaches that lead to better regulation.** In Twente (NL), the city has started an innovative approach that possibly could not have worked immediately for a larger territory. Once the approach has proved to be feasible and successful, others follow it.
- **LRAs can exercise an interlinking function**, e.g. in the case of the Start-up service in Vienna (Austria), where the relevant authorities (governmental and non-governmental) for the start-up of businesses have been interlinked in order to facilitate dealing with a lot of regulations and standards (one-stop shop for applicants).
- LRAs carry out the implementation of business promotion initiatives: either developed at their own or national level (e.g. "Entrepreneur Day" in Spain).

Role of LRAs in policy learning and dissemination:

- **LRAs perform an information function for SMEs.** In Spain LRAs offer a comprehensive overview of all services and aid available to **entrepreneurs** for developing and consolidating their businesses as part of the Creating Business Together Programme.
- **LRAs have an awareness-raising and dissemination function**, e.g. concerning internationalisation strategies for SMEs and specific instruments for SMEs (in Finland), concerning better regulation in Twente (NL).
- **LRAs perform multiplying functions**, e.g. in Katowice (Poland). LRAs take part in multi-actor partnerships (MAP) in order to develop pro-active policies together with universities and business support organisations.

4.2 The means applied by LRAs for policy delivery

Evidence suggests that Community funding instruments for “Unlocking business potential” have a differing relevance for LRAs, depending on the overall intervention logic (cohesion orientation versus excellence orientation), the regionalisation of its delivery mechanism, the “territorialisation of its approach”, the degree of LRA involvement in policy design, the overall financial input and the visibility of the output:

- LRAs participate in **FP7** as beneficiaries, e.g. under the action “Regions of Knowledge”, under the Capacities Programme for research-driven clusters (comprising a research entity, an enterprise including SMEs and a local or regional authority. LRAs are not involved in FP7 insofar as concerns programme design and programme implementation.
- The **Competitiveness and Innovation Framework Programme (CIP)**, which has SMEs and business support services as one of its main target groups, does not target LRAs, though regions are asked to take part in exchange and networking activities.
- SME support through **Structural Funds** differs considerably from the CIP and FP7 when it comes to the involvement of LRAs, since resources within the Structural Funds’ system are spent with shared responsibility in line with the multi-level governance architecture; in particular, regions are involved both in programme design and delivery: Regional authorities manage and implement the operational programmes in cooperation with the Member States, i.e. projects are selected, controlled and assessed. Local authorities are specifically targeted by the urban dimension of Structural Funds policies.

When it comes to instruments at national, regional and local level very different types of instruments are in use. These instruments may be used to implement EU strategies, but also in order to develop autonomous, national, regional or local initiatives. In the field of SME policy the following instruments are relevant:

- **National acts and laws for unlocking business potential** are the most formalised types of interventions under this policy priority. They typically **concern the framework conditions for enterprises and SMEs** in a country (e.g. better regulation, etc.). The respective legislative powers are clearly regulated in the constitution of the Member States. Consequently regional acts can only be expected in federal or decentralised Member States (e.g. Emilia-Romagna's law on SMEs’ access to credit).
- **National Programmes facilitating access to finance & financial engineering**: Actions for facilitating SME’s access to finance feature prominently in national programmes through the use of traditional instruments (loan guarantees, micro credits) as well as through more innovative financing instruments (district bonds, venture capital funds,

pre-seed capital, mutual guarantee capital, venture micro-capital solutions). The degree of innovation is reflected either by the character of the financing instrument itself and/or in the targeting of the instrument (e.g. only directed at young female entrepreneurs, territorial targeting etc.).

- **National support programmes** for unlocking business potential: Support programmes in the field of SMEs aim to give incentives for unlocking business potential. Such programmes are initiated and implemented at national level.
- **National level solutions with combined regional and local level solutions:** There are examples, where national solutions for improving SMEs' access to finance are combined with actions at regional or local level. This is either expressed in national level solutions, which are implemented at local level, or a national initiative which is complemented with regional and local level actions.

5 Conclusions

Evidence-based conclusions of this background report are already drawn in the synthesis chapter and are not repeated here. This chapter therefore limits itself to highlighting additional conclusions which can be drawn from the present work.

Critical aspects of the involvement of LRAs and lessons learnt

- Although the renewed Lisbon Strategy shows an increasing emphasis on SMEs, the **contribution of LRAs to different policy areas** is rather uneven. Under the policy priority “Unlocking business potential” LRAs are particularly active in thematic areas such as “Better Regulation” and the “EU integrated policy approach for SMEs”. The thematic area “Single Market” is less addressed by LRAs.
- In centralised countries the **shift of competences** towards the regional and sub-regional level concerned various sectors (health, education, etc), but rarely SME policies. As the transfer of the respective budgets does not always accompany this shift of competences, LRAs still depend on the transfer of finances from higher administrative levels.
- The majority of economic and **SME support instruments** exist at national level. At regional level, if regions have their own budget, regional economic activities and SME support are in line with regional strategies or are linked to national aid schemes.
- Activities for unlocking business potential promoted by the national and/or regional level are very rarely funded exclusively with **national or regional funds**. The vast majority of these activities are integrated in and cofinanced from EU funds under SF Operational Programmes and Cohesion Fund operations.
- SMEs are key drivers of the EU’s economic performance although in terms of performance they are still less productive than their US counterparts. The analysis of the **constraints for SMEs** reveals that excessive administrative regulations rank very high. These constraints need to be tackled primarily at local and regional level and LRAs are key players in this process.
- While SME policy in the Structural Funds is overall cohesion-oriented, applies a stronger territorial approach based on multi-annual programmes and is partly implemented at regional level, the CIP and FP7 are project-based and have less focus on the territory. Consequently, Community funding instruments for “Unlocking business potential” have a differing relevance for LRAs, depending on the overall intervention logic (cohesion orientation versus excellence orientation), the regionalisation of its delivery mechanism, the “territorialisation of its approach”, the degree of

LRA involvement in policy design, the overall financial input and the visibility of the output. Regionalised **implementation mechanisms** (e.g. Regional Operational Programmes in the Structural Funds) and the adoption of a **territorial approach** in Community funding instruments and in national and regional instruments considerably widens the opportunities for LRAs to design and implement SME policy.

- When it comes to instruments at national, regional and local level, very different types of instruments are in use. These instruments may be applied to implement EU strategies, but also in order to develop autonomous, national, regional or local initiatives. LRAs **combine different funding instruments** from the Community, national, regional and local level for addressing the policy priority ‘Unlocking business potential, especially of SMEs’. At local level the challenge consists in linking between these different fields of local expertise in order to gain optimal benefit for local and regional SMEs.
- Overall, LRAs show a strong **implementing function** in SME policies and a vertical coordinating role between different administrative levels involved in the delivery of SME policy. Such activities include the provision of access to financing, grant schemes for business support as well as awareness raising and information activities in the field of internationalisation of services and instruments and bringing businesses together.
- The national and **local environments** in which SMEs operate are very different and so is the nature of SMEs themselves. Policies addressing the needs of SMEs must therefore fully recognise this diversity and respect the local context.
- **Cooperation** between cities and regions in SME policies has to be improved to make best use of European initiatives. The implementation of isolated initiatives at local and regional levels has been shown to be less effective than the coordinated and harmonised implementation of joint strategies and instruments.
- Unlocking business potential, especially for SMEs, depends substantially on the **competences and financial resources** given to LRAs. In the last decade decentralisation gained momentum in Europe. In decentralised countries (e.g. Austria, Germany, Sweden, Spain, etc.) LRAs could consolidate their activities in hard and soft support to the economy, in improving the business environment and in unlocking business potential, especially for SMEs. However, the shifting of responsibilities should also be connected with the transfer of respective budgetary resources from central to LRA level.
- While there is evidence for a strong involvement of LRAs in complementary national and sub-national instruments for supporting SMEs, it has to be emphasised, that **Lisbon-reporting** does not fully

cover sub-national activities in the field concerned and therefore LRAs contributions are rather underestimated.

- Against the background of the current **financial crisis** and the prominent role of Cohesion Policy for the Economic Recovery Plan – it is the Community's largest source of investment in the real economy – it is clear that LRAs face dramatic challenges and have a leading role to play in bringing about economic recovery.

Questions for further debate

- Terms such as “overregulation” or “administrative burdens” suggest, that a “deregulated” environment would be best for unlocking local business potential. However, a coordinated (“regulated”) policy of local and regional authorities can create competitive advantages for local businesses (e.g. reducing transaction costs, etc.). Consequently, it would be interesting to investigate what costs could arise for SMEs as a result of non-coordination between public authorities.
- What successful approaches for a “territorialisation” of SME policies exist at EU, national and regional level? Are there any successful, more strongly decentralised models?
- What opportunities and what added value would a “territorial focus” of CIP and FP7 programmes bring to LRAs?
- What is the contribution of LRAs to the Economic Recovery Plan against the background of the current financial crisis?

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http://ec.europa.eu/enterprise/index_en.htm

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DG Research:

http://ec.europa.eu/research/index_en.html

DG Regional Policy:

http://ec.europa.eu/regional_policy

<http://inforegio.com>

INTERREG IIIC:

www.interregIIIC.net

Cordis: SME Specific Measures:

<http://cordis.europa.eu/sme/home.html>

Secretariat-General: EU grants and loans:

http://ec.europa.eu/secretariat_general/sgc/aides/thema/entreprises_en.htm

Catalogue of the European Commission Central Library (ECLAS):

<http://ec.europa.eu/eclas>

Europe Direct: information on your rights in the European Union and how to exercise them, online business advice:

http://ec.europa.eu/europedirect/en/index_en.html

Eurostat: European statistics:

<http://ec.europa.eu/eurostat/>

SCADPlus: Community policies by theme:

http://ec.europa.eu/scadplus/scad_en.htm

European Parliament:

- European Parliament fact sheets: an overview of Community policies and institutions:

http://www.europarl.eu.int/factsheets/default_en.htm

- Studies:

http://www.europarl.eu.int/workingpapers/econ/default_en.htm

7 Annex

Table 5. Main features of FP7, CIP and Structural Funds (extended version)

		Instrument		
		FP7	CIP	Structural Funds
Structure of instruments and distribution of budget				
Priorities / Specific Programmes		People	Entrepreneurship and innovation programme	Convergence
	Budget	€4 750 million	€2170 million	€282 800 million
		Ideas	ICT policy support programme	Competitiveness and employment
	Budget	€7 510 million	€730 million)	€55 000 million
		Capacities	Intelligent Energy Programme	Territorial Cooperation
	Budget	€4 097 million	€730 million	€8 700 million
		Cooperation		
	Budget	€32 413 million		
Total budget		€50 521 million	€3600 million	€347 000 million
Allocation logic and beneficiaries				
Type of approach		Competitive approach, excellence-driven	Competitiveness and innovation oriented	Cohesion oriented
Target groups		Public research institutions, Researchers, Knowledge intensive SMEs, Big enterprises, local and regional authorities	SMEs, Big enterprises, Business support organisations	Local and regional authorities, SMEs, public research institutions, Business support organisations etc.
Rationale for participation		International collaboration. Research excellence, R&D funding	International collaboration, innovation development	Funding infrastructure development, Regional and local collaboration, etc

		Instrument		
		FP7	CIP	Structural Funds
Programme design and implementation				
Programme design	EU level	EU Council, European Parliament, European Commission (DG Research , DG Information Society, JRC)	EU Council, European Parliament, European Commission (DG Enterprise, DG Information Society)	EU Council, European Parliament, European Commission (DG Regional Policy, DG Employment, DG Agriculture),
	National level	Business & research organisations may be consulted	Business federations and innovation agencies etc. may be consulted	National governments
	Regional level	Business & research organisations may be consulted	Business federations and innovation agencies etc. may be consulted	Regional authorities
Programme implementation	EU level	EU Council, European Parliament, European Commission (DG Research , DG Information Society, JRC)	EU Council, European Parliament, European Commission (DG Enterprise, DG Information Society)	EU Council, European Parliament, European Commission (DG Regional Policy, DG Employment, DG Agriculture)
	National level	National Contact Points		National governments and agencies
	Regional level		Innovation Relay Centres	Regional authorities, regional development agencies

Source: European Parliament (2007): Synergy; EC (2008): Synergies in funding opportunities.