

# EUROPEAN PARLIAMENT



SCIENTIFIC AND TECHNOLOGICAL OPTIONS ASSESSMENT

STOA

## STUDY ON SMALL AND MEDIUM SIZED ENTERPRISES, TECHNOLOGY AND DEVELOPMENT

**Final Study**

Working Document for the **STOA Panel**

Luxembourg, May 1999

PE 167.795/fin.St.

***Directorate General for Research***

*Cataloguing data:*

Title: **Study on Small and Medium Sized Enterprises, Technology and Development**

Initiator: Committee on the Development and Cooperation

Workplan Ref.: EP/IV/B/STOA/98/13.01

Publisher: European Parliament  
Directorate General for Research  
Directorate A  
STOA ( Scientific and Technological Options Assessment:)

Author: **CERFE - Roma**  
Mr Luciano d'Andrea

Editor: Mr Dick HOLDSWORTH,  
Head of STOA Unit

Date: May 1999

PE number: 167.795/Fin.St.

---

This document is a working Document for the 'STOA Panel'. It is not an official publication of STOA.

**This** document does not necessarily represent the views of the European Parliament

---

## Table of Contents

Abstract

Executive Summary

### CHAPTER ONE

Institutional Framework, Theoretical Framework  
and Methodological Framework 5

1. Institutional Framework 6
2. Theoretical Framework 7
3. Methodological Framework 7

### CHAPTER TWO

EU Programs in Support of Small and Medium  
Enterprises in Third Countries 10

1. The Centre for the Development of Industry (CDI) 12
2. ACP-EU Industrial and Business Fora 15
3. European Community Investment Partners (ECIP) 17
4. AL-INVEST 19
5. ASIA-INVEST **20**
6. MEDA 22
7. Bilateral Cooperation Programs 23
8. Extension of Programs Targeting European SMES 23

### CHAPTER THREE

Analysis **of** the Role of Small and Medium  
Enterprises in the Framework **of** Globalization **25**

1. Distinctive Characteristics of SMEs 26
2. Trends 27
3. Quality of SMEs 29

4. Recurring Obstacles to the Transfer of Technology between Enterprises	30
5. Technological Capacity and Productive Capacity	31
6. Technology Transfer and SMEs	32

#### CHAPTER FOUR

Four Key Areas of EU Programs in Support of <b>Small and</b> Medium Enterprises	34
---	----

1. Strategic Inadequacy	36
2. The Risk of Political and Bureaucratic Self-referencing	38
3. Structural Limitations on Effectiveness	39
4. The Risk of Defection of European Businesses	41

#### CHAPTER FIVE

The Issue of Quality of Programs	44
----------------------------------	----

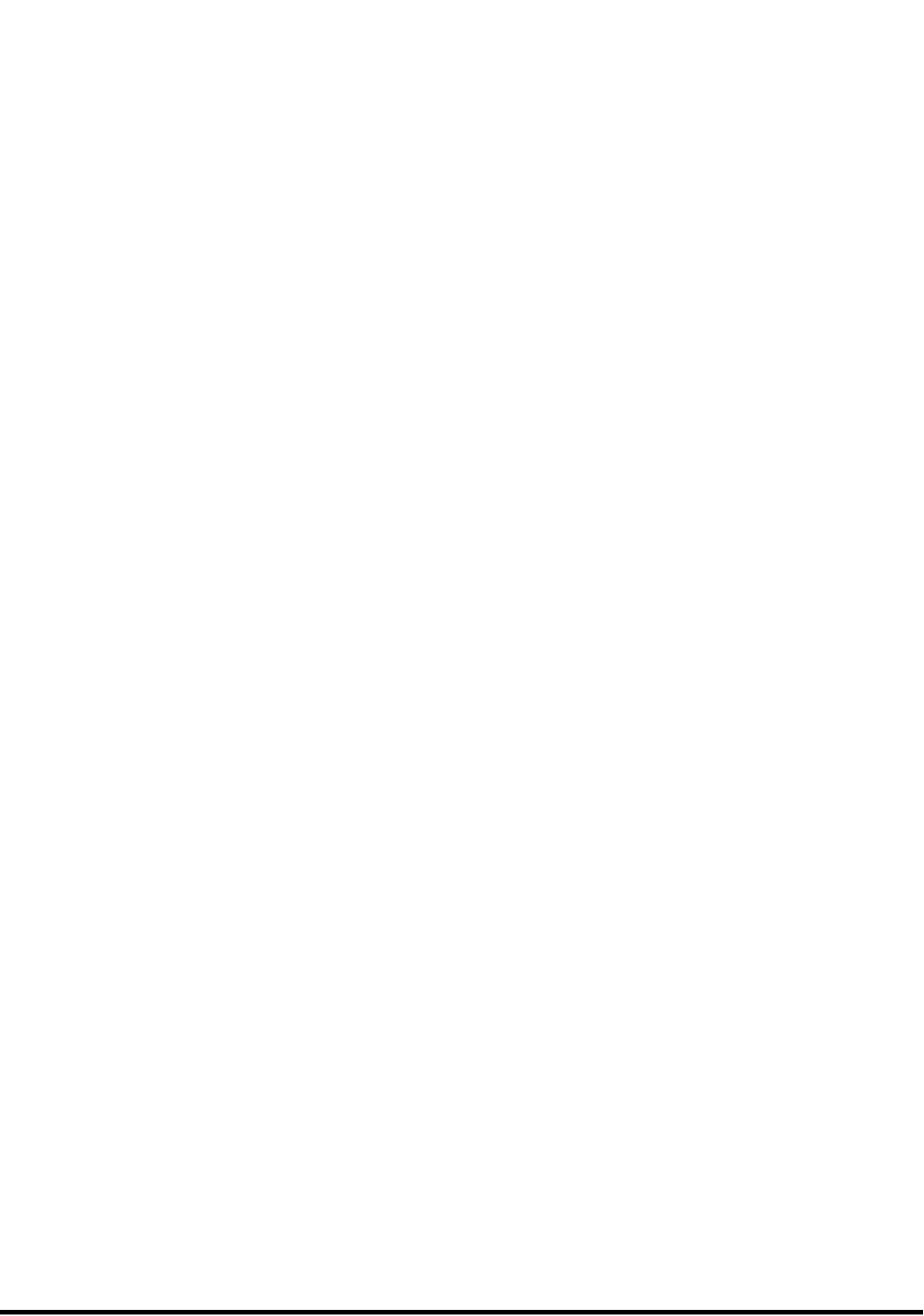
1. Timeframes	45
2. Management Procedures	46
3. Quality of Local Intermediaries	47
4. Information	48
5. Services Provided	49
6. Transparency and "Politics" in the Allocation of Funds	50
7. Other Factors Pertaining to the Quality of Programs	51

#### CHAPTER SIX

<b>Strong Points</b>	52
----------------------	----

1. The Importance of Networks	53
2. Integration of Programs in Regional and Local EU Policies	54
3. The Dynamism of Programs	55
4. The Catalyst Effect of Programs	55

<b>CHAPTER SEVEN</b>	
<b>Recommendations for Improving EU Programs in Support of Small and Medium Enterprises and Technology Transfer</b>	<b>57</b>
1. A Unified Policy in Support of SMEs and Technology Transfer	59
2. The Quality of Programs	60
3. Integration between Levels of Intervention and Decentralization	61
4. Cultivating the Loyalty of European Businesses	63
<b>ANNEX</b>	
<b>References and Documents</b>	<b>65</b>



## Research on "Small and Medium-sized Enterprises, Technology and Development"

FINAL REPORT  
(April 1999)

---

### Abstract

The research on "Small and Medium-sized Enterprises, Technology and Development. An assessment of the potential contribution of SMEs to the diffusion of technology in less developed countries and of options for action by the European Union to promote this context of development and cooperation policies", carried out by the CERFE, was aimed at providing the means for evaluating EU programs in support of SMEs in developing countries and to provide an analysis of options for future EU policies in the field of technological development.

The Final Report, divided into 7 chapters, provides a description of the main EU instruments and programmes in support to SMEs in Third countries (CDI, ACP-EU Industrial and Business Fora, ECIP, AL-Invest, ASIA-Invest, MEDA); then, it analyses some trends affecting SMEs, mainly with regards to technology transfer.

Some useful elements for evaluating EU programs, as they came from the interviews carried out, are then considered. Four main **strategic key points** requiring further analysis (lack of a unified strategy for programs in support of SMEs; risk of political and bureaucratic self-referencing; lack of control over the "micro" dimension; problems in the relations with European partners) as well as some **problems concerning programmes' quality** (timeframes, administrative procedures, quality of local intermediaires; services provided; etc.) are analysed and discussed. Moreover, four main **strong points** (programmes' capacity in developing networks and partnerships; integration at the regional level; dynamis; programmes' catalyst effects) are presented.

The last part of the document sets out **recommendations** and provides some **options** for improving EU interventions in support of SMEs in Third countries. Four main issues are considered: support to a unified EU policy on SMEs and technology transfer; improvement of the quality of programmes; integration of the intervention at various level; improvement of the loyalty of European business.

## **Research on "Small and Medium-sized Enterprises, Technology and Development"**

FINAL REPORT  
(April 1999)

---

### **EXECUTIVE SUMMARY**

#### **1. Institutional Framework, Theoretical Framework and Methodological Framework**

With a contract signed in June 1998, CERFE<sup>1</sup> was charged by the European Parliament (Directorate General for Research) to conduct a research on "Small and Medium-sized Enterprises, Technology and Development. An assessment of the potential contribution of SMEs to the diffusion of technology in less developed countries and of options for action by the European Union to promote this context of development and cooperation policies".

The **objective** of the study was to provide the means of evaluating EU programs in support of SMEs in developing countries and to provide an analysis of options for future EU policies in the field of technological development.

From the **theoretical point of view**, the analysis of the programs was based on a net distinction between strategy (the development goals; relations with other economic actors; targeted enterprises; etc.) and quality of action (implementation, timetables, procedures adopted, forms of communications adopted; etc.).

---

<sup>1</sup> CERFE is a research institute with offices in Rome that specializes in the study of the new social and economic actors in contemporary societies. CERFE has conducted various research projects in Latin America, Africa and Europe.



From the **methodological point of view**, the study used two main sources of information: documentary sources; questionnaire-based interviews conducted with 19 key persons, of which 9 were EU officials and 10 representatives of 7 European industrial federations.

## **2. EU Programs in Support of Small and Medium Enterprises (SMEs) in Third Countries**

The chapter provides a summary of the means used by the EU to support SMEs in third countries. In particular, the following programmes and instruments are taken into account: the **Centre for the Development of Industry** (a joint EU-ACP institution financed by the European Development Fund pursuant to the Lomé Convention); **the ACP-EU Industrial and Business Fora** (a DGS program to increase the contribution of European businesses to the development of ACP countries); the **European Community Investment Partners** (a program administered by the DGIB whose general objective is to promote sustainable economic development in Asian, Latin American, Mediterranean and southern African countries); **AL-Invest** (a program managed by DGIB whose objective is to promote closer cooperation among EU and Latin-American business); **ASIA-Invest** (a DGIB programme aimed at promoting business and financial trade between the EU and Asia); some **MEDA** programmes (aimed at strengthening the Euro-Mediterranean partnership).

For each programme, information on nature, objectives, facilities and activities are provided.

## **3. Analysis of the Role of SMEs In the Framework of Globalization**

This chapter gives some useful coordinates for analyzing the role of SMEs **in** the context of the processes of social and economic globalization. The following aspects are mainly considered:

- distinctive **characteristics of SMEs** (flexibility, great diversity, low cost inputs, etc.);

- present global economic trends (knowledge, innovation, downsizing, networking, globalization, decapitalization) which tend to reduce the gap that once separated large enterprises and SMEs;
- the quality of SMEs (understood, in the broad sense, as the capacity to deal successfully with the above-mentioned global trends and to initiate and manage innovation);
- the recurring obstacles to the transfer of technology between enterprises (lack of strategies, inability to transfer or obtain technologies, lack of information, limited managerial resources, etc.);
- the distinction between technology capacity (i.e. the ability to generate and manage the technological change over time by a continuous process of improvement and technological and organizational adaptation) and productive capacity (i.e. the acquisition of physical capital and the relative know-how needed to use it);
- the factors influencing the action of SMEs in technology transfer.

#### 4. Four Key Areas of EU Programs In Support of **SMEs**

The chapter offers some useful means of evaluating EU programs in terms of general strategies, as they came from the interviews carried out. Four main risks requiring further analysis are identified:

- the lack of a unified strategy for programs in support of **SMEs** in third countries due to the insufficient interaction between the different programs;
- the risk of political and bureaucratic self-referencing of programs, due to the public nature of EU action;
- structural limitations on the effectiveness of programs, due in large part to lack of control over the "micro" dimension;

- certain troublesome problems in the relations with European partners (enterprises and business associations), which could entail the risk of what we might term defection of European SMEs from these programs—defection in the broad sense, meaning failure to use the tools offered by the SMEs which have used them in prior programs, and failure for potentially interested SMEs to ever use them.

## 5. The Issue of Quality of Programs

The chapter analyses some problems concerning program quality brought to light by the sources consulted. Among them, the following can be mentioned:

- overlong timeframes for the programs;
- overly complex administrative procedures;
- poor quality of local intermediaries;
- lack of quality, quantity and timeliness of information about programs;
- inadequacy of the services provided;
- inadequate transparency and over "politicization" of fund allocation;
- poor coordination between EU programs and those of other national and international agencies in support of SMEs;
- insufficient use of local expertise;
- poor coordination between scientific and economic development projects.

## 6. Strong Points

Through the interviews and analysis of the documentation, we were able to identify some strong points in the EU programs which could be exploited for the overall improvement of EU projects in support of SMEs:

- the programmes' capacity in developing networks and partnerships both in Europe and in the third countries;
- the fact that the programs are part of a larger overall strategic assistance plan expressed in the form of regional and local EU policies that concern all levels of economic cooperation (micro, meso and macro);
- the dynamism of the programmes and their growth, which show that there is significant learning and improvement at work within them that should be identified and supported;
- the fact that the programs have a catalyst effect in mobilizing other outside resources and stimulating significant change (e.g. diffusion of quality standards, South-South cooperation, strengthening of private intermediaries, etc.).

## 7. Recommendations for Improving **EU** Programs in Support of **SMEs** and Technology Transfer

The chapter sets out recommendations and provide some options for improving EU interventions in support of SMEs in third countries.. These recommendations refers to four main objectives:

- support a unified EU policy on SMEs and technology transfer. (communication and coordination among programs; unified or at least harmonized procedural models; dissemination among the programs of the most promising and effective intervention tools.; etc);

- **improve the quality of programmes** (review and simplify administrative procedures; upgrade monitoring tools; evaluate the need for institutionally strengthening of the offices running the programs; etc.)
- **integrate the intervention** at various levels and encourage decentralization (increase the quality of local intermediaries; promote direct interaction between intermediaries in networks; conduct periodic assessment of programs that affect the micro level; etc.)
- **cultivate the loyalty of European businesses** to **EU** programs (conduct an in-depth study of the needs of European SMEs and the services they use; experiment with more advanced ways of involving intermediaries in decision-making and control mechanisms; establish a coordination structure in the EU to facilitate relations with European business associations; etc.).

CHAPTER ONE

**Institutional Framework, Theoretical Framework  
and Methodological Framework**

## 1. INSTITUTIONAL FRAMEWORK

With a contract signed in June 1998, CERFE<sup>1</sup> was charged by the European Parliament (Directorate General for Research) to conduct a research on "Small and Medium Enterprises, Technology and Development. An assessment of the potential contribution of SMEs to the diffusion of technology in less developed countries and of options for action by the European Union to promote this context of development and cooperation policies". A research team was formed to conduct the study composed of Luciano d'Andrea, sociologist and research director, and Pierfrancesco Salemi, economist.

The objective of the study was to provide the means of evaluating EU programs in support of SMEs in developing countries and to provide an analysis of options for future EU policies in the field of technological development.

This final report, written by Luciano d'Andrea, is divided into seven chapters:

- **chapter one** describes the study's institutional, theoretical and methodological framework;
- **chapter two** provides a summary of the means used by the EU to support SMEs in third countries (with the exception of central and eastern European countries, which are not taken into consideration in this study);
- **chapter three** provides some useful coordinates for analyzing the role of SMEs in the context of the processes of social and economic globalization;
- **chapter four** and **chapter five** offer some useful means of evaluating EU programs in terms of general strategies and the quality of implemented programs;

---

<sup>1</sup> CERFE is a research institute with offices in Rome that specializes in the study of the new social and economic actors in contemporary societies. CERFE has conducted **various** research projects in Latin America, Africa and Europe.

- **chapter six** describes some of the strong points of EU programs identified in the study;
- chapter seven sets out recommendations for improving EU interventions in support of SMEs in third countries.

## **2. THEORETICAL FRAMEWORK**

The theoretical framework on which analysis of the programs was based assumed a net distinction between strategy and quality of action.

The strategic dimension of the programs was analyzed focusing on these key issues:

- the development goals, especially as regards support of European SMEs, third country SMEs and technology transfer;
- the relations between these programs and other economic actors (mainly intermediary European institutions, intermediary third. country institutions and enterprises);
- the targeted enterprises;
- the sectors on which to focus;
- the kinds of technology transferred;
- the types of instruments usually utilized in the programs.

As regards the quality dimension, analysis focuses on the impediments and strong points of the programs, taking into account: factors such as implementation, timetables, procedures adopted, forms of communications adopted and the operating skills of the managers of the programs.

## **3. METHODOLOGICAL FRAMEWORK**

The methodology of the study was based on two main sources:

- documentary sources;
- live sources.



The following documentary sources were analyzed:

- documents on general EU policy and strategy on issues of interest to the study;
- documentary material produced by the EU to present its programs in support of SMEs;
- evaluation and monitoring documents produced by the EU;
- documents and papers on EU economic cooperation policies produced by outside researchers or institutions;
- documents produced by national and international agencies on issues taken up in the study.

As for **live sources**, questionnaire-based interviews were conducted with 19 key persons, of which 9 were EU officials and 10 representatives of 7 European industrial federations.

The following officials were interviewed:

- B. PRAGNELL, DGIB;
- P. BALDAN, Coordinator Institutional Relations, CDI;
- R. VAN DEN BERG, Senior expert on Research for Development, DG8;
- F. DONATELLA, Private sector development and financial institutions, DG8;
- H. FORMENTINI, Coordination réformes environnement, coordination DIAGNOSIS, Privatisation Afrique de l'Ouest, DG8;
- G. PONNETTE, Chef Unité, DGIB;
- T. ABADIA, Administrateur principal, DG1B;
- A. CAPPELLANI, Economic Cooperation, MEDA, DG1B;
- M. MULLER, Chef Unité d'Assistance Technique, ECIP.

The following **industrial federations** were examined in the study:

- Federation of Finnish Metal Engineering and Electronic Industries;
- Confindustria;
- Confederation of British Industry;

- Handvaersradet;
- Federation of Swedish Industry;
- Dansk Industri;
- Association of Greek Industries (SEB).

⑥ Due to the limited dimension of the study we refrained from enlarging the scope of the empirical base by interviewing actors from developing countries (such as SMEs, industrial federations or intermediate bodies).

The study was organized in three main phases, which are described briefly below.

- *Phase One* (July - October 1998): prepare the Scoping Paper; hold a Scoping Meeting in Strasbourg; prepare the Scoping Meeting Report; conduct preparatory studies; executive design.
- *Phase Two* (November - December 1998): collect field data; prepare Interim Report.
- *Phase Three* (December 1998 - January 1999): prepare final studies and prepare this working document.

CHAPTER TWO

**EU Programs in Support of Small and Medium  
Enterprises in Third Countries**

The EU is involved in a variety of development projects for SMEs in third countries. We can discern three general categories of projects from the operational standpoint:

- the first category includes programs aimed specifically at industrial development in third countries and inter-enterprise cooperation,, some of which is targeted to SMEs;
- the second category includes development aid projects and technical assistance in support of SMEs;
- the third category includes programs aimed at cooperation among European enterprises, whose range of action has been progressively broadened to include a number of non-EU countries.

The first category comprises the following programs:

- the Centre for Development of Industry (CDI), targeting ACP countries;
- the ACP-EU Industrial and Business Fora, targeting ACP countries;
- the ECIP (l'European Community Investment Partners) program, aimed at ALAMEDSA countries (Latin America, Asia, Mediterranean rim, Southern Africa);
- the AL-Invest program, aimed at Latin American countries;
- the ASIA-Invest program, targeting Asian countries;
- projects in the MEDA program, aimed at Mediterranean countries.

The second category comprises bilateral and regional cooperation projects included in the national model programs in the context of which projects in support of SMEs have been conducted.

The third category includes the following programs:

- the Business Cooperation Network (BC-NET), which also covers countries in MEDA, Asia and Latin America;
- the Bureau de Rapprochement des Enterprise (BRE), concerned with the countries of MEDA, Asia and Latin America;
- the INTERPRISE program (already included in the MEDA and ALA programs);
- EUROPARTENARIAT program (already included in the MEDA and ALA programs).

The chart on the next page shows the relationship between programs and geographical areas.

Further on, we will describe projects in the first category (which are the most important and strategic) and provide some information about the projects in the other two categories.

## **1. THE CENTRE FOR THE DEVELOPMENT OF INDUSTRY (CDI)**

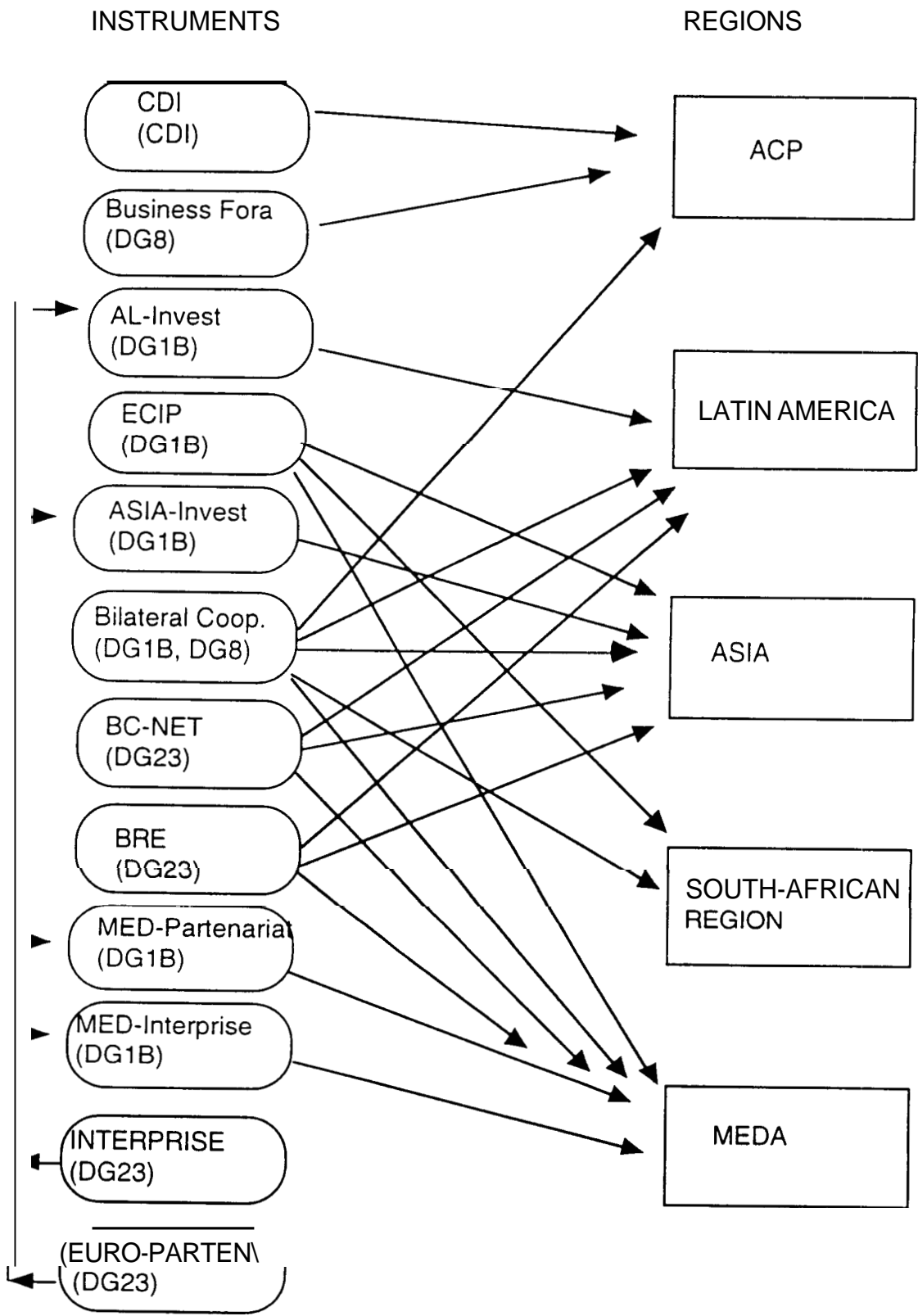
### **1.1. Description and Objectives**

The CDI is a joint EU-ACP institution financed by the European Development Fund (EDF) pursuant to the Lomé convention. Its objective is to encourage and support the creation, expansion and restructuring of businesses in ACP countries. Considering its special charter, it cannot be compared to one of the Commission's programs, as it operates under its own rules within the strategic and legal framework set out in the Lomé Convention.

### **1.2. Tools**

The CDI operates through four facilities, described below:

- **Facility I:** Identification of projects and potential partner, mainly through studies by country and by sector;



- **Facility 2:** Operations prior to the realization of the project (search for partners, feasibility studies, market analysis, expansion or privatization studies, consulting for the purchase of equipment, etc.);
- *Facility 3:* Legal and financial structuring of the project (through the assistance and research support of financial institutions);
- **Facility 4:** Project startup and development (consulting in the inspection of equipment, supervision of its installation, technical assistance, management and marketing).

Facility 1 are for the benefit of financial and development institutions, while the other facilities are for the benefit of private, state-controlled or public enterprises.

### 2.3. Activities

In 1997, the CDI managed a total of 748 projects. Of these, 428 were conducted for the benefit of 387 ACP enterprises, for a total cost of 9.16 MECU, of which 46% (4.2 MECU) was financed by the CDI and the remainder by the beneficiary enterprises (29%), EU partners (11%) and the co-financing institutions of the EU network of the CDI (14%).

The overall number of interventions has risen in recent years (229 in 1994, 367 in 1995, 603 in 1996 and, as we mentioned, 748 in 1997). As for the industrial sectors involved, there is a net prevalence of interventions in the agri-industrial sector (42.6% of enterprises assisted), building material sector (32.4%) and in the textile and leather sector (10.6%).

Most requests for CDI interventions have come from eastern Africa (21%), southern Africa (20%) and western Africa (19%). There are fewer requests from central Africa (11%), the Caribbean (11%) and Pacific countries (9%). CDI initiated interventions in 34% of cases, potential

beneficiaries submitted requests in 34% of cases, and entrepreneurial networks initiated them in 19% of cases.

We should note that, over time, there has been an increase in the number of interventions realized without the involvement of European partners. In 1993, these accounted for 35.1%, while in 1997, they had risen to 60% of the total number of interventions.

No specific data are available on the size of beneficiary enterprises. An impact study conducted in 1998 however showed that enterprises requesting CDI assistance had on average 110 employees. This leads us to the general conclusion that CDI interventions are mainly for the benefit and medium and large enterprises, rather than small ones. This fact, moreover, reflects the more general situation of enterprises in ACP countries which - due, among other things, to a technology gap - tend to employ a large number of employees in relation to overall turnover.

In 1997, the CDI also held 15 Industrial Partnership Meetings attended by 315 participants from ACP countries and 125 from EU countries. The CDI also organized 5 seminars and workshops.

## **2. ACP-EU INDUSTRIAL AND BUSINESS FORA**

### **2.1. Description and Objectives**

The ACP-EU Industrial and Business Fora is a DG8 program to increase the contribution of European businesses to the development of ACP countries.

### **2.2. Tools**

The means consist in holding Fora in European and ACP country businesses participate to promote one-on-one meetings between businesspeople.



The European Commission offers several assistance services to enterprises:

- identification and selection of enterprises that want to enter into partnerships;
- development of ideas for cooperation between enterprises to be flushed out during the meetings;
- follow-up to evaluate the impact of the meetings;
- assistance in conducting the Fora;
- organization of interest group discussions to be held during the Fora.

### 2.3. Activities

Only a small number of Fora are held inasmuch as they require a substantial commitment in terms of preparation and follow-up.

The last Forum, held in Ghana in 1998, was attended by 400 representatives from businesses, each of which had an average of 4 one-on-one meetings with potential partners, for a total of 1,600 meetings over three days.

Fora are organized upon request of an intermediary institution. The services furnished by the EU can be summarized as follows:

- **preparatory phase:** conducting of preliminary studies; review of requests for assistance; selection of consultants;
- **realization phase:** promotion of the Forum in the appropriate ACP countries and in Community countries; preparation of the basic documents for the different events of the Forum; solution of various logistical and organizational problems arising from the participation of representatives of businesses (over 260 on average per Forum); organization of individual meetings between individual businesses from ACP and European Countries;
- **follow-up phase:** technical support for the most promising partnerships (through involvement of the CDI);

- evaluation phase: assessment of the projects implemented after the Forum by an independent consultancy.

Data on the extent of participation of SMEs are not available; however, on the basis of the interviews, indications are that the number is high.

### **3. EUROPEAN COMMUNITY INVESTMENT PARTNERS (ECIP)**

#### **3.1. Description and Objectives**

ECIP is a program administered by the DG1B-D/3 whose general objective is to promote sustainable economic development in Asian, Latin American, Mediterranean and southern African countries by increasing contacts between local businesses in these countries and European enterprises. The ECIP focuses on joint ventures and licensing agreements.

#### **3.2. Tools**

ECIP methodology is based on five facilities:

- **Facility 1:** Identification of potential joint-ventures and partnerships;
- **Facility 1B:** Laying the groundwork for privatization, BOT (Build Operate Transfer) or BOO (Build Operate Own) schemes;
- **Facility 2:** Feasibility studies and pilot-projects;
- **Facility 3:** Allocation of capital for joint ventures (Joint Venture Capital Requirement);
- **Facility 4:** Training, technical assistance and management support.

The beneficiaries of Facility 1 are intermediary institutions (Chambers of Commerce, professional associations and business

groups). The beneficiaries of Facility 1B are governments and public agencies. The beneficiaries of Facility 2 are businesses interested in joint ventures, privatization or a private infrastructure project. The beneficiaries of Facilities 3 and 4 are the joint ventures formed in the targeted areas with European and ALAMEDSA enterprises.

### 3.3. Activities

In 1997, a total of 338 projects were approved in the framework of the ECIP, of which 50 (20.6%) regarded Facility 1, 4 (1.0%) Facility 1B, 254 (65.4%) Facility 2, 15 (3.8%) Facility 3 and 35 (9.0%) were Facility 4.

The overall amount approved was of 37.3 MECU, distributed among the various facilities as follows:

- *Facility 1*            5.2 MECU;
- *Facility 1B*        2.2 MECU;
- *Facility 2*           20.6 MECU;
- *Facility 3*          4.9 MECU;
- *Facility 4*          4.4 MECU.

Asia and Latin America were the main targets of the program, with 148 projects (16.1 MECU) and 138 projects (13.4 MECU), respectively. Mediterranean countries followed with 79 projects (6 MECU) and southern African countries benefited from 17 projects (1.6 MECU).

The major industrial sectors targeted by the ECIP were machine tools (76 projects or 19% of the total), chemicals and plastics (48 projects or 13% of the total) and electronics (38 projects or 10% of the total). Overall, more than 70% of the projects were targeted for industry, just over 10% for services (which includes financial services, transportation and telecommunications), 3% for construction, 5% for fisheries and agriculture and 4% for mining.

Between 1988 and 1997, 2,270 ECIP projects were approved for a total of 256.4 MECU. Of these, 967 (42.1%) were realized in Asia, 726 (32.0%) in Latin America, 468 (20.6%) in the Mediterranean area and 52 (2.3%) in Southern Africa.

In these 10 years, ECIP focused mainly on China (355 projects), India (183 projects), Mexico (155 projects), Brazil (147 projects), Argentina (121 projects), Morocco (105 projects), Indonesia (99 projects), Tunisia (91 projects), Vietnam (84 projects), la Turkey (77 projects), Chile (75 projects), Malaysia (56 projects), Thailand (55 projects) and South Africa (53 projects).

#### **4. AL-INVEST**

##### **4.1. Description and Objectives**

AL-Invest is program managed by DG1B/i whose objective is to promote closer cooperation among EU and Latin-American businesses, to help the former in accessing new markets and the latter in expanding their presence on local markets and acquiring the latest technology.

##### **4.2. Tools**

AL-Invest finances the following:

- meetings of businesses in Latin America or in Europe (in which at least three EU Member States participate);
- meetings focusing on sub-supplier problems;
- creation and support business cooperation centers in Latin America (Euro-centros);
- use in Latin American countries of the cooperation mechanisms used among EU businesses (BC-NET, BRE, etc.).

AL-Invest is a decentralized program. Initiative comes from businesses. Proposed projects may be Co-financed up to 50% by the European Commission. Projects submitted for approval to the Commission must be submitted at least eight months in advance.

### 4.3. Activities

In 1998, AL-Invest held a total of 37 meetings (16 in Latin America and 21 in Europe), which were attended by more than 1,300 Latin American businesspeople representing almost exclusively small and medium enterprises.

The main intervention sectors were: agri-food and agri-industrial (7 meetings), IT (3 meetings), environmental technologies (3 meetings), metalworking (3 meetings), automotive parts (3 meetings) and energy (3 meetings).

The Latin American countries represented at the meetings were Brazil (30 participants), Argentina (22), Mexico (21), Chile (12) and Colombia (11). As for European countries, the ones mainly in attendance were France (87 participants), Spain (72), Germany (71) and Italy (69).

Overall, there are 28 Euro-centros operating in Latin America (mostly industrial federations and chambers of commerce), of which 7 are in Brazil, 4 in Argentina, 3 in Mexico and one each in the other Latin American countries involved in the program.

## 5. ASIA-INVEST

### 5.1. Description and Objectives

ASIA-Invest is a DG1B/C/5 program that has been operating since 1997. Its purpose is to promote business and financial trade between the EU and Asia, to promote relations between European and Asian enterprises and favor the expansion of European businesses in Asia.

### 5.2. Tools

ASIA-Invest utilizes four main tools:

- the Business Priming Fund, which provides three services:

- Market-Place Monitoring, (marketing research and monitoring to identify potential investments in Asia);
- Language & Business Culture Familiarisation (training in languages and local cultures for European businesspeople);
- Technical assistance in the transfer of know-how;
- ASIA-INTERPRISE, a program to organize sectorial meetings among enterprises;
- ASIA-PARTENARIAT, a program to organize multi-sector meetings' among enterprises;
- ASIA INVESTMENT FACILITY, which conducts country and sectorial studies.

The main beneficiaries of ASIA-Invest are intermediary institutions (chambers of commerce, sector associations and groups of SMEs).

ASIA-Invest operates through a series of networks in EU member countries and a network of EBICs (European Business Information Centres), now active in the Philippines, Indonesia, Thailand, Malaysia, India and Sri Lanka.

### 5.3. Activities

In its first 5 years, ASIA-Invest allocated 45 MECU, of which 42% was earmarked for the Business Priming Fund, 20% to the Asia Investment Facility, 14% for the ASIA-INTERPRISE and 4% for the ASIA-PARTENARIAT.

The first Call for Proposals of the Business Priming Fund resulted in the submission of 23 proposals and the second Call for Proposals, which expired in September 1998, yielded 25 proposals.

The secretariat of ASIA-Invest selected 5 of the 23 submitted proposals, namely:

- two Market Place Monitoring projects (specifically a study of the leather working sector in China, Vietnam, Indonesia and the

Philippines, and a study of the furniture manufacturing sector in China, Vietnam and Singapore).

- two Language and Business Culture Familiarisation projects (for China and the Philippines);
- a technical assistance project to transfer know-how from European to Chinese chambers of commerce.

Four out of 15 proposals were selected by the ASIA-INTERPRISE:

- a multi-sectorial meeting in France;
- an agri-industrial sector meeting in China;
- an electronics sector meeting in Malaysia;
- an automobile industry meeting in China:

## **6. MEDA**

### **6.1. Description and Objectives**

Beginning in 1995, all the Euro-Mediterranean decentralized cooperation programs were suspended. In April 1998, the programs of the Euro-Mediterranean partnership were still be restructured.

The MED-Invest program promoted relations enterprises in the MEDA framework. It included MED-Interprise and MED-Partenariat. The program was administered by DG1/H.

### **6.2. Tools**

The purpose of the MED-Interprise program is to bring together businesses in the same sector. The Commission has focused on selecting proposals for meetings from business entities, providing financial support for meetings (up to 50% of their total cost) and providing them with logistical and organizational support. The MED-Partenariat has financed and supported multi-sectoral meetings, with

the same orientation as MED-interprise. By 1997, 5 meetings had been held (in Turkey, Morocco, Israel, Jordan and Tunisia).

The two programs operate with the support of a network of European Business Centers. As of April 1997, 6 centers were active (located in Egypt, Syria, Palestine, Morocco, Tunisia and Jordan).

MED-Invest program included a number of business support services (Strand B) regarding access to credit, exports, business startups, training, research, audits and consulting. At present, these activities are about to proceed from the pilot phase to the full-fledged operating stage.

## **7. BILATERAL COOPERATION PROGRAMS**

The EU provides direct and indirect development support of SMEs through bilateral and regional cooperation activities.

The number of direct interventions supporting SMEs are generally quite limited. For example, if we look at the Cooperation programs of the EU in ACP countries that have been assessed by the Evaluation Unit, we find that between 1990 and 1995, 149 evaluation reports were published and only two regarded programs supporting SMEs.

As a rule, bilateral cooperation projects have been included in national model programs that involve interventions at the micro level (individual businesses), meso level (medium-size firms and financial institutions) and macro level (restructuring programs, economic and legislative reform, privatization, legislative adaptation, etc.).

## **8. EXTENSION OF PROGRAMS TARGETING EUROPEAN SMEs**

As we mentioned, a number of programs designed to support European SMEs have also been used in the framework of relations between European and third country enterprises. We have already



discussed the Interprise and Partenariat programs. Here, we will describe briefly only two programs: BC-Net and the BRE.

#### 8.1. Business Cooperation Network (BC-NET)

The Business Cooperation Network (BC-NET), a DG23/B/2 program, is comprised of over 400 business consultants and intermediaries used for the purpose of assisting businesses search for partners. The network provides consulting assistance and provides, among other things, descriptions of businesses interested in forming partnerships, as well as a database of technological options, which is updated every three months.

#### 8.2. Bureau de Rapprochement des Entreprises (BRE)

The Bureau de Rapprochement des Entreprises (BRE) promotes the circulation of information about businesses interested in forming partnerships. Each business sends the BRE secretariat a "Cooperation Profile" on its activities which is then distributing to businesses in the network that may be interested. The profiles are also published in journals and trade magazines and added to databases specialized in inter-business relations.

## CHAPTER THREE

### Analysis of the Role of Small and Medium Enterprises in the Framework of Globalization

In order to identify some evaluation criteria and indications regarding the instruments used by the EU to support development of SMEs, we should dwell briefly (considering the space limitations here) on certain trends and evolutionary factors that characterize SMEs in the context of globalization.

## 1. DISTINCTIVE CHARACTERISTICS OF SMES

The literature on the development of SMEs and their role in globalization is at this point readily available and extensive.

Some authors (Parke, Riopelle and Steel, 1995; Tolentino **A.**, 1997; UNCTAD, 1995) provide the framework of those factors that contribute to the growing importance of SMEs in the world economy. Among the most often cited factors are the following:

- SMEs exhibit a high degree of flexibility, which has become determining in a highly fragmented, volatile and fluctuating market, in which major scaling down is taking place;
- SMEs show great diversity, which allows them to exploit new market niches that are uneconomical for larger enterprises;
- SMEs adapt particularly well to an economic environment in which the service sector is growing;
- SMEs can create **jobs** with a very low capital investment;
- SMEs constitute an important source of technological innovation and adaptation of technologies to local situations;
- SMEs are particularly important in producing qualified human resources;

- compared with large enterprises, SMEs have easier access to a lower cost workforce;
- compared with larger enterprises, SMEs have the potential for better geographical distribution, which promotes more balanced industrial development;
- SMEs have lower startup costs and therefore low management costs, which facilitates business creation even by subjects who would otherwise be excluded from economic development processes (such as women and the less affluent);
- as production becomes more networked, SMEs can provide low cost inputs for larger enterprises;
- SMEs are better able than larger businesses to adapt to the local situation and fully exploit the society's existing social capital (Glover, 1998).

## **2. TRENDS**

The items just described are linked to a number of economic trends of recent years. These trends seem to indicate the transition from an economic based on manufacturing to a "new" economy with new dynamics that go to the heart of the enterprise. Briefly, we can describe those trends that most affect SMEs.

- **Knowledge.** Knowledge has become one of the most important production factors (Tapscott, 1995). The centrality of knowledge brings to the fore the importance of human capital (Becker, 1975) and intellectual investment (Caspar, Afriat, 1988). These lend greater weight to intangible production factors (Quinn, 1992) such as individual know-how, communication networks, access to information and technological knowledge.
- **Innovation.** Innovation has become the key factor in business, exceeding in importance other factors such as raw materials, the scale of production and low labor costs (Kelly, 1998; Ul Haque, 1995; Buckley, 1993).

- **Downsizing.** The importance of knowledge and innovation, together with better access to info-communication technologies have resulted in a reduction in the size of businesses (Bassi, Cheney, Van Buren, 1997) and an increase in their "productivity" in terms of the relationship between employees and turnover.
- **Networking.** In this situation, the importance of horizontal networks between enterprises grows, as is the case for relationships between businesses and other economic actors (Kelly, 1998; Bendaly, 1996). The development of this vast range of potential cooperation among businesses has led to decentralized production (Browning, Reiss, 1997). This has had an impact on technology transfer. The new technologies, which used to be transferred through hierarchical communications channels, now move through the integration of modular organizational components that are independent but perhaps linked through strategic alliances or temporary agreements (Tapscott, 1995).
- **Globalization.** The development of communication, global social and economic convergence and the growth of transnational links foster the globalization not only of markets, but also of ideas, services, technologies and alliances (Carnevalc, 1991; UNIDO, 1995). Increasingly we see the growing orientation of SMEs to expand beyond their national boundaries and enter world markets.
- **Decapitalization.** We are entering an economic phase characterized, thanks to the greater "financialization" of the economy (Mandel, 1996), by an increase in available capital and consequent lessening of the importance of "capital" compared with knowledge and human resources (De Geus, 1998).

**All** this in some way has tended to reduce the gap that once separated large enterprises and **SMEs**. Indeed, the latter can now access capital and establish partnership and trade networks that allow them, at lower costs, to enter new markets, to internationalize their business and to embrace innovation, thanks among other things to improved access to advanced technology.

### 3. QUALITY OF SMES

We are seeing in the international literature a greater emphasis on the issue of an enterprise's "quality", understood, in the broad sense, as the capacity to deal successfully with the above-mentioned global trends and to initiate and manage innovation (technological as well as organizational).

The issue of quality in businesses has been dealt with in a variety of ways.

For example, on the basis of a study of Asian SMEs, Hall (1996) distinguishes between rapid growth **SMEs** (with a lifecycle of 5-10 years, characterized by innovation and a growth orientation and with high capacity to generate employment) and slow growth SMEs (with a shorter lifecycle which is very influenced by the local situation and less oriented toward growth and innovation).

According to Hall, rapid growth SMEs in developing countries account for just 5% of enterprises; 6% are large enterprises; and slow growth SMEs account for 89% of existing businesses.

UNCTAD (1995a) distinguishes between survival **SMEs** (involved in marginal economic activities and with very low income), micro-enterprises (that target local markets using traditional technologies) and small-scale enterprises (using more advanced technologies).

Some authors (Boter, Holmquist, 1998) distinguish between conventional **SMEs** (which use traditional technologies and are geared to the local market) and innovative **SMEs** (which use advanced technologies and are linked to the global market), while others (Flohrich, Pichler, 1998), base their analyses on entrepreneurial profiles.

Overall, these (and other) attempts are indicative of a more general attempt to distinguish between high profile and low profile SMEs with different impacts in terms of economic development and different potential in terms of technology transfer.

#### **4. RECURRING OBSTACLES TO THE TRANSFER OF TECHNOLOGY BETWEEN ENTERPRISES**

Given this overall picture, the success of programs promoting cooperation between enterprises increasingly depends on the type and quality of the SMEs involved.

We should however point out various factors (mentioned in the literature) that could have an adverse effect on technology transfer among SMEs.

- **Lack of strategies.** Often SMEs supplying technologies enter the international market without a clear strategy, reacting to outside stimuli, while those on the receiving end seek to benefit from outside support without developing adequate market strategies.
- **Inability to transfer or obtain technologies.** Not all SME suppliers of technology are able to control the technologies they use or are capable of transferring them. In many cases, beneficiary SMEs lack **the** basic means (mainly, qualified human resources) to take advantage of the technologies.
- **Preference for Short Term Objectives.** Not infrequently, what slows the process of globalization of enterprises and the potential for transferring technology is the tendency of entrepreneurs to favor short term objectives rather than undertake long term expansion programs. Under the circumstance, joint-ventures tend to burn out rapidly.
- **Lack of information.** Many technology supplier SMEs do not enter world markets because they lack adequate information about existing opportunities and potential local partners. Likewise, many SMEs that benefit from technology transfers lack the information necessary to choose partners and are ignorant of the available technological options.
- **Limited managerial resources.** SMEs have a limited number of managers and can only give so much attention to new market opportunities.

- **Limitations on access to capital.** Access to credit is more restricted than in the case of large enterprises, which increases the sense of risk on the part of SME businesspeople.

To these factors we should then add the **macroeconomic barriers** that affect the environment in which SMEs operate: macroeconomic instability, little involvement of the local financial sector, excessively complicated and rigid administrative procedures, problems in accessing equipment and machinery and lack of insurance schemes for investments.

## **5. TECHNOLOGICAL CAPACITY AND PRODUCTIVE CAPACITY**

The factors discussed above must in turn be related to the central issue: what does technology transfer mean? We cannot deal with this issue extensively here. However, we may reiterate the prevailing point of view, which is to distinguish clearly between the transfer of **technology capacity** and the transfer of **productive capacity** (Bell, Pavitt, 1995; Hanna, Guy, Arnold, 1995).

This distinction is based on a critical review of the classical model of technological change which is based on the distinction between innovation and the spread of technology and between the sectors that create new technologies and those that use existing technologies. This model also tended to allow for the transfer of technologies between North and South only in the case of mature technologies in the last stages of their lifecycle.

Recently, however, the ideas gaining currency are that the boundaries between innovation and spread are not easily distinguishable, that enterprises operating in non-innovative sectors tend to innovate anyway and that not every technology transfer entails the sole acquisition of **productive capacity** (that is, the acquisition of physical capital and the relative know-how needed to use it) as much as a **technological capacity** (that is, the ability to generate and manage the technological change over time by a continuous process of improvement and technological and organizational adaptation).



Unlike productive capacity, technological capacity requires a number of links between enterprise, within the enterprise itself and with other economic actors that are not necessarily activated each time a supplier and recipient enterprise make contact.

## **6. TECHNOLOGY TRANSFER AND SMES**

The distinction between productive capacity and technological capacity brings us rather rapidly to another question, that is, whether SMEs are more or less capable of transferring or acquiring technological capacity than large enterprises.

No definitive answer emerges from examination of the international literature on the subject. However, on the basis of our analysis of SMEs' limitations and potential, we can offer some observations.

- **Technology transfer** is not an action but a **relationship** between at least two subjects (Bickley et al., 1997). To transmit technological capacity (which also includes tacit knowledge and specific mental attitudes) requires a deep relationship between the parties, mutual knowledge, trust and even personal relationships between staffs. Thus, given their size and characteristics (flexibility, geographical roots, horizontal internal relations), SMEs could be at an advantage (both as technology suppliers and technology recipients).
- SMEs have a good chance of survival and growth only if they are hatched in a **favorable environment** that includes, for example, an unoppressive system of laws, basic infrastructure and the availability of a skilled workforce.
- The key point, however, is that SMEs have the best chance of transmitting, managing and modifying technologies when they are part of **more complex systems of relations** (networks, clusters, industrial districts) from which they can draw resources and towards which they can direct their output (Levitsky, 1996). Promoting the growth of such systems (which may include large

enterprises, suppliers of training services, business service agencies, financial institutions, other SMEs, industrial promotion institutions and so on) will have a direct impact on the "probability" of success of the transfer of technology between industrialized and developing countries.

- The existence of these networked systems, in effect, makes available resources and expertise that at the very least facilitate the transfer of technologies capacities such as extension services, access to general technologies (for example, computers, communications tools, etc.), access to credit, the opportunity to benefit from technical support from other enterprises and the existence of a consulting network.
- Thus, it seems fairly restrictive to view technological transfer as a simple one-on-one transfer between enterprises (precisely because it is not a matter of merely transferring productive capacity). Nor, on the other hand, should we consider, as we have in the past, centralist or wholly public means of supporting SMEs. On the contrary, to promote technological transfers means requires operating at both the micro level and the meso level. Better yet, it means operating on the micro level through supporting networking between enterprises and intermediary institutions that are decentralized, horizontal, non-hierarchical and fundamentally operating on the basis of private relations—but also based, of course, on solid relationships of trust between the various subjects.

CHAPTER FOUR

**Four Key Areas of EU Programs in Support  
of Small and Medium Enterprises**

The coordinates that were set out schematically in the preceding chapter allow us to proceed with the identification of some means of evaluating EU programs in support of SMEs in third countries.

We may recall in our study we interviewed 19 key-persons, of which 9 were EU officials and 10 were representatives of European industrial federations.

As we saw earlier (chapter I), the study took into consideration two dimensions:

- the **strategic dimension**, which is the subject of this chapter and concerns the general strategies, the objectives and the means of intervention and the general philosophy underlying EU programs;
- the **quality dimension** of programs, which will be addressed in the next chapter.

**As** for the strategic dimensions, we culled from the interviews four main risks requiring further analysis:

- the **strategic inadequacy** underlying EU programs generally in support of SMEs due to insufficient interaction between the different programs;
- the **risk of political and bureaucratic self-referencing** of programs, due to the public nature of EU action;
- **structural limitations** on the effectiveness of programs, due in large part to lack of contact with their final beneficiaries, namely the enterprises;
- certain troublesome problems in the **relations with European partners** (enterprises and business associations).

## 1. STRATEGIC INADEQUACY

We note considerable convergence among the opinions of interviewees with regard to the EU's difficulty in formulating a unified strategy for programs in support of SMEs in third countries.

In fact, the different programs were created at different times in response to different needs and in the context of very different regional policies. It is thus difficult to view them as an expression of a single **policy** in support of SMEs. They are also quite different as regards the tools adopted and the methods of intervention, which cannot be reduced to single models and tried-and-true procedures. Moreover, not all the tools and programs are aimed exclusively at SMEs.

We can therefore see that the EU's regional policies are the driving force behind the programs in support of enterprises.

- In the case of ACP countries, the philosophy is still one of public development assistance. The focus is thus on the growth of local business (through an increasingly unified approach using the various instruments made available by the Lomé convention) rather than on the growth of links between European and local businesses that could be to the advantage of both parties. In this regard, we note with interest that in recent years there have been a growing number of CDI projects conducted without European partners.
- in the case of **Asia**, it would seem that the EU's priority was to increase the penetration of European businesses in markets dominated by Japan, Australia and, to a lesser extent, the US.
- In the case of the Mediterranean area, the main strategic thrust has been to create a free trade area between MEDA countries.
- In Latin America, we see a dual strategy aimed at greater European penetration in local markets and focus on the development of local business, even as regards upgrading production technologies.

It emerges clearly from the interviews that support of SMEs is based ad hoc on different strategies and that the programs therefore adopt different methods.

There is a striking difference between the approach adopted to assist SMEs in **ACP** countries (where attention is focused on local development) and the predominant approach in programs targeting, for example, Asia, where the emphasis is on support of European businesses. Some of the interviewees noted that this difference reflects an institutional structure (a variant of the French system) wherein there is a distinction between programs assisting former colonies (managed by DGS) and programs assisting countries (managed DGIB).

The lack of a unified policy on assisting SMEs has numerous negative effects:

- nearly all the interviewed officials report a lack of communication between the different EU departments concerned with assistance to SMEs;
- thus, institutional learning processes are impeded and it is impossible to capitalize on past experience;
- this means that the EU cannot develop a perspective on SMEs with regard to globalization that is in line with the latest policies, theoretical findings and methodologies;
- lastly, the representatives of some business associations report that the differences in philosophies, strategies and procedures adopted under various programs causes lack of direction in European counterparties and is an impediment to the correct utilization of the various mechanisms in place.

We also note the close link between cooperation policies and business development policies. The way in which these "spheres" of action are coordinated by the EU cannot be assumed, among other things because they are based on different and at times conflicting rationales. The representatives of some European confederations have stressed this, pointing out that many businesses have viewed the measures adopted to assist SMEs in ACP or Mediterranean countries as

a way of providing aid (from which they are unlikely to benefit) and not as true opportunities for internationalization.

## 2. THE RISK OF POLITICAL AND BUREAUCRATIC SELF-REFERENCING

A second strategic aspect concerns the **very nature of the subject that administers programs**. The issue raised in this regard (not only by representatives of industrial associations, but also by some EU officials interviewed) is whether a public entity, operating on the basis of the motivations and procedures specific to public administrations, is capable of administering programs that require a private-sector approach to operations and agency. In this regard, it may be useful to dwell on a few points.

- Some officials pointed out the risk of a conflict between decentralization and centralization. Indeed, numerous programs are clearly aimed at **decentralization**, relying increasingly on intermediaries (both in Europe and in third countries) that can organize, administer, monitor and evaluate existing projects. Conversely, administrative and decision-making procedures tend necessary towards **centralization**. The risk is that we are left with "ineffective decentralization" or "nominal decentralization," **which** will prejudice the achievement of project objectives.
- Maintaining a centralized control system reduces the potential of different EU offices to extend their program's reach for lack of **human resources** with the EU. Overwork and lack of expertise were frequently reported by the officials interviewed. Moreover, relying on private technical agencies exposes the EU to the risk that the EU will delegate to outsiders not just the technical aspects of programs but some important policy and strategic choices.
- Some interviewees also noted that the EU has an institutional tendency toward **turnover in the officials in charge of programs**. This has some serious consequences, both in terms of "capitalizing" on acquired know-how and in terms of the rapport with European

and third country parties (which are often founded on personal relationships).

- As a public entity, the EU tends to incorporate in its programs **objectives that have little to do with providing aid to European and third country SMEs**. Extraneous consideration may come into play, such as the programs' "political visibility," the interest in promoting a balanced redistribution of resources among EU countries, the EU's own political agenda with the various governments and the above-cited need to promote intra-European partnerships among as many of its member countries as possible.

### 3. STRUCTURAL LIMITATIONS ON EFFECTIVENESS

The third aspect with strategic importance, especially in the contest discussed in the preceding chapter, is the relationship with beneficiaries.

EU programs in support of SMEs **tend to develop better relationships with intermediary entities than with businesses**. AL-Invest program, for example, are mainly based on the involvement of Euro-centros (mainly constituted by chambers of commerce and entities representing industries); of the four facilities of the ASIA-Invest program, three provide for the contracting parties to be intermediaries and one (the Asia Investment Facility) consultancies. With the CDI, three out of four facilities (**2, 3 and 4**) of the CDI provide for direct contact with local businesses, while contacts with European businesses occur through intermediaries. The only exception is the ECIP, a program which provides in the case of facility 3 and 4 relations through joint ventures and, in the case of the most important facility (facility 2), direct contact with the businesses.

This tendency is not accidental; it reflects a **gradual shift** of the EU from the micro dimension to the meso and macro dimension. We see



this clearly in the case of relations with ACP<sup>2</sup> countries and it was already evident in the MEDA programs and economic cooperation programs with Asia. The tendency to favor the meso and macro dimensions is also basic to European Development Bank programs, which essentially operate by activating a number of intermediary entities.

Beyond general policy considerations, this tendency is also based on technical considerations (reduction in the number of contacts to be managed, the potential to mobilize subjects that can "channel" the participation of businesses in the programs, simplification of procedures, etc.). However, many interviewees have pointed out negative aspects of this strategic orientation.

- As far as we could ascertain in our study, the departments administering the various programs are adverse to getting involved in the partnerships that have been formed, limiting themselves to supplying opportunities and services that may help them along. In the case, then, of programs aimed at facilitating contacts between businesses (for example, AL-Invest, Interprise and Partenariat), we note that the departments managing the programs have difficulty obtaining information about the actual implementation of partnerships (since the businesses involved are reluctant to supply information about it). This means that the micro dimension tends to elude control by programs<sup>3</sup>.
- All this has an impact on technology transfers. As we have tried to show, technology transfer does not occur automatically by virtue of a contact between supplier and recipient. Rather, it involves the careful exchange of information, tacit knowledge and capacities, not so much for using a given technology as for managing the processes

---

<sup>2</sup> In this regard, see the Commission's report to the European Parliament and Council, 1998, No. 667 of 20 November 1998.

<sup>3</sup> The ECIP is a case unto itself, as it has the tools to affect the very mechanisms for transferring technology by providing expertise and consulting services through the interventions included in facility 4 (which, however, constitute just 9% of those realized by the ECIP).

of technological change over the short and medium term. Now, apart from a few isolated cases, EU programs have not been designed to function at this level (as, instead, is the case for other programs of a number of national and international development agencies) and only a few of them possess the tools to intervene even indirectly in the field of technology transfer.

- The same can be said about **the type and quality of businesses involved**. Using a demand-driven approach, EU programs do not explicitly impose any criterion for the selection of businesses, entrusting this task to intermediary entities (in the case of programs to foster contacts between businesses), or impose any general criteria for formulating requests for intervention. In quite a few cases it is even difficult to ascertain the extent of participation of third country SMEs in programs.

This set of factors thus makes it almost impossible, even now, to assess the overall impact of EU programs as regards technology transfer, which is a structural limitation on the efficacy of existing programs.

#### **4. THE RISK OF DEFECTION OF EUROPEAN BUSINESSES**

A fourth key area concerns the adequacy of existing mechanisms with respect *to* the expectations of European partners.

Our interviews with representatives of industrial federations led to certain observations regarding the programs generally which tend to raise doubts about their strategic importance for European businesses.

- In almost every instance, the industrial federations report **limited participations in EU programs by the industries** in their country. In part, this is due to the low quality of the programs (of which more later). In other cases, however, we find a certain difficulty in recognizing consonance between the procedures and strategies adopted by the EU and the needs of businesses.

- The fact the various programs assist businesses to a very limited extent by making investment capital available makes them less attractive than other national programs in support of the internationalization of business.
- The funds available are deemed inadequate (especially in the case of the ECIP program, which is one European businesses seem to use the most and consider the one with the most potential).
- Even funds earmarked for individual projects are often considered inadequate both by officials and by representatives of European businesses. In particular, they are not considered attractive by businesses, especially when compared with other national programs in support of SMEs, among other things because they are paid out on a schedule and in a manner that is not responsive to the needs of businesses.
- Certain programs (for example, AL-Invest and Asia-Invest) accept only joint proposals from companies in more than one EU country for certain facilities, in line with the inter-European partnership policy adopted in many other EU programs. This is considered an impediment by business associations because they cannot understand the underlying rationale which is in conflict with the philosophy of competition that guides businesses.

More generally, the comments of European businesspeople reveal the fear that the cost of participating in EU programs may outweigh the benefits. Businesses (especially SMEs) tend to avoid programs with long implementation times, whose procedures or rationale are not always understandable or require what is considered an excessive commitment (in terms of human resources or time). This is all the more the case that there is a well-developed system of services catering for businesses in all European countries supplied by private and public entities.

Despite the fact that we see a general increase over the years in participation in EU program (see the data reported in Chapter 2), there is a real risk of what we might term defection (or exit) of European SMEs from these programs - defection in the broad sense, meaning

failure to use the tools offered by the SMEs which have used them in prior programs, and failure for potentially interested SMEs to ever use them.

Thus, the action of European industrial associations appears critical. In addition to providing information, they must promote EU programs to businesses. If these associations are not convinced of the quality and technical adequacy of the mechanisms (as emerged from some interviews) it seems highly unlikely that they will be able to perform this promotional role effectively.

CHAPTER FIVE

**The Issue of Quality of Programs**

Having reviewed some of the strategic problems underlying EU programs in support of SMEs, we will now focus on problems concerning program quality brought to light by the sources consulted.

It was not the objective of the study to analyze each program in detail (which, in any case, would have required an altogether different theoretical and methodological approach). The goal was to provide the means for an overall consideration of how to improve EU programs in support of SMEs and technology transfer. To this end, we will focus on some recurring obstacles that programs in support of SMEs encounter, pointing out which programs best illustrate the problems.

## 1. TIMEFRAMES

The first obstacle reported by the sources is the excessively long timeframe of the programs. Five main problems emerge in particular:

- excessively long timeframes for **approval of proposals** submitted by potential beneficiaries (**ECIP**, AL-Invest, ASIA-Invest);
- excessively long timeframes for **implementation of programs** (MEDA, AL-Invest);
- **failure to meet deadlines** by the departments running the program (MEDA, ASIA-Invest);
- long delays in the **disbursement of funds** (ECIP, AL-Invest);
- long delays in the **publication of deadlines** for submission of proposals (ASIA-Invest).

The issue of overlong timeframes was pointed out by many representatives of business association as one factor that discourages European businesses from participating in programs that assist SMEs,

especially when alternative services are provided by private or national governmental agencies much more quickly.

Particularly serious are the **delays in disbursement of funds** allocated for the benefit of businesses, especially when we consider that many SMEs lack the capacity to advance substantial funds for long periods of time (there have been cases in which payment had not been made a year after the date set in the agreement with the Commission).

**Failure to meet deadlines** and delays in **publication of deadlines for submission of proposals** tends instead to complicate the task of intermediaries charged with distributing information to its members.

The delays in **approving proposals** often result in too little time between notification of approval of a proposal and its startup date. In the case of the AL-Invest program, for example, we found that businesses planning to participating in business meetings had to commit at least 8 months before the meeting, and received a response only a few weeks before the event. This made it impossible for them to make a serious study of potential partners to contact at the meeting.

## 2. MANAGEMENT PROCEDURES

A second problem area, which is somewhat linked to the preceding one, concerns management procedures, which are almost universally considered complex, slow and disorganized.

In particular, we report the following complaints:

- the procedural mechanisms for **approving proposals** involve too many steps (ECIP, MEDA);
- there is a lack of **clarity in the procedures** that businesses must follow to participate in programs (MEDA);
- administrative and control procedures for the **disbursement of funds** are too rigid (AL-Invest, ECIP, CDI);
- the **forms** used are too complicated (ASIA-Invest, AL-Invest);

- EU rules on involving SMEs with offices in more than one EU country in order to access facilities of the program tend to complicate the procedures (AL-Invest, ASIA-Invest);
- the procedures used by different programs are not harmonized.

Once again, we should point out that complex procedures tend to discourage SMEs, mainly because they require an investment in human resources, time and attention they rarely have.

Bureaucratic complexity, for example, makes the task of European intermediaries more difficult. They report problems in providing unequivocal information about how businesses can benefit from the services offered by the EU. The negative effects of unappropriate bureaucratic procedures risk to be amplified whenever SMEs based in developing countries are directly concerned. Most of them are weak entities unable to cope with delays, loss of money and waste of time. Moreover, uncorrect and time-spending procedures contribute to the counterparts' loosing of confidence in EU programs.

### **3. QUALITY OF LOCAL INTERMEDIARIES**

The third problem area concerns third country local intermediaries (Euro-centros, networks, etc.) used in different programs. Since all the examined programs aim to "match" European and third country businesses, the role of these intermediaries is critical, inasmuch as their main task is to select local businesses that are most attractive to European partners.

In this regard we note a few emerging issues.

- The function of intermediaries is often performed by public agencies or agencies controlled by the state, which sometimes perform their tasks in a less than clear fashion that is often not responsive to the needs of the program (for example, political or institutional considerations may play a role). Thus, for example, the CDI, which is slowly replacing the public agencies that acted as the



program's antennae in the various countries with private entities, is better able to represent local business.

- The quality of the action of intermediaries is far from conforming to precise standards; all this has a strong impact on the final outcome of the projects implemented as part of various programs. This seems clearly the case in the AL-Invest program. Some representatives of business associations pointed out that the quality of the various meetings held was closely tied to the quality of the Euro-centros that organized them.
- In addition to selecting potential partners, intermediaries should support the EU in promoting its programs at the local level, provide information on the most promising sectors and report existing opportunities. We note, moreover, that according to some interviewees, the EU were unable to identify (and sometimes even to recognize) local actors (for example, financial institutions and professional associations) that could be involved in programs. This makes the strategic value of local intermediaries in implementing EU programs all the more evident.

Obviously, these arguments neither pertain to all the programs nor all the local intermediate bodies. Nevertheless, since their low quality level of quality has been an issue often underlined by the interviewees, it probably deserves an *ad hoc* analysis.

#### **4. INFORMATION**

Despite the EU great effort to improve communications and information, the sources reveal problems even in this area.

- To begin with, as we mentioned, there are delays - at times significant delays - in the communication of essential information (for example, about deadlines and procedures).
- Major problems with the quantity, quality and timeliness of information are reported by the representatives of industrial

associations and federations in the **MEDA** program (especially as concerns the selection of companies on project shortlists, the distribution of funds by sector or country and regarding management procedures)

- Also reported are problems with modernizing the IT infrastructure of the EU and delays in updating information on the EU's Internet sites, in addition to unnecessary complexity in navigating the site, especially in using the search feature.
- In the case of the ECIP, the sources report the need for targeted information.

The issue of information is also connected to the fact that EU programs are in competition with other national programs in support of the internationalization of European businesses, creating in effect a sort of market of services assisting businesses. Thus, information performs an important promotional role and must attract the attention of both the inter-mediaries (apart from the fact that they have institutional relations with EU) and, in the final analysis, of the businesses as well.

## **5. SERVICES PROVIDED**

This brings us to the fifth issue, that is, the types of services provided through EU programs.

This issue has already been partially addressed in the discussion of the strategic dimension of EU programs. We should, however, revisit it in this context, at least to evidence the some of the gaps between services on offer and what businesses want.

- Some representatives of industrial associations report that EU programs do not play a large role in the formation of investment capital. This is correlated with the view that the amounts of funds allocated by the EU is inadequate given the programs' objectives. Thus, there is a widespread notion among businesses (the extent of

which is difficult to assess) that it is not worth submitting project proposals to obtain benefits that are not particularly important, since they are also pre-investment actions that have little to do with the investment per se.

- With regard to the ECIP, AL-Invest and the CDI programs, our sources points to the need for greater assistance by the EU in constituting joint-ventures and ensuring follow-up for technology transfers.
- **As** we mentioned, some of the maximum amounts imposed by the EU for programs in support of SMEs are at times considered too low (for example, the ceiling on financing of 50% established for projects of the Business Priming Fund of ASIA-Invest is deemed too low, especially in view of the obligation on the part of European beneficiaries of submitting themselves in partnerships with other European countries).

## **6. TRANSPARENCY AND "POLITICS" IN THE ALLOCATION OF FUNDS**

Another problem identified in the study is the transparency of administrative procedures and the "politics" of the allocation of funds.

The transparency issue was raised especially about the MEDA program. The main complaint was the lack of information about shortlist selection. However, doubts that the fairness of the selection process were raised even with regard to other programs.

In particular, it is widely believed among industrial associations that, along with the validity of the proposals submitted, political **factors** are also at work in the selection of projects to be funded, such as unwritten rules about the distribution of funding among EU countries, supporting by vigorous lobbying by different actors (governments, industrial associations, large industries, financial institutions, etc.). According to the representative of the Federation of Finnish Metal-Engineering and Electronic Industries, many Finnish businesspeople choose not to participate in EU programs because they are convinced

that industrial associations and the Finnish government have not yet developed effective lobbying compared to France, Germany, Italy and other EU countries that have been members for a longer period of time.

## **7. OTHER FACTORS PERTAINING TO THE QUALITY OF PROGRAMS**

Lastly, we might describe briefly three more factors that have an impact on the quality of EU programs.

- We found, first, **little connection between EU programs and analogous programs** of other national or international economic aid agencies (such as GTZ in Germany, ACIDI in Canada, USAID in the US, UNIDO, the World Bank and UNCTAD).
- Second, in the case of programs for ACP countries, there is strong tendency to **ignore local expertise** and rely excessively on European experts and consultants who, in addition to charging higher fees, tend to know less about the local business environment than local consultants. This aspect deserves to be studied in order to generate new information on the possible effects that a larger use of local expertise could have for both EU and developing countries as well as for their relationships.
- Lastly, the issue of relations between **research centers and economic aid actors** emerges repeatedly in the study. There is little synergy between EU programs in the field of scientific cooperation and programs in support of SMEs, to the detriment of opportunities for technology transfer.

CHAPTER SIX  
Strong **Points**

Through the interviews and analysis of the documentation, we were able to identify, in addition to the problem areas discussed in the preceding chapters, **strong points** in the EU programs which could be exploited for the overall improvement of EU projects in support of SMEs.

## **1. THE IMPORTANCE OF NETWORKS**

The first strong point consists in the network of relations and partnerships formed in Europe and third countries as a result of the programs.

The CDI alone, for example, has a network of 54 antennae in ACF<sup>1</sup> countries and 42 correspondents in EU countries. There are 30 Euro-centros in Latin America and a network of over 45 consultants in Europe. There are six 6 active European Business Information Centres in Asia and 20 ASIA-Invest antennae in Europe. This is without counting those in the BRE and BC-Net networks, which involve hundreds of businesses. The **ECIP** program has a network of over 100 European financial institutions.

Overall, these networks are a strong point for EU programs in support of businesses, inasmuch as they provide, despite the problems mentioned earlier, a close link with the real local situation.

We should mention that a more strategic and unified use of these networks (a **strategy of networks**) could have an even greater impact on the EU. There are, for example, some important functions that these networks do or could perform (decentralization of program selection procedures; logistical, technical and IT support for businesses; monitoring and evaluation of projects in course; promotion of EU

programs; analysis and interpretation of requests from businesses; etc.) which could boost the overall performance of the programs.

A similar strategy could be devised for improving the action of SMEs based in developing countries, by increasing direct contacts and cooperation among them. Supporting networks could be very helpful for SMEs for facing the major problems in technology transfer without losing their main features such as flexibility and diversity''

## **2. INTEGRATION OF PROGRAMS IN REGIONAL AND LOCAL EU POLICIES**

The second important strong point of the programs examined which was mentioned by many of the officials interviewed is the fact that the programs are part of a larger overall strategic assistance plan expressed in the form of regional and local EU policies that concern all levels of economic cooperation:

- at the macro level through privatization, legislative reform and structural adjustments;
- at the meso level through support of intermediaries;
- at the micro level working on the local business environment and through local development projects.

Above all, integration allows for even complex projects which may involve, for example, not only support for businesses but also capacity building in public administration, actions to improve the quality of services and management of the social impact (for instance, combating social exclusion and poverty) of projects that assist local industry.

This allows EU assistance programs to have a greater impact than they would were they not integrated.

This is the strategic line adopted in the Commission's report entitled "A European Community Strategy for Private Sector Development in ACP Countries," namely that integration of the macro, meso and micro levels, of tools, programs and subjects is the main axis along which to develop economic assistance policies.

Obviously integration at the regional level - which is becoming increasingly important even in DGIB policies - should not be viewed in opposition to the need for a unified EU policy in support of SMEs. On the contrary, the more horizontal links between programs, the better each one can increase its contribution in the framework of regional policies.

### **3. THE DYNAMISM OF PROGRAMS**

Even a simple diachronic analysis of basic indicators on the activities of programs analyzed reveals a strong growth component.

The number of interventions managed annually by the CDI has more than tripled in just four years (from 229 in 1994 to 748 in 1997); the number of programs approved annually by the ECIP has tripled in 8 years (from 107 in 1990 to 384 in 1997).

These data should undoubtedly be viewed as evidence of success, among other things because they indicate improved efficiency in the management of funds in recent years, as well as more procedural standardization and optimization of available human resources. More generally, they show that there is significant learning and improvement at work within the organizations that should however be better identified and supported.

### **4. THE CATALYST EFFECT OF PROGRAMS**

Most of the interviewees pointed out that the resources the EU can mobilize are not, in and of themselves, capable of having a determining impact on economic development, on closing the technological gap between Europe and third countries, or on the growth of SMEs in target countries.

Nonetheless, the programs may have a **catalyst effect** in mobilizing other outside resources and stimulating significant change.



We might mention a few of these effects:

- spurring third countries businesses to meet the production **quality standards** demanded on European markets;
- creating the conditions for South-South cooperation by involving businesses from different countries in joint programs;
- fostering **new relations between local businesses** especially by involving networks of intermediaries in programs;
- promoting **private intermediaries** in countries where the state has a dominant role in the national economy (a major problem in **ACP** countries);
- promote **development** of certain industrial sectors by creating opportunities for businesses not directly involved in EU projects;
- promote changing the local business **culture**.

Unfortunately, it is difficult to assess the indirect effects of programs in support of SMEs both due to technical problems and due to lack of investments targeted to this end. Nonetheless, awareness of these effects can affect - perhaps substantially - the overall impact of EU programs in third countries.

CHAPTER SEVEN

**Recommendations for Improving  
EU Programs in Support of Small and  
Medium Enterprises and Technology Transfer**

In the preceding chapters we identified certain problem areas and some strong points of EU programs in support of SMEs and technology transfer. These are summarized in the box below.

## **EU programs in support of SMEs and technology transfer**

### **PROBLEM AREAS**

#### Strategic Level

- Lack of a unified strategy in support of SMEs
- Risk of political and bureaucratic self-referencing
- Poor control at the micro level
- Risk of "defection" of European businesses

#### **Quality of the Programs**

- Overlong timeframes for the programs
- Overly complex administrative procedures
- Poor quality of local intermediaries
- Lack of quality, quantity and timeliness of information about programs
- Inadequacy of the services provided
- Inadequate transparency and over "politicization" of fund allocation
- Poor coordination between EU programs and those of other national and international agencies in support of SMEs
- Insufficient use of local expertise
- Poor coordination between scientific and economic development projects.

### **STRONG POINTS**

- The importance networks in **EU** programs
- **The** integration of programs into national and regional EU policies
- The dynamism of programs and their tendency to grow
- **The** catalyst effect of programs at the local level

In the sections below, we will provide recommendations to increase the strategic importance, relevance and effectiveness of EU programs in support of SMEs. These recommendations may be summarized as follows:

- support a unified EU policy in support of SMEs and technology transfer;
- improve the quality of programs;
- integrate the intervention at various levels and encourage decentralization;
- cultivate the loyalty of European businesses to EU programs.

#### **1. A UNIFIED POLICY IN SUPPORT OF SMES AND TECHNOLOGY TRANSFER**

The first point that emerges from our study is the lack of a EU policy in the field of support of SMEs and the transfer of technology.

In order to promote the development of such a policy, we would suggest several options for interventions at the institutional, operational and technical levels:

- establish and implement **communication and coordination processes** among all the departments and directorates (DGIB, DG8, DG23) involved in supporting SMEs and speed up existing ones (for example, bring the unified DG1-DG8 Evaluation Unit up to speed);
- establish **common objectives**, valid for EU programs everywhere (including ACP countries), making a net distinction between their objectives in support of European and third country SMEs,

technology transfer objectives and governmental development aid objectives;

- create a transverse working group that allows for capitalizing on past experience and developing guidelines that may be used in all programs;
- establish unified (or at least harmonized) procedural models for program administration;
- identify, standardize and disseminate among the programs the most promising and effective intervention tools;
- conduct transverse in-depth and comparative evaluation of all the programs in support of SMEs, utilizing unified evaluation criteria based on merit and not merely performance, among other things to identify elements favoring dynamism in each project (see the preceding chapter);
- unify existing programs (for example, as one representative of industrial associations suggested, incorporating them in the ECIP program).

## 2. THE QUALITY OF PROGRAMS

There has been a wide-ranging debate on the issue of the sustainability of a public-type approach in an environment in which private-type dynamics dominate. In general, the commonly held view is that only a business (an entity that therefore takes business risks hoping for tangible economic returns) can provide adequate support to SMEs. This position is based on a sound rationale but cannot be held as dogma. The key issue, beyond whether programs should be private or public, is the quality of the subject running a program and, as a consequence, the quality of its action.

Thus, we may devise institutional solutions (the constitution of independently operating offices within the concerned departments or assignment of programs to outside agencies), but we cannot guarantee their success unless they are supported by a **policy of quality**. A policy of quality should achieve the following:

- ensure sufficient operational, administrative and decision-making autonomy for the management unit, by identifying, through a series of seminars for the different heads of offices, the key points that can be modified given the current normative framework;
- review and simplify administrative procedures to make them more flexible by directly involving the concerned offices;
- encourage a project-management approach to make objectives, management criteria, administrative procedures and decision-making procedures clear and explicit;
- upgrade monitoring tools of performance (not just post-project and follow-up evaluation);
- evaluate the need for institutionally strengthening of the offices running the programs;
- promote internal harmony among staff members in the office and support the development of a culture and a an "identity" that is independent and distinctive for that particular office;
- prevent frequent turn-over of the office's staff;
- promote the visibility of the administrative office as an independent actor with respect to its direct contacts (businesses, intermediaries, etc.);
- establish criteria for EU control of management offices that are transparent, public, unambiguous and based on standards accepted by both parties;
- incorporate progressiveness in the development of various tools to foster "continuous improvement".

### **3. INTEGRATION BETWEEN LEVELS OF INTERVENTION AND DECENTRALIZATION**

As we mentioned, EU programs tend to have little control over the micro level, where there is the most potential for technology transfer. Moreover, the decision to adopt a "demand-driven" approach where the relationship among SMEs becomes a "black box" where the EU has

no involvement nor the possibility of intervening. On the other hand, available resources and considerations based on effectiveness and efficiency render systematic EU action at the micro level unrealistic.

The heart of the issue, however, is to not put levels of the intervention in opposition to one another but, rather, to promote integration, acting on the macro level to support the meso level, and acting on the meso level to increase control over programs on the micro level.

Here too we may propose some suggestions:

- increase the quality of local intermediaries (antenna, Euro-centros, etc.), expanding their role and independence with an eye toward decentralization, so that they can assist local businesses, coordinate local actors capable of providing services to businesses, support technology transfer and act as a go-between for local enterprises and the EU; all this entails greater investment in intermediaries, capacity building and consulting;
- promote direct interaction between intermediaries in networks managed by the different programs in order to support independent learning and South-South cooperation;
- develop through intermediaries support (employing, among other things, pilot-projects) for the constitution and strengthening of networks of local economic actors and business clusters, promoting contacts not only between individual European businesses and individual third country businesses, but groups of businesses in these countries;
- create three-way ties between programs, businesses and technological research centers (ties which at present are virtually nonexistent);
- conduct periodic assessment of programs that affect the micro level in order to evaluate their impact as regards technology transfer and the quality of the businesses involved;
- upgrade tools with facilities specifically aimed at technology transfers (for example, those adopted by ILO through the ISEP

program for the dissemination of good practices) and tailoring the transfer to the specific characteristics of the SME beneficiaries;

- promote a policy of cooperation between EU programs and those in support of SMEs and technology transfer of other development agencies (ILO, UNCTAD, World Bank, UNIDO), by EU countries and by local governments; this will entail, among other things, an initial in-depth study of the programs to evaluate the limitations and potential of cooperation;
- assume greater control over possible indirect effects of programs (spread of quality standards, independent spread of technologies, emergence of new intermediaries, etc.), establishing at least some methods, however simple, to record these effects.

#### **4. CULTIVATING THE LOYALTY OF EUROPEAN BUSINESSES**

One of the points that emerged from the study was the lack of approval among European intermediaries of EU programs in support of SMEs. The qualitative nature of our study does not allow us to quantify the extent of this position. However, it is a fact that none of the sources we contacted expressed substantial approval of the programs. We found greater confidence regarding the ECIP program, a wait and see attitude with respect to the ASIA-Invest program and a negative attitude with respect to the AL-Invest program, and specifically with respect to mechanisms adopted in the MEDA context. Intermediaries tend to view projects targeted for ACP countries as means of technical assistance that are of little interest to European SMEs.

We should also emphasize that EU programs are competing in a crowded market of business assistance services (for example, the CDC of the UK, SWEDCORPO and SKN in Sweden, PROPARCO and APRODI in France) where assistance, credit, financing and information services are readily available.



In this regard, we may set out recommendations for cultivating the "loyalty" of European businesses by means of a closer relationship with intermediaries operating in Europe:

- increase the quality of services offered to make them more competitive;
- conduct an in-depth study of the needs of European SMEs and the services they use in order to identify the sectors and services which are deficient;
- foster interaction among networks of European intermediaries promoted by different projects;
- make optimal use of networks through a careful study of their potential at different levels (public communications, evaluation, monitoring, etc.) with an eye toward decentralization;
- experiment with more advanced ways of involving intermediaries in decision-making and control mechanisms, with an eye toward forming effective partnerships;
- establish a coordination structure in the EU to facilitate relations between programs in support of businesses and European business associations;
- conduct an analysis of the impact of the information provided to European contacts, in order to increase overall timeliness, quality and effectiveness.

**ANNEX**  
**References and Documents**

## REFERENCES

- 1995 Acs Z.J., Evans D.S., *The determinants of Variation in self-employment rates across countries and over time*, University of Maryland Working Paper
- 1997 Bassi L.J., Cheney S., Van Buren M. *Training Industry Trends 1997*; available at: [http://www.astd.org/virtual-community/comm\\_trends/training\\_trends\\_td1197.htm](http://www.astd.org/virtual-community/comm_trends/training_trends_td1197.htm)
- 1998 Beck N., *Shifting gears: Thriving in the New Economy*, Harper Collins, Scarborough
- 1975 Becker G.S., *Human Capital*, 2nd Edition, Chicago University Press, Chicago
- 1995 Bell M., Pavitt K., "The Development of Technological Capabilities", in Ul Haque L., *Trade, Technology and International Competitiveness*, EDI Development Studies, Washington
- 1996 Bendaly L., *Organization 2000. The essential guide for companies and teams in the New Economy*, Harper Business, Toronto
- 1998 Boter H., Holmquist C., "Industry characteristics and internazionalization process in small firms", in Haahti A., Hall G. e Donckels R., *The Internazionalization of SMEs*, Routledge, London
- n.a. Browing J., Reiss S., *Encyclopedia of the New Economy*; available at: <http://hotwired.com/special/ene/>
- 1997 Buckley P.J., Campos J., Mirza H., White E., *Intenational Technology Trasfer by Small and Medium-sized Enterprises*, McMillan Press, London
- 1991 Carnevale A.P., *America and the New Economy. How new competitive standards are rndically changing America nworkplaces*, Jossey-Bass, San Francisco
- 1988 Caspar P., Afriat C., *L'investissement intellectuel: essai sur l'économie et de l'immateriel*, Economica, Paris

- 1998 De Geus A.P., "The living company: A recipe for success in the New Economy", *The Washington Quarterly*, 21 (1), 1998
- 1990 Dessing M. *Support for Microenterprises*, WB Technical Paper 122, Washington
- 1998 Flohrich E.A., Pichler J.H., "Entrepreneurial profiles and strategies for the larger market", in Haahti A., Hall G., Donckels R., *The Internazionalization of SMEs*, Routledge, London
- 1995 Formbrun C.J., "Three pillars of corporate citizenship", in Tichy N.M., McGill A.R., St. Clair L. (eds.), *Corporate Global Citizenship. Doing business in the public eye*, The New Lexington Press, S. Francisco
- 1998 Glover J.W., *The New American Evolution: the role and impact of small firms*, Office of Economic Research on the U.S Small Business Administration' Office of Advocacy; available at: <http://www.sba.gov>
- 1996 Hall C., *Report of the APEC Symposium on HRD for SMEs*, China Productivity Centre
- 1995 Hanna N., Guy K., Arnold E., *The Diffusion of Information Technology*, WU Discussion Papers, 2S1
- 1995 Humphrey J., Schmitz H. *Principles for promoting clusters and networks of SMEs*, UNIDO Discussion Papers
- 1998 Kelly K., *New rules for the New Economy. 10 radical strategies for a connected world*, Penguin Books, New York
- 1996 Levitsky J. *Support Systems for SMEs in Developing Countries. A Review*, UNIDO Discussion Paper
- n.a. Mandel M.J., *The New Economy starts to hit home*, available at: [http://www.ettm.com/news/ez\\_econ.html](http://www.ettm.com/news/ez_econ.html)
- 1980 Meissner H.G., Gerber S., *Die Auslanderinvestition als Entscheidungproblem*, BFuP
- 1992 Ministry of Foreign Affairs, The Netherlands, *Small-scale enterprise*, Policy Document 3

- 1994 Morrison C., Lecomte H.S.e Oudin X., *Micro-treprises et cadre institutionnel dans les pays en développement*, OCDE, Paris
- 1995 Nadvi K., *Industrial Clusters and Tetworks: Case Studies of SME Growth and Innovation*, UNIDO Discussion Papers
- 1994 Obrecht J.J., "Les entreprises à taille humaine face à la demande éthique", in *Revue d'économie industrielle*, n. 67
- 1995 Parker R.L., Riopelle R., Steel W.F., *Small enterprises adjusting to liberalization in five African countries*, WB Discussion Papers, 271
- 1998 Pleitner H.J., Brunner J., Habersaat M., "Forms and extent of success factors. The case of Switzerland", in Haahti A., Hall G. e Donckels R., *The Internazionalization of SMEs*, Routledge, London
- 1998 Quaranta G., *Prime note per gli studi preparatori sull'impresa noogenetica*, Roma
- 1992 Quinn J.B., *Intelligent Enterprise*, The Free Press, New York
- 1995 Tapscott D., *The digital economy: Promise and peril in the age of networked intelligence*, McGraw-Hill, New York
- 1997 Tichy N.M., McGill A.R., St. Clair L., "Introduction" in Tichy N.M., McGill A.R., St. Clair L. (eds.), *Corporate Global Citizenship. Doing business in the public eye*, The New Lexington Press, S. Francisco
- 1997 Tolentino A., *Guidelines for the analysis of policies and programmes for small and medum enterprise development*, Enterprise and Management Development Working Paper, ILO, EMD/13/E
- 1995 Ul Haque I., *Trade, Technolgy and International Competitiveness*, EDI Development Studies, Washington
- 1995 Webster L.M., Riopelle R., Chidzero A.M., *World Bank Lending for Small Enterprise, 1989-1993*, WB Technical Paper 311, Washington

- 1973 Wind Y., Douglas S.P., Perlmutter H.V., "Guidelines for Developing International Marketing Strategies", *Journal of Marketing*
- 1995 Winter S.G., *Small and Medium enterprises in economic development: possibilities for research and policy*, WB Policy Research Working Paper

## DOCUMENTS

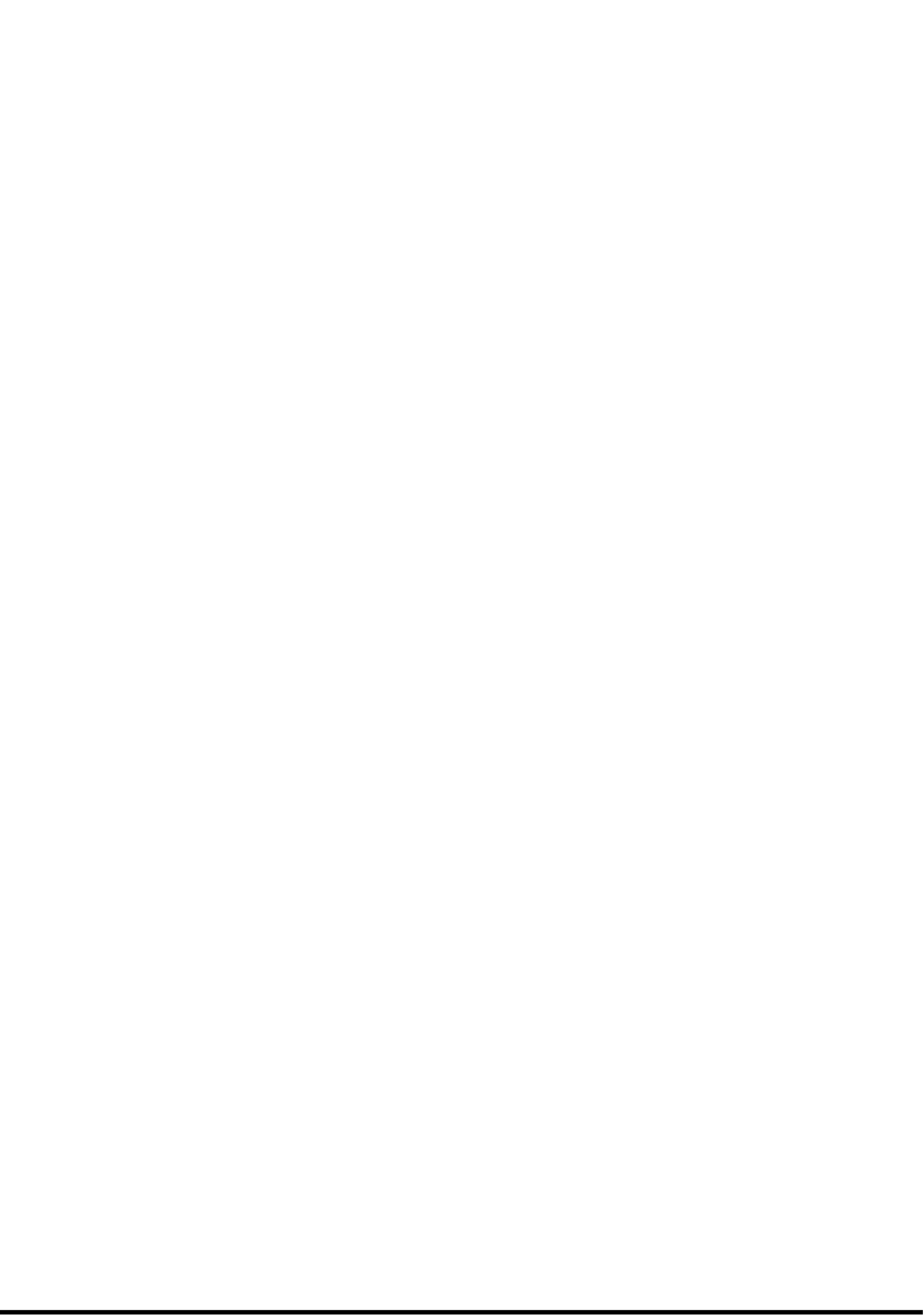
- ASIA-Invest, *ASIA-Ituest News*, Nov. 1998, n. 2,3
- ASIA-Invest, *ASIA-Invest: A European Community Initiative*
- CDJ, *Financial resources for industrial projects in ACP countries*, Project evaluation and financing, n. 1
- CDI, *Facilities and instruments for industrial cooperation*, Project evaluation and financing, n. 3
- CDI, *Analyse de l'Impact des interventions du CDI*, unpublished
- CDI, *How to benefit from the facilities offered by the CDI*, 1998
- CDI, *Partnership*, Issue n. 36, 37, 38 and 39, Bruxelles, 1998
- CDI, *Activity Report 1997*, 1998
- CDI, *Annual Report 1996*, 1997
- Commissione delle Comunità Europee, *Libro verde sulle relazioni tra Unione Europea e i paesi ACP all'inizio del XXI secolo*, 1997
- Commissione delle Comunità Europee, *Relazione su "Cooperazione allo sviluppo della CE con i Paesi dell'America Latina e dell'Asia"*, 29/1/98
- Commissione delle Comunità Europee, *Comunicazione al Consiglio e al Parlamento Europeo su "La ricerca scientifica e tecnologica: un elemento strategico per la cooperazione dell'Unione Europea con i Paesi in via di sviluppo"*, COM (97) 174, 25/4/97
- Commissione delle Comunità Europee, *Relazione alla Commissione "Il futuro funzionamento delle reti di informazione e di cooperazione nel quadro delle politiche delle imprese"* COM (95)435 def., 5/12/95
- Commissione delle Comunità Europee, *Programmi Indicativi Regionali MEDA 1997-1999*, luglio 1996
- Commissione delle Comunità Europee, *Programmi Indicativi Bilaterali MEDA 1996-1998*, agosto 1996

- Commissione delle Comunità Europee, Relazione sulla messa in atto della cooperazione decentrata del 1/3/96
- Commissione delle Comunità Europee, Comunicazione al Consiglio su "Verso una nuova strategia nei confronti dell'Asia", COM (94)314, 13/7/94
- Commissione delle Comunità Europee, *Libro verde sull'innovazione*, 1995
- Commission Européenne, *Mésures de soutien aux entreprises. La création et l'accompagnement des jeunes entreprises*, Madrid, Novembre 1995
- Commission Européenne, *Coopération industrielle et économique entre l'Union Européenne et les pays en développement, Development*, Mars 1995
- Commission Européenne, *Soutien de la Communauté Européenne au secteur privé dans les Etats ACP*, 1997
- Commission Européenne, *Partenariat Euro-Méditerranéen, Calendrier des activités prioritaires du processus de Barcelona*, décembre 1998
- Commission Européenne - Partenariat Euro-Méditerranéen, *Notes d'informations n. 1, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37*
- Commission Européenne - Partenariat Euro-Méditerranéen, *Transition économique et espace euro-méditerranéen*, 1997
- Commission Européenne - Partenariat Euro-Méditerranéen, *Le Partenariat Euro-méditerranéen*, 1997
- Commission Européenne - Partenariat Euro-Méditerranéen, *Barcelona Declaration*, 1995
- Commission Européenne - Partenariat Euro-Méditerranéen, *Le Développement du Secteur Privé*, 1997
- Commission of the European Communities, Communication from the Commission to the Council and the European Parliament on "Guidelines for the negotiation of new cooperation agreements with ACP countries, 1997



- commission of the European Communities, Communication from the Commission to the Council and the European Parliament on "A European Community strategy for private sector development in ACP countries, COM (98) 667 final, 20/11/98
- Commission of the European Communities, Communication from the Commission to the Council and the European Parliament on "Scientific and Technological Research - A Strategic Part of the European Union's Development Cooperation with Developing Countries", COM (97) 174 final, 25/4/97
- Commission of the European Communities, Communication to the Council and the European Parliament, "The European Union and Latin America: the present situation and prospect for closer partnership 1996-2000", 1995
- Commission of the European Communities, *Evaluation of Lines of Credit and Support Projects for SMEs*, Report, Evaluation Unit, 1995
- Consiglio dei Ministri, Direttive di negoziato riguardanti un accordo di partenariato per lo sviluppo con gli ACP, COM (96) 70 del 30/6/98
- DAC/OCDE, *Rapport sur la coopération pour le développement*, 1997
- DAC/OCDE, *Private sector development*, Development co-operation guidelines series, Paris
- ECIP, *ECIP Steering Committee Approvals* (unpublished)
- European Commission, Trade relations between the European Union and the Developing Countries, *Development*, March 1995
- European Commission - Evaluation unit, *Evaluation Inventory*, 7th version, July 1998
- EIB, *Annual Report*, 1997
- EIB, *EIB Financing 1987-1997*, Document Inf/MSC/19/11/98
- EIB, *EIB and the ACP*, 1998
- EIB, *Fostering a Mediterranean Partnership*, 1998

- EIB, *40 years' activity*, 1998
- EIB, *Financements en Amerique Latine et en Asie*, 1998
- EIB, *Financing Facilities under the Fourth Lomé Convention*, 1998
- GEMDIV, *Ln convention de Lomé en question*, Kathala, Paris, 1997
- IFC, *The Foreign Investment Advisory Service (FIAS)*; available at: [http://www.worldbank.org/About FIAS](http://www.worldbank.org/About%20FIAS)
- ILO, *Report to the Donor Committee on Small Enterprise Development*, October 1997
- ILO, *Business Guidelines for SMEs*, Enterprise and Cooperative Development Department, 1997
- OECD - Industry Committee Working Party on SMEs, *Best practices policies for SMEs*, 1997 Edition, 1997
- OECD, *Technology and the economy*, 1992
- UNCTAD, "Emerging forms of technological cooperation; the case for technology partnership", *Science and Technology Issues*, 1996
- UNCTAD, *Handbook on Foreign Direct Investment by Small and Medium-sized Enterprises*, Geneva, 1995a
- UNCTAD, *Issues concerning SMEs' access to finance*, UNCTAD Trade and Development Board, Geneva, 1995b
- UNCTAD, *Small and Medium-sized Transnational Corporations. Role, Impact and Policy Implications*, New York, 1993
- UNIDO - Global Forum on Industry, *Information and communication technologies: Growth, competitiveness and policy for developing nations*, Vienna, 1995
- UNIDO, *Industrial development, Global Report*, 1995
- UNIDO, *Industrial development, Global Report*, 1996
- UNIDO, *Industrial development, Global Report*, 1997



# **STOA PROGRAMME**

European Parliament

Directorate-General for Research

Directorate **A**

SCH 4/61

L-2929 Luxembourg

Tel: +352 4300 2251 1

Fax: +352 4300 22418

[rholdsworth@europarl.eu.int](mailto:rholdsworth@europarl.eu.int)

LEO 6 D 46

Rue Wiertz 60

B-1047 Bruxelles

Tel: +32 2 284 3962

Fax: +32 2 284 9059

[msosa@europarl.eu.int](mailto:msosa@europarl.eu.int)