

Commissioner Danuta Hübner

Speaking points

Press conference: Cohesion Policy and support for SMEs

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- In February, I mentioned at my press briefing on Cohesion Policy and sustainable energy that I intended to update you more regularly on how the policy responds to the challenges Europe faces.
- I am here today to highlight the importance we give to the support of small business in the context of Cohesion Policy. The cohesion policy is quite simply a platform to assist SMEs in becoming more competitive.
- Small and medium sized businesses (SMEs) are the backbone of the EU economy and a key cohesion policy partner to promote growth and jobs.
- There are some 23 million SMEs across the Union, representing 99% of all businesses, and providing up to two thirds of all private sector jobs in the EU. A thriving and innovative SME sector is essential not only for growth, job creation and innovation, but also for regional, economic and social cohesion.
- Indeed, convergence, as was shown in our 5th progress report, is being achieved through a profound process of economic restructuring. This process was spearheaded by competitive Small Businesses.
- Cohesion Policy plays a central role in delivering the strategy for competitiveness, growth and jobs. SMEs are given particular attention in this context. Indeed, Cohesion Policy is the biggest provider of EU support for SMEs.

In financial terms, the **total allocation to business support** through Cohesion Policy for the period 2007-2013 will be around **€55 Bn.** This

will go to large and small enterprises through general investment support for technology, research and innovation, financial engineering, business support services like mentoring or management consultancy checks but also other types of investments like business infrastructure, clusters and networks, and various training schemes.

The scope of what we do for businesses is very large and you have quite a few interesting examples in your press dossier that relate to your countries.

While half of this investment is not directly related to the size of the company, at least 50%, that is 27 Bn €, is directly targeted at SMEs. What can they do with these resources?

- When we look at the **directly targeted support for Small Businesses under the cohesion policy – the 27 Bn €** - it is clear that support is focused strongly on technology and innovation. Up to 65% (or €17.5 Bn.) of investment will be dedicated to technology and innovation activities for SMEs. Of the remainder, 14% (or €3.8 Bn.) goes to ICT activities in SMEs, 12% (or €3.2 Bn.) to start-ups and 9% (or €2.5 Bn.) for eco-friendly projects in SMEs.
- The breakdown by Member States clearly shows the difference in the relative shares allocated to SMEs. There are differences, but they should be seen in the light of the total volume of funds available, national needs and priorities set. The highest allocations by Member States are: Denmark, Sweden, Finland, UK, Slovenia and Austria, all between 15-25% of the relative programme share.

However, one message is clear. New Member States face a challenge in catching up in terms of developing support systems for SMEs and upgrading the role of the SMEs in the economy. In addition, horizontal networking between SMEs in the New Member States is an important factor to face increasing global competition but it is also a challenge since this represents a break with the top-down or vertical tradition,

strongly anchored in many NMS. This is one of the major issues to address in terms of clustering and networks.

- But the support and the activities of Cohesion Policy targeted to small businesses are **not *just* about the funding**. "Soft factors" are also at play.
 - **First**, the Cohesion Policy encourages an integrated approach to address the needs of SMEs. It covers all phases of business creation and development, including facilitating SMEs' access to finance which continues to be a major barrier.
 - In this context, allow me to mention our micro-credit initiative that we will launch in early September together with the EIB – M Maystadt - and the EIF in Nice. This initiative has been created to help small start-up businesses but also individuals that are not able to provide collateral, to access finance in order to realize their ideas. This initiative deals only with smaller sums from 3-7.000 euros up to 25.000 euros.
 - Let me also mention our JEREMIE initiative – the holding funds for seed and risk financing to SMEs – also created together with the EIF. The JEREMIE initiative as such or JEREMIE type actions have been included in more than 85 operational programmes, either at national or regional levels.
 - Access to finance for SMEs is, of course, particularly important when it comes to ensuring that newly created businesses become dynamic and sustainable. Access to finance is also key in addressing the challenge to make small businesses grow in size. This means to pass them from S, as in Small, to M as in Medium-sized businesses.
 - **Secondly**, Cohesion Policy programmes bring funding closer to the real concerns of SMEs through partnerships. All actors, including businesses and their organisations participate in the

planning and monitoring process. They are partners to whom we listen. As a result, the schemes target real needs on the ground.

- **Thirdly**, Cohesion Policy helps the SMEs to diversify both their product range and client base. Thus they are more likely to survive and thrive, and help to create growth and jobs in the process.
- **Fourthly**, Cohesion Policy allows Member States to be innovative in their support to SMEs. Let us take two practical examples of this starting with Lower Austria, where Cohesion Policy is used to help SMEs to employ recent graduates as "innovation assistants" to strengthen their technological innovation competence. This project was, by the way, shortlisted for our RegioStars awards ceremony in March.
- Another example could be the Dutch experience of a bonus system whereby SMEs can buy R&D and innovation from accredited research centres using so called "innovation vouchers". These can also be used outside the Netherlands in Flanders and North Rhine-Westphalia for particular knowledge transfers.
- The message is this: if you are innovative in the way in which you approach innovation, then, with only a small amount of investment, it is possible to achieve a high impact and raise the innovation capacity of small businesses substantially.
- **Finally**, Cohesion Policy improves the competitiveness of SMEs also by strongly promoting tailor-made packages for SME networking. I have of course in mind here cluster-based networks but also inter-cluster networks where we support a full range of activities from the building of the physical cluster headquarter to setting up virtual networks. All with the objective to internationalise the SME sector and to bring the SMEs faster into the global supply chain.
- To conclude, strong small and medium businesses are at the core of the Lisbon strategy. From the outset, they have been at the heart of

Cohesion Policy. This partnership between Cohesion Policy and SME policy is indeed a key factor in achieving competitiveness. The Small Business Act, which the Commission adopted in June, will help to cut red tape and make the option of starting a business more attractive. It reflects political willingness to recognise the central role of SMEs in the EU economy. And it is Cohesion Policy which will help to turn words and commitments into actions, and indeed help to transpose the SBA into activities on the ground. We want to help Europe's small businesses to thrive, and to give them a launch pad to become world class in their respective domain through the cohesion policy.

Thank you