

Speech for Commissioner Hübner
SME's: key players in European Regional
Policy

High-level SME stakeholder conference
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Charlemagne, Room S4

SMEs are a key element in the structure of the European economy. They also play a key role in European regional policy. This policy is a central pillar of the Commission's overall strategy for competitiveness, growth and jobs, and for the period 2007-2013 one of the key priorities will be to support research and development, innovation and the development of the knowledge economy – areas where the contribution of SMEs is essential. Several new developments will facilitate access of SMEs to the programme – a new financial instrument known as JEREMIE, an increase in the geographical areas covered by the competitiveness programmes, and changes in state aid rules. More fundamentally, however, the design and implementation of regional policy is based on the concept of partnership: the involvement at regional and local level of all key players - among them SMEs.

Ladies and Gentlemen

My colleague Günter Verheugen has already outlined for you the importance of SMEs to the European economy. My main message to you today concerns the role and importance of SMEs to European regional policy. They already play a key role in regional policy, and we want to strengthen this role as we move into the new programming period 2007-2013.

Let me turn first to the context of European regional policy. The Commission's strategy for growth, jobs and competitiveness is now well known and is widely shared. One of my main aims as Commissioner has been to ensure that regional policy is at the heart of the European growth and jobs strategy. And we are now in the final stages of preparing for the new period. The regulatory framework is in place, and just last

week the Council adopted the Strategic Guidelines on Cohesion Policy which will underpin our approach to regional policy for the period 2007-2013. There are three broad priorities: making Europe, its regions and its cities more attractive places to invest, to work and to live; encouraging innovation, entrepreneurship and the growth of the knowledge economy; and attracting more people into employment and entrepreneurial activity, improving the adaptability of workers and enterprises, and increasing investment in human capital.

The Guidelines make clear that the involvement of SMEs across all of these priorities is essential. The recently adopted regulatory framework for regional policy for 2007-2013 also emphasises this point, and it is also a theme that runs through our approach to sustainable urban development that was adopted in July of this year. I want to stress today that regional policy offers an integrated approach to support for SMEs and to specify some of the areas where SMEs will be active.

First, research and development and innovation are key elements in any strategy for growth. In the future programmes, regional policy investments will provide support so that SMEs can increase the amount of research and development which they carry out themselves. These direct grants to individual firms must of course be targeted at improving the RTD and innovation capacity of the firm on a sustainable basis, and not simply at a temporary reduction of its production costs. This is particularly important in traditional sectors and sectors which are exposed to global competition where additional efforts are needed to remain competitive.

Second, we are also aware that not all SMEs will consider it desirable to carry out research themselves – their challenge comes in bringing that research to the market. So support can also be provided to promote technology transfer – making it easier for SMEs to access research which is carried out in research institutions.

Third, both of the above approaches will benefit from the promotion of systems of co-operation among local partners – SMEs, universities, training institutes and the local community. This can be done, for example, by providing support to poles of excellence – science and technology parks, innovations clusters - which bring together the relevant players on a sustainable basis.

Fourth, regional policy can also be used to provide business support services to SMEs in the areas of management, marketing, and recruitment to increase their competitiveness and to help them to internationalise their activities. And there is also the possibility to provide support to targeted groups, such as young or female entrepreneurs, or those from ethnic minorities.

We are also aware that a good business environment also requires good infrastructure – business parks, incubators and commercial centres must all be easily accessible if they are to maximise their contribution to the local economy and beyond. Regional policy will continue its support in this area. And finally, there is also the possibility to support the access of businesses to finance, an area where regional policy will play a more active role than in the past.

This takes me to four developments in regional policy for the period 2007-2013 which I believe will help us to ensure that SMEs have access to and benefit from regional policy.

The first relates to the need to improve access to finance which I just mentioned. Increasing the availability of capital for new business start-ups and micro and medium enterprises is a priority area of our strategy to promote growth and jobs. Improving access to finance will unlock the potential of businesses which would otherwise be starved of the funds to finance their ideas. This is an area where those responsible for implementing regional policy have to do more, and my contacts with them show that they would like to do more, but are often hindered by a lack of expertise. It has been a priority of mine in reforming regional policy for the period 2007 to 2013 to change this situation.

In May 2006, the Commission launched JEREMIE – Joint European Resources for Micro and Medium Enterprises – which is an initiative of the Commission and the European Investment Fund with the European Investment Bank. Its aim is precisely to improve access to finance for the development of micro- to medium sized enterprises. It will allow Member States and regions to use part of their structural funds through the European Investment Fund to offer a range of financial products specifically designed for this category of enterprises. Instead of simply receiving grants, these small enterprises will have access to venture capital, loans, guarantees, seed and technology capital, and micro credit. JEREMIE will also provide a wide range of services and products to local financial intermediaries such as technical assistance, loan guarantees thus helping them to increase their supply of such products on a sustainable basis. And when funds from operational programmes

invested under JEREMIE are repaid, they will be recycled and reinvested in further measures to support innovative micro, small or medium enterprises. This is good news for regional policy - for each euro coming from the EU budget, the sum of financial products available could range from 2 to 10 euros. So this is also good news for SMEs.

A second important development compared to the current programming period is that, under the new regional competitiveness and employment objective, SMEs can now be assisted irrespective of their location. Under the present rules, only SMEs that are in an area designated for assistance can be supported. From 2007 on, this geographical limitation will no longer exist. This new situation will create much more flexibility for regions in deciding where to concentrate support, for example, for the development of clusters and co-operation between businesses and universities. This can now be done in areas which so far have not directly benefited from the support of European regional policy.

Third, a general review of State Aid rules is underway. The Commission is aiming to simplify and modernise these rules to allow greater flexibility and to provide better targeted aid in favour of SMEs, such as in relation to innovation. Let me give you a few examples. First, the regional state aid guidelines allow a new type of operational aid to support start-ups and early-development enterprises. Secondly, these same regional guidelines permit higher aid intensities for SMEs. Thirdly, SMEs will benefit from a wider definition of innovation and research under the proposed guideline. Lastly the Commission has proposed to raise the ceiling of the current 'de minimis' regulation from €100.000 to €200.000 thus extending the scope of aid to SMEs which is possible without prior notification to the Commission.

Finally, in terms of our efforts to encourage SMEs to exploit fully the opportunities provided by regional policy we continue, and indeed are intensifying, our communication and awareness raising efforts. As I speak, the European Week of Regions and Cities - we call it Open Days for short – is taking place in a variety of venues across Brussels. It has attracted almost 5000 stakeholders in regional policy, including numerous participants from the business community. Many of the workshops and seminars are of direct relevance to you covering issues such as 'SMEs, innovation and research'; 'SMEs and lifelong learning'; 'JEREMIE and SMEs', sessions which will give practical details on how this new instrument can be used. I hope that many of you will have a chance to attend to hear in greater detail how you can benefit from regional policy.

Ladies and Gentlemen

I have highlighted to you some of the areas in which SMEs play a fundamental role in regional policy, and some of the new developments which should facilitate participation. I want to conclude, however, by stressing that the very nature of our regional policy necessitates the involvement of all key players in the design and implementation of the policy. We are convinced that the key drivers of competitiveness - support for SMEs, research, knowledge, innovation processes - are better understood at the local level. It is at the regional and local level that we find the essential knowledge for identifying problems and appropriate solutions. But it is also clear that in order to drive progress in these areas, we need partnerships. And this is one of my key messages to you today - SMEs, universities, and financial institutions need to work

together; we need public bodies to act as catalysts or as providers of innovative services; we need networks to disseminate good practices. And we also need these partners to be fully involved in drawing up and in implementing our policy.

How do we do that in practice? Well you will already know that regional policy, unlike many other European policies and sources of funding, is managed in a decentralized way by the Member States and their regions. And the partnership approach is laid out clearly in the regulation. All the stakeholders in regional economic development must be involved in the design and implementation of the policy. We are now at a critical stage in this process and over the next weeks, the Member States will be finalising their overall strategies for regional policy over the next 7 years – what we call their National Strategic Reference Frameworks – and translating these strategies into operational programmes. They will also be finalising details of how to implement the programmes, including procedures for accessing funding and for selecting projects.

Throughout the negotiation process on these strategies and programmes, the Commission is insisting on the full respect of the partnership principle and on the inclusion of a well-structured approach to SMEs. You of course have a role to play in your contacts with regional authorities, and I appreciate that the ease with which this is done varies from region to region. But we are convinced that by ensuring that all the relevant players are involved in policy design and implementation increases the chances that these policies will be implemented effectively and efficiently. And that you will derive maximum benefit from them. Thank you.