

EVALUATION OF THE APPLICATION OF THE THINK SMALL FIRST PRINCIPLE IN EU LEGISLATION AND PROGRAMMES

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“THINK SMALL FIRST” TOOLKIT

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1 A TOOLKIT FOR THE APPLICATION OF THE THINK SMALL FIRST PRINCIPLE

Applying the Think Small First principle means considering SMEs' interests at the earliest stage of policy making. This process should ensure that legislation and programmes are adapted to meet the specific situation of SMEs, which, in turn, should enable the alleviation of the burden for SMEs to a reasonable and proportionate level whilst achieving the objectives of the legislation or programme (as well as laying the basis for improved monitoring of the effect on SMEs).

The toolkit set out below assumes that, in addition to specific rules for SMEs, policy options that are alternatives to 'traditional' legislative and funding mechanisms are possible. These alternative policy options might include: self regulation, co-regulation, and market based instruments.

1.1 The scope of the toolkit

The focus of the toolkit is on EU interventions, including:

- § EU legislation: Regulations, Framework Directives and Directives;
- § EU funded programmes: including those both directly and indirectly targeted at SMEs;
- § Measures to encourage the development of SME policies in Member States, through the Open Method of Coordination (OMC) and actions to encourage cross border cooperation and exchanges.

The definition of SMEs used in the toolkit is the official EU definition. Where appropriate a distinction is made between medium-sized companies (50-250 employees), small-sized companies (10-49 employees), and micro-companies (fewer than 10 employees).

The toolkit considers the following issues, each of which is described below:

- § Why is it useful and relevant to Think Small First?
- § What are the anticipated benefits and costs of EU interventions?
- § What are the key effects on SMEs in different policy areas?
- § Which SMEs are affected by EU interventions?
- § How can Think Small First be applied to different types of EU intervention?

1.2 Why is it useful and relevant to Think Small First?

There are a number of arguments for applying the Think Small First principle to EU legislation and programmes:

- § SMEs constitute 99 per cent of all enterprises in the EU. If an EU intervention works well with respect to SMEs, it should work well for all companies;
- § SMEs are an important driver of economic growth; they produce more than half of European GDP and account for two thirds of the jobs in the private sector.

The relaunched Lisbon agenda identified SMEs as the main engine that would bring higher growth and more jobs in Europe, and the recently adopted European Small Business Act also contains a number of measures intended to ensure the prosperity of SMEs (including an objective to design legislation according to the principles of Think Small First). Data from Eurostat show that, between 2001 and 2003, where there have been net employment gains, the growth in employment was higher among SMEs than among large enterprises;

- § The costs of meeting administrative and compliance requirements of EU legislation and measures are disproportionate for SMEs, and this could inhibit their growth. The last analytical report of the Observatory of European SMEs stated that, apart from limitations on the demand side, the most important individual business constraint reported by SMEs was compliance with administrative regulations. Some 36 per cent of European SMEs reported that this issue had constrained their business activities over the previous two years;

Given these arguments, failure to apply the Think Small First principle could mean that the costs of business compliance with EU legislation outweigh the benefits.

1.3 What are the anticipated benefits and costs of EU interventions?

It is useful to consider the direct and indirect beneficial changes and effects that the EU intervention would bring to SMEs. These benefits reflect the public policy aims of the EU measure in question.

The (types of) **direct** benefits to SMEs include:

- § Improved safety;
- § Reduced unfair competition;
- § Improved energy efficiency;
- § Improved working conditions (productivity)
- § Reductions in fraud by competitors
- § Increased R&D investment; and,
- § Improved investments in human resources.

These direct benefits should (at some stage) be reflected in reduced costs to SMEs. (In most circumstances most SMEs within the EU will already be complying with the requirements envisaged within EU legislation either because of national legislation or because the SME itself considers that the benefits of doing so outweigh the costs).

The (types of) **indirect** benefits that accrue to society and the economy in general as well as to SMEs include:

- § The realisation of economic potential of SMEs;
- § Improved environment;
- § Rural and regional convergence and cohesion;
- § Improved security;
- § Improved consumer protection;
- § Improved social protection;

- § Improved skills of the working population; and,
- § Improved policies and practices at national regional and local levels.

These benefits may be offset by the following types of costs, some of which can be disproportionately felt by SMEs:

- § *Administrative costs*: in particular, the costs associated with reporting to government agencies to generate statistics or for other purposes. Such activities may generate 'one off' costs that are proportionally higher for smaller companies and of little or no direct benefit to them;
- § *Compliance costs*: these are typically the costs incurred as a consequence of legislation, but could also accrue through voluntary regulation. Compliance costs are typically associated with: physical changes within company premises (e.g. access for those with disabilities); procedures relating to products (safety validation, labelling etc.); procedures relating to processes, (company law, access to finance, pre contract information, withdrawal period, guarantees, working practices, employment law etc). Such costs may be proportionally higher for smaller companies. In most instances compliance should be associated with benefits to the SME (e.g. access to new markets as a result of compliance with EU-wide standards);
- § *Cost associated with legal uncertainty*. legal uncertainty is an important factor in influencing the behaviour of all companies and SME in particular. EU legislation has the potential to reduce or increase legal uncertainty which can arise through differences in law between countries and weaknesses (e.g. varied definitions) in laws;
- § *Transaction costs*: all business transactions incur transaction costs, such costs may be disproportionate for SMEs wishing to access EU programmes and/ or participate in public procurement. The costs include: the time and resources required to acquire information on the possibilities available; the time and resources to make tenders and applications (including unsuccessful applications); the financial requirements of participation (∞-financing, guarantees etc); and, the time and resources to report (e.g. audit requirements). The nature of the procedures may pose challenges and impose costs that are disproportionate to SME that would be participants in programmes and public procurement.

It is relatively straightforward to measure administrative costs; the Standard Cost Model (SCM) exists for this purpose. For example, a recent report published by the Department for Business, Enterprise and Regulatory Reform in the UK used the SCM to estimate the regulatory 'burden' associated with 41 pieces of EU legislation identified by the European Commission as particularly suitable for reform¹. The total cost associated with these 41 pieces of legislation in the UK was calculated as €3.8 billion.

Regarding compliance costs, whilst the SCM may be a useful tool, measuring the net costs of compliance is difficult. Evidence from companies that are already in compliance can provide some indication of the extent to which compliance is beneficial

¹ Department for Business, Enterprise and Regulatory Reform (2008) 25 ideas for simplifying EU law

to companies. Measuring costs of legal uncertainty is also very difficult, but surrogates such as the costs of legal advice can be used (these are typically proportionally higher for smaller firms). Estimating the scale of transactions costs can be done using the SCM.

Box 5.1 shows key questions and information needed to help identify the benefits and costs to SMEs of EU interventions. It can be useful to depict the benefits and costs in an intervention logic, distinguishing between the different types of costs.

Box 5.1: Key questions for the assessment of benefits and costs to SMEs of EU interventions

What are key direct benefits to SMEs (are SME already complying, what benefits have accrued to them)?

In what way does the proposal introduce administrative costs; what are the estimated costs of these?

In which manner does the proposal affect compliance costs?

In which manner does the proposal reduce or increase legal uncertainty?

In which manner does the proposal generate transaction costs to SME?

1.4 What are the effects of legislation on SMEs?

The review of EU legislation carried out in the study provided examples of the legislative requirements imposed on companies (see Annex 1 for details). Many of these are felt disproportionately by SMEs where, for example, costs are fixed and thus do not increase with firm size. Legislative effects vary by policy area:

- § *Employment conditions*: physical changes (e.g. providing access for those with disabilities); reporting, registering and keeping records (e.g. on working time); providing both physical and financial means for consultations; and, providing training;
- § *Occupational health and safety*: product testing; meeting hygiene standards; physical changes and related capital investment; staff resources; training, procedures; carrying out and keeping records of risk assessments; providing protective equipment;
- § *Consumer protection*: costs of entering different markets; providing information (on terms of contract, labelling) to consumers and authorities;
- § *Environment*: recording and reporting; informing consumers and authorities; collection and recycling of waste; obtaining licences and permits; adaptation of processes/ facilities (e.g. to comply with emissions restrictions);
- § *Taxation*: reporting; accounting; adjustments of internal systems;
- § *General Internal Market rules*: obtaining permits for specific products; meeting standards; certification; reporting; labelling.

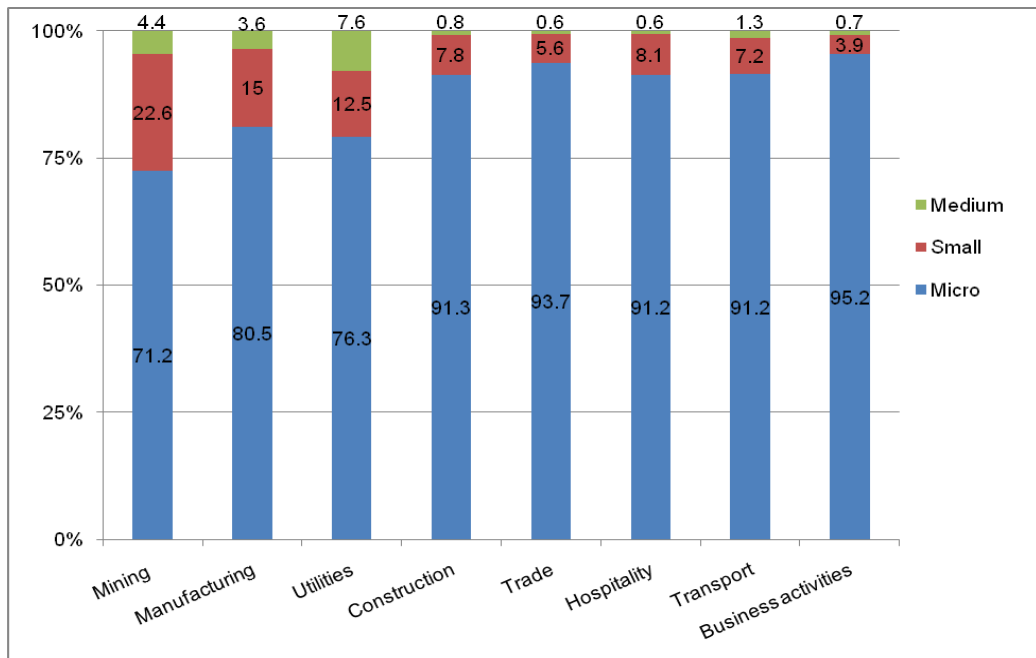
1.5 Which SMEs are affected by EU interventions?

Legislation affects SMEs in different ways. For many interventions, the absolute costs of administrative and compliance requirements for SME are the same or similar to those of larger companies and hence potentially disproportionate (where larger firms

are able to benefit from economies of scale). Thus where an intervention affects a particular economic sector it is useful to consider the extent of concentration of output/employment in SME and larger companies and the numbers of SME of different sizes (small, medium and micro).

Figure 5.1 below depicts the share of small-, medium- and micro-sized companies in different economic sectors.² As can be seen, micro enterprises make up the majority of the business stock in all of these sectors. Micro and small companies are likely to be disproportionately affected by the administrative and compliance effects of legislation in comparison to medium sized firms.

Figure 5.1: Size distribution of enterprises by economic sector, EU-27, 2005



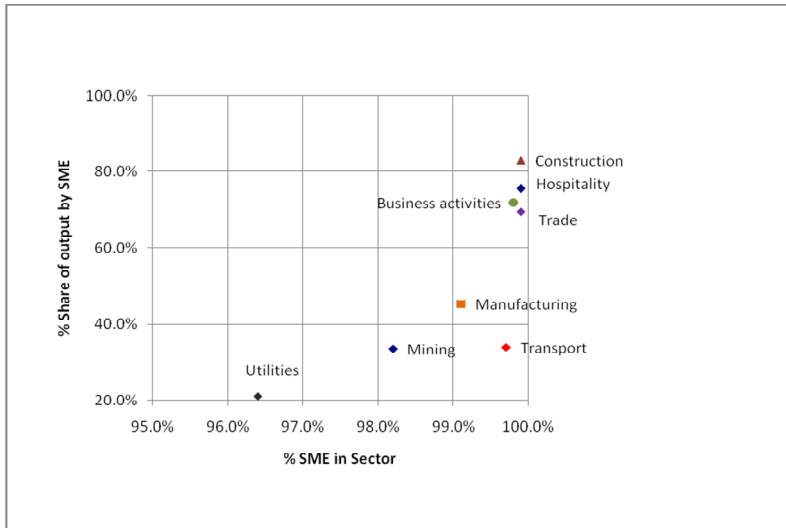
Source: Eurostat SBS

The aggregate impact of the effect of legislation on SMEs varies according to the industrial sector and thus legislation should be designed to fit the particular sectoral characteristics. Figures 5.2 and 5.3 show SME share of total sectoral output and employment, plotted against the proportion of SMEs in that sector. In some sectors (e.g. utilities and mining) SMEs make up a small proportion of the total business stock, employ relatively few people and make a relatively small contribution to EU output. Legislative effects on SMEs may place SMEs at a disadvantage vis-à-vis larger firms, but the overall net impact on EU output and employment would be relatively low.

Conversely, in sectors where SMEs make up a large proportion of the business stock and are responsible for relatively large proportions of employment and output (e.g. construction, hospitality, services and retail), the overall net aggregate impact of legislation affecting SME's on the EU economy may be higher.

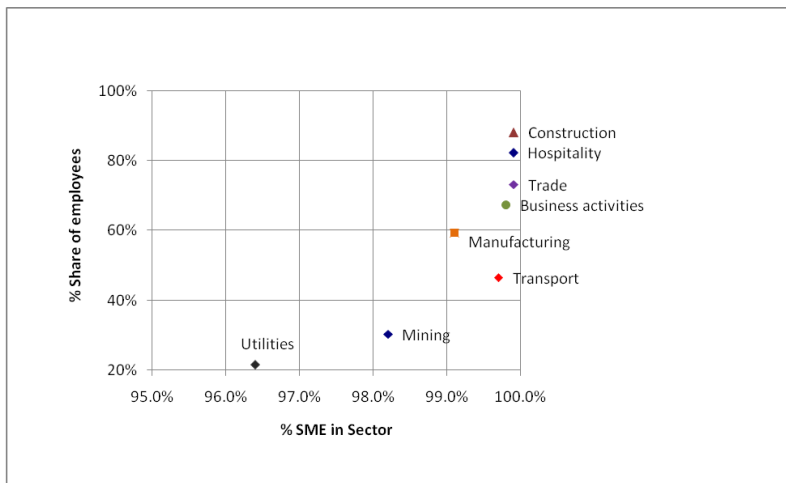
² Large companies are not shown as their share of the total EU business stock is small (typically between 0.1 per cent and 3.6 per cent of the total)

Figure 5.2: SME share of sector output and SME share in sector, 2005



Source: Eurostat SBS

Figure 5.3: SME share of employees in sector and SME share in sector, 2005



Source: Eurostat SBS

It is also useful to consider how the business structure of the economic sectors is changing. In some sectors there may be a trend towards concentration of employment and output in larger companies that could itself be a combination of the need for economies of scale and/or driven by the requirements of legislation. (For example, the requirements to accident test vehicles may generate compliance costs that would be disproportionate to small car manufacturers. Similarly, the requirements for the testing of drugs may have encouraged concentration within the pharmaceuticals sector). On the other hand there may be economic sectors where technological and other factors are encouraging trends towards de-concentration.

It may also be useful to consider aspects of the integration between sectors and the character of supply chains. For example, if within a particular sector there is a strong measure of vertical integration with SMEs mainly providing goods and services to the

larger companies then the case for specific rules for SME may be less than if the integration is weak.

Finally, the SME definition embodies a very wide range of types of company. They range from the individual who has reluctantly entered self employment through experiencing difficulties accessing employment to a company employing just less than 250 employees but having in effect a global reach and plans for becoming a very large company. Between these extremes there are a multitude of variations in terms of size, orientation, ownership and market potential which need to be taken into consideration and could lead to a differentiation between micro, small and medium sized companies.

Box 5.2: Key questions to determine which SMEs are affected by EU intervention

How many SMEs and larger companies will be affected?

To what extent is the employment/output concentrated in SME of different sizes and larger companies?

What are the trends of concentration/ de-concentration within the sector?

To what extent is the economic sector vertically integrated?

1.6 How can Think Small First be applied to EU legislation?

The first priority in terms of the application of Think Small First should be to ensure that legislation is designed in such a way as not to impose an undue burden on SMEs. The European Commission's Better Regulation agenda includes good practice in the area, since it focuses on ensuring that the regulatory environment in Europe is business friendly through the simplification of existing legislation and the reduction, where possible, of administrative burdens³.

There are also a number of other ways in which the principles of Think Small First can be applied, including as part of the process through which legislation is developed and implemented. **Impact assessment and consultation** ensures that the needs of SMEs are taken into account during the drafting of legislation. As part of the principles of the new European Small Business Act, it is envisaged that an '**SME test**' will be used in the drawing up of any legislative proposal affecting businesses at an EU level, in order to assess the impact on SMEs.

In the UK all legislation affecting businesses is introduced on one of two dates each year, thus ensuring that businesses know when to check for legislative changes and can plan ahead accordingly. This approach is particularly relevant where legislation might affect a large number of businesses across sectors, and also where there are frequent changes to legislation (such as technical amendments). There are also non-legislative means to ensure that the burden placed on SMEs is not disproportionate through, for example, **self regulation, information campaigns and exchanges of experience** which can be particularly effective in situations where the enforcement of legislation is difficult.

³ COM (2008) 32 Second strategic review of Better Regulation in the European Union

On occasions, however, the **importance of other goals – health and safety, for example – may mean that legislation inevitably imposes compliance or administrative costs on businesses, some of which may disproportionately affect SMEs.** In such cases there may instead be a need to include provisions targeted at SMEs in order to mitigate or reduce the scale of the disproportionate burden. This report has evaluated the application of such SME specific measures in EU legislation. On the basis of these results there follows a review of each of the SME specific measures in turn, including an example of its application, an overview of the strengths and weaknesses, and a description of the circumstances where the application of the measure would be most appropriate.

These measures should not be considered in isolation and it is possible that their effectiveness and impact could be enhanced if implemented in synergy. The review of the inclusion of SME specific measures in EU legislation set out in Section 3.2 identified five cases where legislation included more than one measure, so at present this is clearly not a common approach. Nevertheless, combinations of measures – for instance temporal exemptions combined with tailor-made support in order to help SMEs adapt during the transition period – should be considered.

The following types of SME specific measure are described in the toolkit:

- § Size-related exemptions;
- § Temporal exemptions;
- § Special treatment (simplified reporting and reduced fees);
- § Tailor-made information, guidance and support;
- § Online services.

| SIZE-RELATED EXEMPTIONS | |
|--|---|
| Current <i>examples</i> of the application of the measure in EU legislation: | |
| <ul style="list-style-type: none"> § Directive 98/59 regarding collective redundancies: consultation procedures are only to be carried out if at least 10 dismissals are planned in companies with 20-100 employees; § Directive 72/221 regarding annual surveys of industrial activity: annual surveys are only to be carried out in enterprises employing more than 20 persons. Smaller firms only participate every five years. | |
| <p><i>Advantages:</i></p> <ul style="list-style-type: none"> § Enforcement costs are relatively low; § Easy to apply and easy for firms to understand; § Potential for a significant reduction in | <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> § Risk of threshold effects;⁴ § May create market distortion in favour of SMEs; § Excludes some businesses from the |

⁴ Threshold effects are where the introduction of set values below which certain benefits apply (such as exclusion from certain legislative requirements) creates an incentive to remain below the threshold. For example, if a firm is exempt from legislation provided it does not employ more than 250 people, there would be an incentive to ensure that the threshold is not crossed, thus restricting employment growth.

| SIZE-RELATED EXEMPTIONS | |
|--|--|
| <p>the regulatory burden on SMEs, particularly through reduced costs of compliance.</p> | <p>scope of the legislation and thus may undermine its purpose;</p> <p>§ By excluding some firms there is a danger of giving the impression that the aim of the legislation is not important, or that SMEs do not comply with the legislation.</p> |
| <p><i>Circumstances where the measure is likely to be most effective:</i></p> <p>§ Where legislation is difficult to enforce (e.g. where it affects large numbers of SMEs);</p> <p>§ Where the consequences of the exclusion of SMEs from scope of the legislation are considered acceptable;</p> <p>§ Where the benefits of including SMEs would be small relative to the compliance costs imposed (e.g. where the output or contribution of SMEs to the 'problem' is relatively minor);</p> <p>§ Where the danger of market distortion in favour of SMEs is not a problem;</p> <p>§ Where legislation concerns procedures and processes (e.g. generates an administrative burden).</p> | |

| TEMPORAL EXEMPTIONS | |
|---|---|
| <p>Current <i>examples</i> of the application of the measure in EU legislation:</p> <p>§ Directive 2001/45 regarding the use of work equipment: allows for a transitional period of two years to allow for SMEs in the construction sector to adapt to the legislation;</p> <p>§ Directive 2002/15 regarding the organisation of working time of persons performing mobile road transport activities: legislation is not applicable for self-employed drivers until 2009.</p> | |
| <p><i>Advantages:</i></p> <p>§ Enforcement costs are relatively low;</p> <p>§ Easy to apply and easy for firms to understand;</p> <p>§ Flexible and applicable to many different policy areas.</p> | <p><i>Disadvantages:</i></p> <p>§ Danger of market distortion by giving SMEs an unfair advantage for a set period of time;</p> <p>§ Temporarily excludes some businesses from the scope of the legislation and thus may undermine its purpose;</p> <p>§ By excluding some firms there is a danger of giving the impression that the aim of the legislation is not important, or that SMEs do not comply with the legislation;</p> |

| TEMPORAL EXEMPTIONS | |
|---|-----------------------------------|
| | § Could delay adaptation by SMEs. |
| <p><i>Circumstances where the measure is likely to be most effective:</i></p> <p>§ Where legislation is difficult to enforce (e.g. where it affects large numbers of SMEs);</p> <p>§ Where the compliance costs are relatively or absolutely high and a 'transition' period would provide SMEs with time to adapt;</p> <p>§ Where the consequences of the exclusion of SMEs from scope of the legislation during the 'transition' period are considered acceptable;</p> <p>§ Where the benefits of including SMEs from the outset would be small relative to the compliance costs imposed (e.g. where the output or contribution of SMEs to the 'problem' is relatively minor).</p> | |

| SIMPLIFIED REPORTING | |
|---|---|
| <p>Current <i>example</i> of the application of the measure in EU legislation:</p> <p>§ Regulation 638/2004 regarding statistics relating to the trading of goods between Member States: SMEs are allowed to provide less detailed information (e.g. report fewer goods classes).</p> | |
| <p><i>Advantages:</i></p> <p>§ Potential to significantly reduce administrative requirements for SMEs;</p> <p>§ Applicable across all policy areas.</p> | <p><i>Disadvantages:</i></p> <p>§ Reporting information is not collected for SMEs, possibly affecting the overall quality of statistical information; and of monitoring.</p> <p>§ By excluding some firms there is a danger of creating the impression that reporting requirements are not important.</p> |
| <p><i>Circumstances where the measure is likely to be most effective:</i></p> <p>§ Where administrative and reporting costs are particularly high, and where the effects are disproportionate to SMEs (e.g. where the cost of the burden is fixed);</p> <p>§ Where the quality and usefulness of the information collected is not compromised by the exclusion of SMEs;</p> <p>§ Where reporting relates to information and statistics and is not part of compliance.</p> | |

| REDUCED FEES | |
|---|--|
| <p>Current <i>example</i> of the application of the measure in EU legislation:</p> <p>§ Regulation 2049/2005 setting the fees charged by the European Medicines Agency: fees for inspections, scientific advice and scientific services are reduced</p> | |

| REDUCED FEES | |
|---|--|
| by 90 per cent for SMEs. | |
| <p><i>Advantages:</i></p> <ul style="list-style-type: none"> § Easy to implement and easily understood by SMEs; § Potential to significantly reduce administrative requirements or transaction costs for SMEs, thus ensuring a level playing field where costs are 'fixed' and thus disproportionate to SMEs; § Can be used to encourage SME participation in a market or scheme. | <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> § Risk of threshold effects; § Possible market distortion in favour of SMEs; § Difficult to use if the organisation charging fees is independent from EU/ government (where prices of private companies may not be dictated by public authorities). |
| <p><i>Circumstances where the measure is likely to be most effective:</i></p> <ul style="list-style-type: none"> § Where fees are particularly high and/or represent a fixed cost that would be felt disproportionately by SMEs; § In voluntary schemes where SME participation needs to be increased and where fees create a barrier/ disincentive to involvement; § In relation to the fees charged by EU or other public sector agencies. | |

| TAILOR-MADE INFORMATION, GUIDANCE AND SUPPORT | |
|---|---|
| <p>Current <i>example</i> of the application of the measure in EU legislation:</p> <ul style="list-style-type: none"> § Regulation 1907/2006 (REACH): Member States must establish national helpdesks in order to provide businesses with advice and support with implementation. | |
| <p><i>Advantages:</i></p> <ul style="list-style-type: none"> § Can be designed and implemented to meet demand (e.g. used whilst legislation is new and phased out over time); § Can easily be implemented alongside the other SME specific measures. | <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> § Potentially high cost and uncertainties over who pays (EU or Member States); § Difficulties in ensuring that all SMEs are aware of the service and able to access assistance. |
| <p><i>Circumstances where the measure is likely to be most effective:</i></p> <ul style="list-style-type: none"> § Where legislation is complex and likely to affect a large number of businesses; § Where legislation is substantially changed or where existing legislation is amalgamated; § Where the negative effects of non-compliance are highly significant. | |

| ONLINE SERVICES | |
|---|--|
| <p>Current <i>example</i> of the application of the measure:</p> <p>§ An E-Depot in Belgium that allows new businesses to deposit their registration documents electronically.</p> | |
| <p><i>Advantages:</i></p> <p>§ Reduces cost and time spent on searching for information, filling in forms etc;</p> <p>§ Easy to access.</p> | <p><i>Disadvantages:</i></p> <p>§ Risk of information overflow;</p> <p>§ Needs appropriate security measures to protect submitted information;</p> <p>§ Possible significant administrative set up or reorganisation costs in order to be effective.</p> |
| <p><i>Circumstances</i> where the measure is likely to be <i>most effective</i>:</p> <p>§ Standard, relatively simple procedures (e.g. company start-up or VAT registration);</p> <p>§ Where there is no need for face-to-face contact between businesses and authorities;</p> <p>§ Where the 'paper' costs of services are high and disproportionately felt by SMEs.</p> | |

1.7 How can Think Small First be applied to EU programmes?

This study also investigated the application of Think Small First to EU programmes. Some of the measures described above can be adapted to programme procedures and administrative processes. The following tools for applying Think Small First to EU programmes are considered:

- § SME participation targets and monitoring;
- § Two-part application forms;
- § Pre-participation assistance; and,
- § Preferential treatment.

| SME PARTICIPATION TARGETS AND MONITORING | |
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| <p>Current <i>example</i> of the application of the measure:</p> <p>§ Aim of at least 15 per cent of funding under 'Cooperation' sub-programme of FP7 to go to SMEs.</p> | |
| <p><i>Advantages:</i></p> <p>§ Relatively easy to use as company size can be easily monitored (e.g. when applications are filed);</p> <p>§ Allows for subsequent follow up and evaluation, particularly of the</p> | <p><i>Disadvantages:</i></p> <p>§ A passive measure as it does not actively affect SME participation in a programme on its own.</p> |

| SME PARTICIPATION TARGETS AND MONITORING | |
|--|--|
| efficiency of other SME measures that may be used in parallel. | |
| <i>Circumstances</i> where the measure is likely to be <i>most effective</i> : | |
| § Where there is an explicit intent and economic rationale to increase SME participation in a programme; | |
| § Where other SME specific measures are used, in order to evaluate the efficiency of those measures. | |

| TWO-PART APPLICATION FORMS | |
|--|---|
| <i>Description</i> of the application of the measure: | |
| § The first part of the form includes basic company data and a short project presentation. If the project is judged to qualify based on this initial information, a second, and more detailed, form is filled out by the applicant. A system like this is currently used as part of the FP7. | |
| <i>Advantages</i> : | <i>Disadvantages</i> : |
| § Detailed project information only has to be provided for projects that have a good potential of qualifying for a grant; | § Initial project information may not be enough to judge whether project should be funded or not. |
| § The basic company information will not have to be provided again should the applicant apply for another grant/programme participation. | |
| <i>Circumstances</i> where the measure is likely to be <i>most effective</i> : | |
| § Complex application procedures where detailed information on the company and project/proposal is required; | |
| § Where the same applicant can apply for several grants. | |

Pre-participation assistance

Various forms of pre-participation assistance given to SMEs can be useful, particularly if programme requirements cannot be simplified. Examples include helpdesks, and the provision of online guidance and other forms of information provision.

| HELPDESKS |
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| <i>Current example</i> of the application of the measure: |
| § There are 61 national contact points specifically for SMEs to assist their participation in the FP7. |

| HELPDESKS | |
|--|---|
| <p><i>Advantages:</i></p> <ul style="list-style-type: none"> § The organisational structures are in place already as EU programmes typically have national contact points that assist programme participants. These can be tailored to the needs of SMEs; § Can provide personalized assistance in the local language. | <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> § Resource intensive and thus high cost. |
| <p><i>Circumstances where the measure is likely to be most effective:</i></p> <ul style="list-style-type: none"> § Where application procedures are complex; § Where funding requires partners in other countries. | |

| ONLINE GUIDANCE AND OTHER INFORMATION | |
|--|---|
| <p>Current <i>example</i> of the application of the measure:</p> <ul style="list-style-type: none"> § The 'Techweb' site provides information to SMEs wanting to participate in research and the FP7. | |
| <p><i>Advantages:</i></p> <ul style="list-style-type: none"> § Easy to access information and documentation; § Relatively low cost; § Easy to update. | <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> § Risk of 'information overflow'; § Risk of creating additional layer resulting in low visibility among target audience; § Published material can become outdated quickly. |
| <p><i>Circumstance where the measure is likely to be most effective:</i></p> <ul style="list-style-type: none"> § Can be applied for most EU programmes; § Need for awareness raising. | |

Preferential treatment

Various forms of preferential treatment can be used to Think Small First in EU programmes. Two examples that can be considered are higher funding rates and priority to SMEs when awarding grants.

| HIGHER FUNDING RATES |
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| <p>Current <i>example</i> of the application of the measure:</p> <ul style="list-style-type: none"> § In FP7, SMEs can receive a maximum of 75 per cent of eligible costs funded |

| HIGHER FUNDING RATES | |
|--|---|
| instead of the usual 50 per cent. | |
| <p><i>Advantages:</i></p> <ul style="list-style-type: none"> § Can serve as an incentive for SMEs to participate in programme; § Can increase SME participation. | <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> § Costly from a community perspective. |
| <p><i>Circumstance where the measure is likely to be most effective:</i></p> <ul style="list-style-type: none"> § Where the need for co-funding is a significant and recognised barrier for SMEs. | |

| PRIORITY WHEN AWARDING GRANTS | |
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| <p>Current <i>example</i> of the application of the measure:</p> <ul style="list-style-type: none"> § In the ECO-Innovation programme SMEs are prioritized when grants are awarded. | |
| <p><i>Advantages:</i></p> <ul style="list-style-type: none"> § Can serve as an incentive for SMEs to participate. § Increases SME participation in programme. | <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> § Good projects may be discarded because they originate from large companies. |
| <p><i>Circumstance where the measure is likely to be most effective:</i></p> <ul style="list-style-type: none"> § Can be applied for most programmes if relevant and accepted. | |