

COM-6/032

Brussels, 2 October 2001

OPINION

of the Committee of the Regions

of 19 September 2001

on the

Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on Helping SMEs to "GO DIGITAL"

(COM(2001) 136 final)

The Committee of the Regions

HAVING REGARD TO the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on Helping SMEs to "GO DIGITAL" (COM(2001) 136 final);

HAVING REGARD TO the decision of the Commission on 22 March 2001, under the first paragraph of Article 265 of the Treaty establishing the European Community, to consult it on this matter;

HAVING REGARD TO the decision of the President of the Committee of the Regions on 10 April 2001 to instruct Commission 6 (Employment, Economic Policy, Single Market, Industry and SMEs) to draw up an opinion on this subject;

HAVING REGARD TO the e-Europe 2002 Action Plan: An Information Society for All, endorsed by the Feira European Council;

HAVING REGARD TO the conclusions of the Lisbon and Stockholm European Councils concerning further policy actions with a view to making the EU the most competitive and dynamic knowledge-based economy in the world;

HAVING REGARD TO its opinion on the role of local and regional authorities in linking education and training establishments to enterprises (CdR 346/1996 final)¹;

HAVING REGARD TO its Opinion on the Communication from the Commission – Challenges for Enterprise Policy in the Knowledge-driven Economy and the proposal for a Council Decision on a Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) (CdR 185/2000 fin)²;

HAVING REGARD TO its Opinion on the Communication from the Commission to the Council and European Parliament on "Innovation in a knowledge-driven economy" (CdR 468/2000 fin)³;

HAVING REGARD TO its Opinion on a Report of the Business Environment Simplification Task Force (BEST) and the Commission Communication Promoting Entrepreneurship and Competitiveness – The Commission's response to the BEST Task Force report (CdR 387/98 fin)⁴;

HAVING REGARD TO its Opinion on the Communication from the Commission on a European initiative in electronic commerce (CdR 350/97 fin)⁵;

HAVING REGARD TO the draft Opinion (CdR 198/2001 rev. 1) adopted unanimously by Commission 6 on 2 July 2001 (rapporteur: **Ms Hanniffy**, IRL-PPE, Member of Offaly County Council, Member of Midlands Regional Authority);

WHEREAS SMEs are a key source of economic growth and creation of employment within the European Union they have a relatively low usage of Information and Communications Technology (ICT) for commercial transactions and face a number of barriers to capturing the potential that new technologies have to offer;

adopted the following opinion unanimously at its 40th plenary session of 19/20 September 2001 (meeting of 19 September 2001).

1. **The Committee of the Regions' views regarding the Communication**

1. The Committee of the Regions welcomes the Communication as an effort to highlight the barriers that SMEs experience in maximizing their use of ICT and proposing a range of actions to overcome these obstacles and helping SMEs to go digital.
2. The Committee acknowledges the work that has been achieved thus far to provide a more favourable environment for the development of e-business, not least efforts to establish a clear and predictable legal framework at the EU level.
3. The Committee recognizes that quick and effective action is necessary in assisting SMEs to take advantage of ICT. Given that only 42% of Europe's SME's have access to the Internet and the rapid pace of change of these technologies, the CoR would strongly urge that the Go Digital initiative be given a priority within the work of the Commission, and also the Member States, as well as sufficient resources to ensure that it achieves concrete results. The Committee feels that the success or otherwise of this initiative could have a significant impact on the EU's future competitiveness.
4. The Committee of the Regions is concerned that the Go-Digital campaign will not achieve its broad objectives given its reliance on a range of separate funding instruments and supporting actions across a large number of policy areas with different priorities.
5. The Committee is concerned that individual funds will promote digital usage at uneven rates between regions and different sectors. The Committee would also question the capability of mainstreaming the Information Society in the Structural Funds and is concerned that such projects will not secure adequate investment.

6. The CoR is displeased that there is very little reference to the role of local and regional authorities in the 11 Action Areas that the Communication sets out. In this regard it draws attention to the fact that local and regional authorities already provide direct and indirect support to SMEs and have the potential to contribute to many of the actions proposed for the Go-Digital campaign.
7. The Committee is extremely concerned at the possible widening of the socio-economic gaps between regions, by creating a digital divide. The Committee is of the view that reliance on market forces alone may not address this issue. Digital development in common with adequate infrastructure is a pre-requisite for socio-economic development.
8. The CoR accepts that while the knowledge-based economy possesses great potential some regions will be in a position to benefit more than others. The CoR would emphasise that the Go-Digital initiative should address the real problems that SMEs face, particularly in less-favoured, more remote areas of the European Union.

2. The Committee of the Regions' Recommendations regarding the Communication

1. Take-up of Digital Technology

1. The Committee is concerned at the low take-up by SMEs and considers that an integrated response addressing areas such as skills, attitudes, education and support is required. For this reason the Go-Digital initiative is most welcome but the CoR has a concern that the synergy necessary to expedite progress will not be achieved through uncoordinated action by individual Member States and fund flows from separate sources.
2. The CoR emphasises that the upgrading of skills must be addressed within existing programmes. Increased linkages between the formal educational system and the activities of SMEs are required. The inclusion of an e-Digital content in 3rd level curricula should become a norm and this should apply to all courses including business scientific, cultural and social. Initiatives such as e-Learning and EICTA are welcome in this regard.
3. The Committee would highlight that a particular problem is the unavailability of skilled trainers in many regions. This has resulted in the potential for under-utilisation of existing hardware and software by SMEs. In addition to a concentrated effort by the formal education system the CoR underlines that imaginative solutions are required, for example:
 - the development of one-to-one mentoring through existing networks;
 - the expanded role of the ICT service sector in producing inexpensive customer support systems, such as online technical and e-learning supports specifically for SMEs;
 - the utilisation of skills in existence within the public service to support SMEs;
 - the possibility of tax incentives for expenditure by SMEs on ICT and e-learning.
4. The Committee considers that intra-national, international and in particular inter-regional networks need to be strengthened and formalised. An increased role for existing partnership arrangements (e.g. business associations) is necessary. Initiatives similar to the "Follow-up on the 'Go-Digital' initiative", DG Enterprise's grant theme to organize national and regional conferences must

be repeated. This should preferably take place at the beginning of 2002 to enhance the networking process.

5. The hosting of a conference to discuss regional strategies and success stories in e-Business is recommended, which, the Committee feels, could help accelerate the confidence building process and a demand-led uptake of ICT technologies by SMEs.
6. The Committee recommends that all support systems for new start-up business should strongly encourage the incorporation of e-Technology from the outset.
7. The small number of trials/best-practice actions to be carried out under the IST programme needs to be expanded and supported in order to reach a wider audience.

2. Best use of Structural Funds and other funding instruments

1. The Committee recognises the significant potential offered by the 400m Euro ERDF funding for the new Innovative Actions initiative. There is a need to promote digital technology as a driver of innovation by defining possibilities previously unknown. This fund should prioritise such projects as the Committee is concerned that ICT projects will not secure adequate investment under the Structural Funds.
2. A more specific targeting of support for smaller SMEs (micro-enterprises of 1-9 employees) is required to increase their existing low levels of usage and to build on their potential for job creation.
3. The Committee considers that the benchmarking process, set out in the Communication, should also include an examination of the effectiveness of and synergy between funds in relation to supporting SMEs and e-Technology usage.
4. The CoR recognises that high cost is an issue for SMEs, particularly in relation to ongoing maintenance and support of e-Technology. A guide should be issued summarising the potential supports available to SMEs through the Structural Funds and other support programmes. This should be produced in an accessible user-friendly way to make access to this information more straightforward for SMEs and individual entrepreneurs.

3. The role of the public sector

1. The Committee underlines the crucial role that can be played by e-government and other public sector initiatives in promoting the uptake of digital technology by SMEs. Initial exposure to the knowledge-based economy frequently happens through interactions with regions and Member States in areas such as tax payment, VAT reconciliation, licences, patents/trademark applications and employee legislation. The further development and co-ordination of e-government initiatives can continue to reduce the regulatory burden on SMEs.
2. The attention of Member States' initiatives should be focused on the needs of SMEs. Programmes should be re-prioritised, where relevant, to accelerate government to business (G2B) activity in areas such as business registration, state-assistance programmes, statistical returns, invoicing for supply of goods and payment.

3. The Committee sees the further development of local governance as a key factor in future success. Proactive dialogue with SMEs, digital democracy, public-private partnerships, community development initiatives and the development of local information hubs are examples of initiatives which exhibit the potential to business of the knowledge economy.
4. The Committee requests the Commission to advance concrete proposals to enhance actions in these areas over the next two years.

4. **The role of regional and local governments**

1. The Committee welcomes reference to regional strategies in the Communication but is concerned that there is an inadequate reference to the role of local and regional authorities and asks for this to be addressed. Further consideration, by the Commission, will be necessary to strengthen this role in the implementing phases of the initiative.
2. The Committee is of the view that local and regional authorities' role should be articulated in all appropriate proposed actions. Areas such as benchmarking, information dissemination, confidence and awareness-raising, the review of funding mechanisms, public sector activity and monitoring are proposed areas for concentrated regional and local involvement.

5. **Social cohesion**

1. The CoR is concerned by the slow provision of broadband infrastructure in some isolated/rural regions, and it would therefore welcome the Commission initiating a sharing of experiences exercise between regions on supporting the development of these or alternative infrastructures, such as wireless technology.
2. The Committee notes that even where a broadband infrastructure exists, there are insufficient opportunities in some regions for firms, households, schools, libraries, etc. to link up with it. It is often not economically worthwhile for cable companies to install these connections. Without this infrastructure it will be much more difficult to promote other initiatives aimed at boosting internet use. The Committee would ask that this problem be given greater priority and financial assistance to provide for such connections.
3. Accordingly the Committee recommends that particular attention should be paid to regional disparities in ICT up-take during the current data collection/analysis phase and that consideration should be given to re-prioritising existing funding during the mid-term review stage should cohesion be threatened.

6. **Security and legal considerations**

1. The Committee recognises the progress that has been made in this area. Concerns about cross-border trade that will inhibit SMEs activities must be addressed. The production of a user-friendly summary of the current situation and its widespread dissemination to SMEs on a regional basis is recommended.
2. The Committee would also welcome further efforts to reduce concerns of consumers about exploitation and the issue of redress. This would in turn ease the concerns of SMEs that the lack of consumer confidence will cause them to

lose out to bigger and "better-known" competitors.

7. Benchmarking

1. The CoR considers that ongoing benchmarking will be crucial to the Go-Digital initiative and welcomes efforts to benchmark national and regional strategies to identify best practice as well as helping to establish quantifiable targets for the Go-Digital initiative, which it feels are essential.
2. The CoR would also underline that actions at local level should also be included in this process.
3. The Committee is concerned that the establishment of a "benchmarking committee", composed of a representative from each Member State, will not have sufficient expertise and knowledge to include and assess all regional and local actions, given that in some Member States these national representatives have little contact with local and regional authorities.
4. The Committee would again regret, as it has in previous opinions, that local and regional authorities have not been assigned a formal role in the open co-ordination methodology – the BEST process. In developing and implementing a benchmarking process for regional and local strategies supporting SMEs to use ICT it seems incomprehensible that local and regional authorities are not directly involved.
5. The CoR therefore calls for a systematic benchmarking process at the regional level, including regional and local authorities, and SMEs' representatives, directly in the process.
6. The CoR would at the very least propose that there should be an EU workshop on benchmarking local and regional strategies for assisting SMEs to Go Digital and the Committee is prepared to co-operate with the Commission in this exercise.

8. Implementation of the Initiative

1. The Committee emphasises that time and the need for quick and effective action are important in a rapidly changing digital world. The planned programme of activities must be accelerated by the Commission to ensure that competitive advantage is optimised.
2. The CoR acknowledges the need for adequate monitoring of ICT take-up by SMEs in formulating future actions. This should not, however, be used as an excuse for postponing interventions which are urgently required given the identified low uptake of e-Digital technology by SMEs.
3. The monitoring groups being established in each Member State must be adequately resourced and include representatives active in the promotion and assistance of SME development and local and regional authorities.
4. The CoR believes that in some cases the ability of the Euro-Information Centres (EIC) to deliver some of the actions as outlined in the Communication is questionable, given the experience of these in some Member States. The CoR

would urge that a more interactive means of promoting Go Digital, such as local authorities, be used in these cases.

5. Given that many of the barriers highlighted in the Communication require action at a number of levels and across policy fields, the Committee would urge the various Directorate Generals to develop cohesive and responsive working relationships to ensure the success of the initiative.
6. The CoR is prepared to co-operate, where possible, with the Commission in the implementation of the Go-Digital campaign and would urge the Commission to consider the recommendations that it has made in this opinion.

Brussels, 19 September 2001

The President

The Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

Jos Chabert

Vincenzo Falcone

¹ OJ C 116, 14.4.1997, p. 98

² OJ C 22, 24.1.2001, p. 10

³ OJ C 253, 12.9.2001, p. 20

⁴ OJ C 293, 13.10.1999, p. 48

⁵ OJ C 180, 11.6.1998, p. 19

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