

## **SMALL AND MEDIUM-SIZED ENTERPRISES (SME) ACTION PLAN**

### **BACKGROUND**

#### **Why are SMEs important?**

1. Europe's defence industrial base can sustain its competitive edge only if it has the knowledge and technological capacity to maintain innovation. The European defence sector is dominated by Original Equipment Manufacturers (OEM) or prime contractors, but the vast majority of the players are SMEs; in some Member States they are the defence industry. SMEs, whether defence-specific or a mix of civil and military business, are a vital driver of innovation. They represent the common denominator for Europe's defence industrial base. Helping them realise their full potential is one important way of supporting future European defence industrial competitiveness. This requires defence industry, Member States and supporting institutions to share and utilise best practice wherever it might be found.
2. Centres of Excellence/Clusters act as an SME enabler to bring together like-minded companies and associated supporting bodies (research centres, universities, other academia, etc) for a common purpose: to make a significant improvement to innovation and business performance. Clustering is a "force multiplier" for SME performance; often providing the critical mass necessary for successful defence market entry and achievement.
3. Both SMEs and Clusters are priority areas for EDA and have also been similarly targeted by the Commission. We are actively working together to determine how community tools and intergovernmental instruments could benefit defence SMEs.

#### **EDA's role so far**

4. On 9 October 2009 the Steering Board approved the "Guidelines for facilitating SME access to the defence market". These guidelines provide non-binding recommendations for possible measures to be implemented by national authorities to support SMEs operating in the defence market.
5. The three annual reports on the guidelines show steady progress in implementing support measures and detail best practice in national policies on SMEs, and supporting measures. To complement these guidelines, National Defence Industry Associations (NDIA) have established Best Practices to encourage partnership and business between SMEs and large companies and public procurement agencies.
6. EDA work on Key Industrial Capabilities (KIC), with its detailed analysis of sectorial supply chains, has reinforced the importance of stimulating SMEs' access to the defence market. Proactive support measures have also been undertaken since 2006, for example, the Electronic Bulletin Board and the Code of Best Practice in the Supply Chain (COBPSC).
7. A recent EDA-commissioned study on European defence-related Centres of Excellence/Clusters provided a snapshot of the European defence cluster landscape and identified potential actions for their development. This study confirmed that innovation in the supply chain radiates also from the lower tiers, particularly SMEs.

## Exploiting EU instruments: European Structural Funds

8. There is an opportunity better to harness available EU policies, instruments and funds to support the needs of defence, and defence related industries. The Agency supports Member States in this aim. For the next EU financial framework from 2014-2020, there will be new emphasis on European Cohesion/Structural Funds (ESF) on innovation and the objectives of the EU2020 strategy (economic growth and job creation) as well as further work on initiatives such as regional smart specialisation. These policies will be inter-connected by a strong SME theme.
9. The EDA has already undertaken a joint workshop with the European Commission on Smart Specialisation to increase awareness of how innovation in defence SMEs can be better supported. EDA is developing a better understanding of ESF policy, the relevant actors, procedures and eligibility criteria to be able to support Member States and their industries to access ESF. As part of this, the Agency is currently identifying pilot Member States' pioneering projects capable of attracting ESF and organising a series of regional workshops. These measures represent the first steps in establishing systematic support – imbedded in EDA – to enable Member States to access available EU resources for innovation.

## Proposed Way Forward – “EDA SME indicative Action Plan”:

10. The following proposed measures will form an integral part of the EDA Action Plan to support defence industry SMEs:
  - a) Increasing interaction with Commission work on clusters and SMEs, with a focus on specific action to support defence-related SMEs and making best use of existing tools; Explore the potential to include provisions relating to defence related SMEs in the European Small Business Act in conjunction with the Commission;
  - b) Improving information sharing about business opportunities through the creation of an EDA forum/portal for defence-related SMEs (part of EDA's Defence Procurement Portal);
  - c) Supporting innovation through enhancing SME access to defence related research and technology by developing bridges between university research and SMEs; Improving defence-related cluster landscaping and development; promoting civ/mil activities including stimulating dialogue with, and between, defence-related SMEs;
  - d) Enhancing defence SME market conditions through developing further the extant SME guidelines and MS/NDIA best practice; better liaising with the activities of NDIAs to ensure the dissemination of best practices on SMEs to all member States; fully exploiting related workstrands within EDA, such as the Code of Best Practice in the Supply Chain (proposed update in 2013) and Defence Industry Data ;
  - e) Facilitating efficient use of subcontracting provisions in the recent Defence and Security Procurement Directive, through sharing of best practice;
  - f) Promoting the role of defence-related SMEs through the establishment of a special advisor to champion defence-related SMEs, with a remit to consider specific regional issues; The ongoing establishment of an informal industrial advisory board ; The partnership with AeroSpace and Defence Industries Association of Europe (ASD) to enhance the role that larger industries play in engaging SMEs in new projects.