

## Food for Thought

### How to Improve the Support for SMEs in the EDTIB

The positioning of the SMEs in the overall EDTIB (and their further integration into it) has been rightly & gradually filling in its place in the agenda of the European decision-makers sitting on both EU pillars, eg the Community (European Commission) and the intergovernmental (EDA).

This paper is primarily addressing the policy actions that are being developed through the EDA mechanism.

Following the last EDA SB (October 17<sup>th</sup>), EDA has been tasked to “*develop common guidelines for simplification and harmonisation of tendering and contracting processes for lower value contracts, in view of simplifying the procedures for defence SMEs*”. This mandate could be broken down into the following policy actions:

- Contract advertising thresholds
- Tendering time limits
- Contracting in different languages
- Standardised qualification criteria for certification of suppliers
- Protection of SME-owned IPRs

To this end, according to Industry’s understanding, additional actions, such as an Armaments Cooperation IT Platform and Business-to-Business (B2B) events to support Consortia-building & awareness-raising are scheduled to also be addressed/ implemented by EDA.

All these actions are greatly welcome, since they address the question of how to provide/create more incentives to national contracting authorities for “doing business with SMEs”. Clearly for instance, lowering contracting advertising thresholds, increasing R&T percentages targets for SMEs or allowing for English to become a default language in summaries of national contract tenders (a practise that is put in place by a growing number of countries anyway), will enable those contracting authorities to take a closer look at what potential SMEs suppliers might have in store.

ASD however is convinced that a set of complementary initiatives would be of great benefit to the supplier base. It is felt that the above set of actions while *in principle* creating conditions beneficial to SMEs across the pMS, will continue to privilege the *traditional, national* supplier base.

A complementary set of initiatives should therefore be developed with the aim of enhancing the *transactional* capabilities of SMEs and having the additional benefit of lowering the obstacles for access to *non-traditional suppliers*.

Enhancing the *transactional* capabilities of SMEs will make them more *attractive* business partners for purchasing authorities and prime contractors alike.

ASD therefore proposes to further develop the following set of initiatives in a logical sequence:

- **Assessment of capabilities (Technological & Transactional):**

There are on-going investigations at the EDA and under responsibility of the European Commission into the technological abilities of SMEs (mainly in the New Member States) and the competitiveness of European Defence-oriented SMEs overall.

To our knowledge, presently no effort is being undertaken to define which *transactional* capabilities are the basis for success in a fully integrated defence equipment market at the European level. Based on those findings, present abilities of SMEs should be assessed.

- **Design transactional toolkit:**

This is a fundamental piece of action and dialogue should be promoted with a view to identifying the tools and methods by which knowledge-intensive, yet reluctant/inexperienced, SMEs will become more attractive interlocutors for trans-borders businesses.

- **Training:**

Based on the above, appropriate training programmes should be set up and run with the financial support of National Governments (EDA mandate?) and the European Commission. Companies which are interested in raising their profile and level of maturity of processes should get the opportunity of training by using the transactional toolkit. The result of the successful implementation of improved processes and procedures could be the award of the quality label, necessary for entering the European database of suppliers in defence.

- **Establish database of suppliers :**

ASD feels that there is a great need to achieve more EU-level transparency on the supplier base, primarily at the SME level. The relevant information is probably available at the national level, but must be shared and implemented in a widely accessible common database. A European database of suppliers would allow an increasing cross-border partnering and would greatly support the creation of the EDTIB. In order to make the use of this database become accepted by all parties and reliable a commonly defined quality level of the registered companies is of importance. A “labelling system” could be envisaged, meaning that companies, who fulfil the necessary European quality criteria (for example: appropriate English language skills, certified processes/procedures, proven track record, etc.) are allowed to carry a label, allowing them to register in the database.

- **Labeling System:**

Successful completion of transactional training could lead to a formal recognition that should demonstrate to purchasing authorities and prime contractors that an SME is “worthy of consideration” as a provider of products or services.

- **IPRs:**

EDA has already started addressing this issue, but ongoing efforts are needed, as the protection of IPR is a crucial point for most SMEs, which on one hand need to be protected, and on the other hand need to be informed about their rights and level of protection. Only with the appropriate knowledge companies will lose the reluctance to engage in partnerships and cross-border business.

- **Workshops to support Clustering & Partnering:**

Establishing partnerships and entering cluster arrangements represent an important opportunity for SMEs to extend their business reach. However this does not happen by itself. Experience from other sectors, like in European research framework programmes shows, that the success of clustering and partnering is proven, but also dependent on concrete business opportunities. We therefore recommend designing a programme of specific workshops in order to support *concrete* EU-level projects.