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I

(Information)

COURT OF AUDITORS

SPECIAL REPORT No 5/93

concerning

business and innovation centres together with the Commission's reply

(94/C 13/01)

(Observations pursuant to the second subparagraph of Article 188c(4) of the EC Treaty)

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INTRODUCTION

1. In order to strengthen the endogenous potential of the regions, since the end of 1984 the Commission has been providing finance for the creation of Business and Innovation Centres (BICs) within industrial zones. A BIC is an instrument of local development which brings together representatives of the government and development agencies in association with universities, research centres, financial institutions and the private sector, with the aim of creating and developing businesses. The BICs are supposed to attempt to exploit latent potential for development in run-down regions which has been overlooked or little exploited by the private sector and the traditional instruments of aid to business. For this purpose, a BIC should not be content to offer the usual range of services to businesses: it should also make use of its own expertise in order to evaluate the management skills of entrepreneurs who come to it for help, in particular by means of an evaluation of business plans. The setting-up of any BIC should be based on a recognition by the various parties involved of the need within their region for such a body and of the need for them to take an active part in its development. The Community aid is supposed to help the BICs become operational: eventually they are supposed to become self-financing, i.e., according to the Commission, they are supposed to finance their operating costs from their revenue plus any national aid or private contributions. The BICs and organizations with similar aims are linked by means of a network managed by an organization called 'European Business and Innovation Centre Network' (EBN). The Commission also provides part of the financing for EBN and for various BIC support activities and pilot schemes concerned with seed capital to which the BICs contribute.

2. The amount of the Community aid is fixed in an agreement between the Commission and the promoters of each BIC. In 1992 the operating appropriations concerning the BICs were entered under budget heading B2 — 661. In addition to these, there were also appropriations earmarked for support and back-up expenditure for the BICs, which were entered under heading B8 — 261. At 31 December 1992, the final appropriations entered under the various budgetary headings concerned since 1984 amounted to 42,1 Mio ECU and an amount of 38,0 Mio ECU, or 90,3 %, had been used. The corresponding payment appropriations amounted to 35,8 Mio ECU, of which 27,6 Mio (77,1 %) had been paid (see *Table 1*).

BASIC REGULATIONS AND FINANCIAL MANAGEMENT

3. There is no specific formal framework for the subsidies to the BICs, although the Commission did submit proposals for decisions on this matter to the Council on 23 January 1987 ⁽¹⁾ and 7 July 1988 ⁽²⁾. The remarks in the

Commission's budgets provide the justification for the appropriations granted to the BICs on the basis of general Community policy guidelines (such as those set out in the ECSC Treaty), on the one hand, and research programmes in the fields of information technology (ESPRIT) and new technologies (BRITE) on the other.

4. The proposal put forward by the Commission in 1988 estimated that a budget of 15,5 Mio ECU for the period 1988-1991 was needed, so as to set up around 100 BICs and the EBN. Commitments entered into by the Commission amounted to 38,0 Mio ECU at 31 December 1992, which is almost 250 % of the amount proposed. According to the Commission, the increase to the original financing package was due, in particular, to the newness of the BICs, rising costs and the extended launching period for the BICs, especially in the poorest regions. In addition, the Commission has developed and financed related measures.

5. The maximum amount of Community aid to the BICs is fixed on the basis of a financing plan adopted by contract between the centres and the Commission. The aid is paid to them directly, on the basis of the total real costs of execution, i.e. the actual costs plus the value of contributions in kind. In many cases the latter represent a substantial proportion, sometimes more than 50 %, of the eligible expenditure declared (e.g. the Dublin BIC). Despite the importance of contributions in kind for the financing of the BICs and, therefore, for the calculation of the amount of Community aid, the Commission did not draw up any instructions on the subject until 1989.

SELECTION CRITERIA

6. The distinctive feature of the BICs is their industrial and innovative function and their approach, which emphasises the concept of the 'business plan'. There were very few cases where the Commission's files included details of the selection of the BIC promoters. In view of the variety of public and private organizations that may be involved in the formation of undertakings, the Commission should have advertised these initiatives more widely, in order to select the best-qualified promoters, whilst also avoiding the risk of supporting centres which, in some respects, may be duplicating the work of existing organizations.

7. Thus, the Prefect of one French region complained of not having been informed of the setting-up of a BIC and hoped that there would be better coordination in future. In another case (I-Chieti), the managers of the BIC to which the Commission gave its support had submitted an

⁽¹⁾ OJ C 33, 11.2.1987, page 5.

⁽²⁾ OJ C 214, 16.8.1988, page 65.

Table 1: Implementation of the budgetary appropriations for the BICs during the period 1984-1992

(ECU)

Year	Item	COMMITMENTS						
		Budget	Transfers	Final approps.	Lapsed appropriations	Commitments	Cancellations	Commitments entered into
1984	7740-CND	1 500 000	0	1 500 000	4 639	1 495 361	149 204	1 346 157
1985	7740-CND	0	780 000	780 000	1 500	778 500	79 934	698 566
1986	7731-CND	2 900 000	0	2 900 000	54 500	2 845 500	362 043	2 483 457
1987	5430-CND	2 000 000	375 000	2 375 000	300	2 374 700	281 647	2 093 053
1988	5430-CD	4 400 000	-95 250	4 304 750	361 750	3 943 000		3 943 000
1989	5430-CD	6 100 000		6 100 000	41 716	6 058 284		6 058 284
1990	5430-CD	7 000 000	-285 000	6 715 000	760 922	5 954 078	2 748	5 951 330
1991	B2601-CD	6 084 000	2 018 975	8 102 975	179 637	7 923 338	-55	7 923 393
	B8261-CND	1 116 000	-473 000	643 000	158 648	484 352	60 631	423 721
1992	B2601-CD	7 514 000		7 514 000	269 808	6 989 972	315 731	6 674 241
	B8261-CND	1 116 000		1 116 000	725 141	390 859		390 859
		39 730 000	2 320 725	42 050 725	2 558 561	39 237 944	1 251 883	37 986 061

(ECU)

Year	Item	PAYMENTS				
		Budget	Transfers	Final approps.	Lapsed approps.	Payments made
1984	7740-CND	1 500 000	0	1 500 000	153 843	1 346 157
1985	7740-CND	0	780 000	780 000	81 434	698 566
1986	7731-CND	2 900 000	0	2 900 000	416 543	2 483 457
1987	5430-CND	2 000 000	375 000	2 375 000	281 947	2 093 053
1988	5430-CD	1 500 000	-95 250	1 404 750	1 010 319	394 431
1989	5430-CD	4 500 000		4 500 000	237 185	4 262 815
1990	5430-CD	7 000 000	-45 000	6 955 000	3 076 757	3 878 243
1991	B2601-CD	5 384 000	1 958 975	7 342 975	1 765 259	5 577 716
	B8261-CND	1 116 000	-473 000	643 000	219 279	423 721
1992	B2601-CD	6 300 000		6 300 000	711	6 134 289
	B8261-CND	1 116 000		1 116 000	725 141	269 488
		33 316 000	2 500 725	35 816 725	7 968 418	27 561 936

Source: Revenue and expenditure account

application for ERDF assistance for the same operation. In the latter case the local authorities had not forwarded the application, in view of the weakness of the file submitted. It should be stressed that the establishment of this BIC has involved a great many problems.

8. There was also a clear lack of coordination at the Commission: for example, within the framework of a national programme of Community interest (NPCI) the ERDF financed the secondment of a technological adviser to a BIC. The BIC in question treated the loan of staff as a contribution in kind and cited the contribution to justify an award of Community aid (F-Auvergne).

MONITORING AND CONTROL BY THE COMMISSION

9. In several cases, commitments were entered into without the Financial Controller's prior approval. For example, on 19 October 1989 EBN was awarded a subsidy of 250 000 ECU and accepted it on the 30th of the same month. The corresponding commitment proposal was not, however, issued until 4 December 1989 and was approved on the 15th of the same month, almost two months after the subsidy was awarded to EBN. Part of the subsidy was to cover the publication of two newsletters before 31 December 1989. However, only one was published within the period stated and the cost of producing the two publications was 5 375 ECU less than forecast. The latter amount was cancelled in July 1992, more than two years late.

10. In principle the BICs ought ultimately to become self-financing, as indicated in paragraph 1. It very soon became apparent, however, that this constraint was very hard to observe, because the viability of many BICs could not be guaranteed in the absence of outside aid. The Commission therefore continued to award them aid from budget headings other than those earmarked for the BICs, notably in the form of ERDF support. The Commission must monitor this dilution of the self-financing objective closely, in order to avoid perpetuating grants of Community aid to these centres.

11. Some BICs receive support under other Community measures. This applies to BICs in Belgium, France, Italy, the Netherlands, Portugal and the United Kingdom. Contrary to the practice usually followed for business aid schemes which are co-financed by the Commission, some of the BICs do not require the beneficiaries of their activities to bear part of the cost.

ASSESSMENT

12. The proposals made by the Commission in 1987 and 1988 provided for the submission of a report every two years. The Commission tried, unsuccessfully, to carry out an assessment in 1988. This was followed up with an enquiry which, although it was not orientated specifically towards assessment of the BICs, nevertheless contained questions which pointed in that direction. The data that were collected were, however, barely usable. As of end-1992 no other procedure for the global assessment of the BICs had been put into operation.

13. One of the important objectives of the BICs is to promote innovatory activities. However, the interpretation of 'innovation' that has been adopted is that of any activity, product or process that is new to the industrial environment of the zone concerned. The concept takes into account the level of technological development of the region concerned, but it does, sometimes, lead the BICs to become involved in developing marginal activities. In certain of the cases examined, the projects aided by the BICs were in the services sector. For example, some BICs became involved in projects such as transport services, hairdressing or fast food.

14. The results obtained frequently fall far short of what is intended because, in general, the time required for projects to be selected and to come to maturity was underestimated, at least at the start of the BIC operations. In various BICs it is difficult to discern the precise role of the centres. In practice, BIC intervention covers a very wide range, from straightforward advisory work to active participation in getting projects off the ground. The Commission should ensure that the BICs abide by their initial objectives. In this respect, it should be noted that out of 80 BICs which have received Commission grants since 1984, 49 were officially awarded the title of BIC by the Commission, 18 are at the preparatory stage and the remaining 13 are no longer operating as BICs (see *Table 2*). Furthermore, if the BICs do not achieve their objectives, there is no procedure for recovering the Community funds awarded to them.

15. *Table 2* reveals, moreover, concerning the geographical distribution of the allocation of appropriations, a disparity between countries and amounts for which no justification has been found.

EUROPEAN BUSINESS AND INNOVATION CENTRE NETWORK

16. Shortly after the formation of the 'European Business and Innovation Centre Network' (EBN), the general secretariat of the organization was taken over by a former Commission official who, in 1986, took voluntary

Table 2: Business and Innovation Centres receiving grants from the Commission

	List of beneficiaries	Areas	Amount (ECU)	Year of contract	Status
B	Centre de services pour entrepreneurs INNOTEK — Innovatie- & Technologiecentrum Kempen vzw Société pour la création d'activités nouvelles — SOCRAN	Charleroi Geel-Turnhout Liège	115 652 73 458 53 400	1984 1986 1990	(1) (1) (1)
D	Berliner Innovations- und Gründerzentrum UIZ Cloppenburg BIC BIC Frankfurt (Oder) GmbH BIC Zwickau GmbH BIC Stendal	Berlin Cloppenburg Frankfurt (Oder) Zwickau Stendal	100 000 150 000 1 068 600 1 064 800 722 450	1984 1987 1991 1991 1992	(3) (1) (2) (2) (2)
GR	BIC Thebes Patras BIC Chania BIC Chamber of Larissa	Thebes Patras Crete Larissa	150 000 246 000 729 000 428 000	1986 1988 1991 1992	(3) (1) (2) (2)
E	BEAZ S.A. Centro de Empresas e Innovación de Bizkaia Centre d'Empreses de Noves Tecnologies S.A. BIC HENARES — Cámara de Comercio e Industria de Madrid BIC Navarra — CEIN, S.A. EUROCEI Centro Europeo de Empresas e Innovación SA IMPIVA — Instituto de la Mediana y Pequeña Industria Valenciana CEICALSA — CEI de Castilla y León S.A. CEI Extremadura — SODIEX CEEI Aragón, S.A. — Ayuntamiento de Zaragoza — PRONAE Centro Europeo Empresas e Innovación de Galicia, S.A. Instituto de Fomento de la Región de Murcia BIC Cantabria Instituto de Fomento de Andalucía	Bilbao Barcelona Madrid Navarre Seville Valencia — Alcoy Castille and Léon Extremadura Aragón Galicia Murcia Cantabria Malaga	147 000 160 000 140 000 331 000 475 000 150 000 465 000 363 000 591 000 718 000 632 000 394 000 686 000	1986 1987 1988 1988 1988 1988 1989 1989 1990 1991 1991 1992 1992	(1) (1) (1) (1) (1) (1) (1) (2) (2) (2) (1) (2) (2) (2)
F	CEEI SYNERGIE PROMOTECH NANCY CEEI Nimes — Chambre de Commerce CEEI Poitiers — Conseil général de la Vienne CREANOR Centre d'Entreprise et Innovation CEEI CAP-ALPHA — District de l'agglomération de Montpellier CEEI Toulon — Chambre de Commerce et d'industrie du Var CEI de Clermont-Ferrand CEI 12 CEI Cholet-Pays Loire CIDE — Le Creusot CEEI CAPE 17 CEEI Saint-Étienne CEEI THEOGONE Pépinière	Thionville-Metz Nancy Nimes Poitiers Dunkirk Montpellier Toulon Clermont-Ferrand Aveyron-Millau Pays de la Loire Le Creusot La Rochelle St-Etienne Toulouse — Haute-Garonne	115 000 80 000 175 000 120 000 135 000 160 000 130 000 220 000 135 000 224 000 208 000 217 000 253 000 163 800	1984 1985 1987 1987 1987 1987 1987 1988 1990 1990 1990 1990 1990 1991	(1) (1) (1) (1) (3) (1) (1) (3) (1) (3) (3) (2) (2) (1)
IRL	Southwest Business & Technology Centre Dublin BIC Galway BIC — Innovation & Management Centre Limerick BIC	Cork Dublin Galway Limerick	145 000 150 000 150 000 135 000	1984 1986 1986 1986	(1) (1) (1) (1)
I	BIC Liguria CII Pistoia SPRIND S.p.A. — Soc. per la promozione industriale CII Foggia — Presso Consorzio ASI FINPIEMONTE S.p.A. BIC Taranto — CISI Centro Tecnico Promozionale CSP/BIC Livorno — Piombino INNO-JMP — CII Toscana Sud EURO-BIC Piceno Abrutino Eurobic Abruzzo BIC SALERNO S.p.A. — Associazione CII Campania Sud BIC Sardegna S.p.A. BIC Lazio Associazioni BIC Sicilia Occidentale BIC Potenza BIC Marche Srl	Genoa Pistoia Bari Foggia Turin — Piedmont Taranto Battipaglia Livorno Siena Ascoli Piceno-Teramo Chieti Salerno Cagliari — Sardegna Lazio Palermo Potenza Senigaglia	145 000 115 000 500 000 150 000 507 000 100 000 150 000 140 000 320 000 340 000 280 000 410 000 295 000 395 000 398 000 485 000 390 000	1984 1984 1985 1986 1986 1986 1987 1987 1987 1988 1988 1988 1988 1989 1989 1992 1992	(1) (3) (1) (3) (1) (1) (3) (1) (1) (1) (1) (2) (1) (2) (1) (2) (2) (2)
NL	Europees Bedrijven Centrum Heerlen B.V. INDUMA — BIC Helmond BIC Twente B.V.	Heerlen Helmond Enschede	165 000 107 000 86 000	1986 1987 1988	(1) (1) (1)
P	CEISET — Centro de Empresas e de Inovação de Setúbal NET — Novas Empresas e Tecnologias, S.A. CPIN — Centro Promotor de Inovação e Negócios Unesul — Associação Universidade Empresa do Sul NET — Novas Empresas e Tecnologias, S.A.	Almada — Setúbal Oporto Lisbon Evora — Alentejo Guimaraes	180 800 120 000 476 000 796 000 229 000	1986 1987 1990 1992 1992	(1) (1) (1) (2) (2)
UK	Swansea-Newcastle BIC Barnsley BIC Ltd Calderdale BIC — Metropolitan Borough of Calderdale Innovation Centre NORIBIC South East Wales BIC Cheshire BIC Limited NEWTECH Clwyd Limited Lancashire BIC Strathclyde Innovation Nottingham Centre for Innovation Plymouth BIC Tameside BIC	Swansea-Newcastle Barnsley Halifax-Calderdale Londonderry-Derry Cardiff Chester-Cheshire Clwyd Lancashire Glasgow-Strathclyde Nottingham Plymouth Manchester	115 000 144 600 80 000 100 000 110 000 75 000 150 000 85 000 250 000 168 000 95 000 523 000	1984 1985 1985 1985 1986 1986 1986 1986 1986 1987 1987 1990	(3) (1) (3) (1) (1) (1) (1) (1) (1) (3) (3) (1)
	Total		22 244 560		

(1) Created and recognized by the European Community

(2) In preparation

(3) Not active as a BIC

Source: SINCOM and DG XVI

retirement from his position as head of the department which managed the aid to the BICs in order to work for EBN. Serious anomalies in EBN's management led to his dismissal in 1989 and resulted in a substantial correction to the subsidies earmarked for EBN for the financial year 1990.

17. In 1987 the former official, with his wife, set up a service company ⁽¹⁾ which was paid by EBN for management work. EBN paid a total of 11,3 Mio FB to the service company, including 1,785 Mio FB by way of compensation for breach of contract.

18. Furthermore, at the end of 1988, the same official was party to the formation of a company called EBN Services S.A., which proposed to manage EBN in return for 90 % of its revenue. This offer was deemed to be unacceptable by the members of EBN. However, since EBN Services S.A. had its registered office at the same place as EBN and had incurred certain expenses in connection with its own activity, a dispute arose between EBN Services S.A. and EBN and had still not been resolved as of end-1992.

19. The Commission, which was responsible for the setting-up of EBN and finances its work, should have seen that the system of management selected was more transparent and should have monitored more closely the activities of the former official mentioned above so as to prevent the operational and financial anomalies that transpired.

20. EBN was subsequently restructured; it currently employs a staff of around 20, compared with two in 1989.

⁽¹⁾ The company's capital amounted to 2,1 Mio FB which included a 2,0 Mio ECU contribution in kind (the official's 'know-how') with a value based on the amount of the contract concluded between the service company and EBN.

Community subsidies cover EBN's deficit, up to a contractually agreed ceiling. The corresponding commitments have increased substantially, from an average of 0,3 Mio ECU for the years 1984 to 1990, to 2 Mio ECU for 1991 and 1,8 Mio ECU for 1992 (see *Table 3*).

21. These subsidies are paid by means of a system of advances, the balance being paid after the end of EBN's financial year. The advances and balances are paid very late and in 1992 EBN was obliged to ask a financial institution for a line of credit, in order to ensure that it could continue to operate.

22. The system of aid to EBN also prevents the organization from building up the cash resources it needs to achieve independence. In effect, any profit that EBN makes reduces its deficit and produces a corresponding reduction in the amount of the operating subsidy to be paid by the Commission. Moreover, the work carried out by EBN is partly an extension of the work of the managing department (for example, assessment of the activities of the BICs or requests for help with the formation of a BIC), or work carried out at the Commission's request.

CONCLUSION

23. If Community action for the benefit of the BICs is to continue, it should be placed within an improved formal framework, in order to define its objectives and improve transparency.

24. The Commission should ensure that the support which it grants to the BICs is closely coordinated with the

Table 3: Community subsidies granted to EBN (1984-1992)

Year	Item	No of commitment	Commitments (ECU)	Payments (ECU)	Cancellations Lapsed approps. (ECU)	Balance (ECU)
1984	7740-CND	84840014	185 000	185 000		0
		84840015	230 000	230 000		0
1985	7740-CND	8585004	16 500	16 500		0
		85850010	170 000	170 000		0
1986	7731-CND	86860003	685 000	680 203	4 797	0
1987	5430-CND	87870018	140 000	45 000	95 000	0
1988	5430-CD	—	—	—	—	—
1989	5430-CD	89890003	62 881	62 881		0
		9289c036415	250 000	244 625	5 375	0
1990	5430-CD	9290s004479	490 000	450 000	40 000	0
1991	B2601-CD	9291s002227	2 089 140	2 013 165	75 975	0
1992	B2601-CD	9292s006269	1 811 370	905 685		905 685
			6 129 891	5 003 059	221 147	905 685

Source: SINCOM

regional development measures supported by it or by national authorities, so as to avoid duplication of effort and to exploit possible synergies to the full.

25. The Commission must develop a strict system for assessing the impact of the BICs and, in particular, it must ensure that it knows about the national aid paid to the BICs, so that it can determine the extent to which the self-financing objective has been achieved and thus estimate the

BICs' ability to guarantee the financing of their operating costs without Community assistance.

26. The Commission should re-examine the system of subsidies to EBN and should consider the possibility of applying the common rules on the provision of services (contracts subject to invitations to tender) to its relations with that company, so as to make the financial relationship between EBN and the Commission more open.

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 25 November 1993.

For the Court of Auditors

André J. MIDDELHOEK

President

REPLY OF THE COMMISSION

INTRODUCTION

1. The Commission's amended proposal for a Council Regulation for Community assistance to the BICs (OJ No C214, 16.8.1988, p. 65) envisaged that they should be 'ultimately self-financing'. However, this did not mean that they were intended to be self-financing overall, but only that they should cease to require Community finance. In the event, some of the BICs have continued to receive support from Community sources other than the BIC budget line, in situations where the relevant conditions were met.

REGULATORY BASIS AND FINANCIAL MANAGEMENT

3. During the discussions in 1988 of the proposed Council regulation, it was concluded that these activities should be regarded as pilot actions having as their objective the creation of around one hundred centres, which in the Commission's view constituted the essential critical mass needed in the less favoured regions.

Given the mechanisms required to prepare and launch BICs based on local consensus, it was difficult at the outset to judge how long it would take to reach this objective. In the event, as of May 1993, the preparatory phases of 80 BICs have been supported. Since 1988 the budgetary authority has continued to approve credits for the BICs as pilot actions.

5. Facilities made available as in-kind contributions, such as buildings or equipment, are resources which otherwise would have to be purchased on the commercial market.

Only services directly provided for the operation of the Centre are allowed to be taken into account. Where personnel are seconded to the Centre's staff, precise details of their functions, time and cost must be provided and officially by the donors. These contributions are compared with the costs which would otherwise be incurred if such personnel were not made available and had to be recruited.

It is possible without undue difficulty to determine the value in monetary terms of such contributions. The Commission accepts in principle to co-finance these in so far as they are quantifiable; this is indicated in writing to the recipient of the grant.

Guidelines for in-kind contributions have always been applied: in 1989 they were revised and strengthened, e.g. as regards equipment depreciation, transfer of funds and income generation.

SELECTION CRITERIA

6. The system is designed to be an integrated approach to the promotion and evaluation of entrepreneurship and innovative projects, the development of management skills and the preparation of business plans with technical and marketing advice, thus facilitating access to the financial market.

Community efforts during the early Eighties to stimulate and assist in the generation of better quality SMEs, in particular in relation to ECSC lending operations in coal and steel closure areas as well as with regard to areas affected by the decline of other traditional industries, revealed a need for the type of assistance provided by BICs. During that early period the BIC concept was promoted by the Commission and the newly-formed EBN. Following this initial promotion activity, the need for a business development system and the interest in it were apparent, and no major publicity campaign was therefore judged necessary. Moreover, the limited budgetary resources available for promoting BICs made it inappropriate to spend large amounts on publicity.

The impetus for establishing a BIC arises from the recognition by the public authorities and agencies involved in business creation and development in partnership with private sector interests in a particular area, that they need to promote a BIC as part of their economic development strategy and are prepared to bear the costs involved.

The initiative for establishing a BIC comes from a consortium of public and private bodies in the area and is not the result of a selection procedure by the Commission. Moreover, the emphasis laid on the comprehensive nature of the consortium of supporting bodies and the manner in which they take their decision to proceed with the establishment of a BIC eliminate the possibility of duplication of other development activities in the area concerned.

7. Regional authorities are consulted and informed about the Commission's assistance with the formation of a BIC. In virtually all cases the relevant local and regional public administration is one of the BIC's sponsors.

The remark concerning the Chieti BIC would appear to refer to a project proposed by a member of the promoting consortium for Community cofinancing. This project did not concern the Centre's activities. The participation of a local business development agency in a BIC-sponsoring consortium does not mean that it suspends its normal SME supporting activities or refrains from requesting ERDF support for the latter.

8. It is correct that in the case of the Auvergne BIC, the provision of part-time staff by an organisation of the Departement within the framework of a national aid was also the subject of cofinancing from the Regional Fund. It was not originally clear that this aid attracted ERDF assistance. The final accounts show this aid, which amounted to 30 954 Ecu. This sum, together with the aid granted to the BIC, remained within the pre-fixed limit.

MONITORING AND CONTROL BY THE COMMISSION

9. The assumption of political commitments in advance of the Financial Controller's visa has happened only on rare occasions. The late submission of the relevant documents by the responsible agency was the basis of this problem, which was subsequently resolved. Every effort is made to avoid these occurrences.

10 and 11. A BIC is supported by and large by its sponsoring consortium of public authorities in partnership with other business development interests as a means of achieving a public policy objective. Whilst a Centre may derive a certain amount of income from charges for services rendered, it is not regarded as a commercial venture aimed at reaching an independent or profitable financial status.

Under the contract for financial assistance from the BIC budget line, a BIC has to submit a detailed financial plan for its start-up phase. During this period, which has never exceeded 30 months, the Commission verifies that there is

no other direct financial assistance from other Community sources.

When a Centre has successfully completed its preparatory phase and becomes established, the competent Member State authority may decide to seek cofinancing support for its operations from the Structural Funds.

Centres obtain revenue by charging commercial rates for the services they render to recipients with the ability to pay. As part of their rôle in realising the potential of prospective entrepreneurs in the process of creating new businesses, payment for services rendered may be deferred until the companies are established commercially, which could be some two to three years after start-up.

EVALUATION

12. There is a provision in each BIC contract to evaluate results. This is done on the basis of each BIC's annual report. It takes up to two and a half years for a BIC to establish a fully operational structure. Only a proportion of the Centres are currently fully operational; the others are at various stages of the preparatory phase. It takes some two further years for the success of the businesses which a BIC has advised to become evident.

The evaluations carried out to date of those Centres which are fully operational suggest that some 2,000 new innovative enterprises have been created and about 1,000 companies redeveloped in the less developed Community regions, resulting in some 15,000 jobs.

The Commission is currently carrying out a full-scale evaluation of experience to date which should be completed by mid 1994; this is being done in conjunction with the EBN, which will in future conduct an annual evaluation.

13. Each BIC must be considered within its own geographical context. The Commission is satisfied that the BICs fulfil their function as instruments of local development. Service industries are not excluded. While the BICs are primarily concerned with supporting innovatory actions this should not be their sole concern.

14. The Commission recognises that considerable time is required; please see the comments made under para. 12 above.

The Commission attaches importance to ensuring that the BICs continue to fulfil their original aims. Where this turns out not to be possible, as in the 13 cases mentioned by the Court, the Commission withdraws its support.

The normal procedure (recovery orders) for recovering Community aid where necessary applies. However, in cases where it becomes clear during the preparatory trial period under contract that a BIC is not correctly pursuing its objectives, the contract is terminated and cofinancing ceases. The funds already transferred are not recovered except in the case of an overpayment for services already rendered.

15. As mentioned above the establishment of a BIC follows a decision by a consortium of the public and private business development interests within the area that they need it and will use it and finance it. Assisted regions in certain Member States, e.g. France, Spain and Italy, were able to reach the afore-mentioned consensus more rapidly than others and hence show more activity.

The socio-economic characteristics of the assisted regions are different, as are the approaches their authorities use to realise their entrepreneurial abilities and business opportunities. Certain regions are obliged to start practically from the very beginning; others may already have some services in place or a fragmented series of services of varying quality.

The availability of cofinancing also varies greatly.

EUROPEAN BUSINESS AND INNOVATION CENTRE NETWORK

16-19. The relation between the 'European Business and Innovation Centre Network' — EBN, an international association with a scientific and technological aim, and its Secretary-General are governed by the statute of the EBN. The decision to appoint the Secretary-General was taken by the board of directors in conformity with the relevant statutory provisions. On the 19th May 1989 the General Assembly of the EBN accepted the resignation of its Secretary-General.

The Commission would like to point out that it was never represented on the management bodies of the EBN. Commission officials have occasionally been invited to attend EBN board meetings without, however, being party to the decisions taken.

As far as the activities of former Commission staff are concerned, a committee including the Secretary-General and several Directors-General was set up by the Commis-

sion on 1st January 1993 in order to take a view on behalf of the Commission on every case of potential conflict of interest between the activities of a member of staff who has left the Commission and the responsibilities which he exercised there in order to ensure respect of the provisions of the Staff Regulations and especially their Article 16.

20. The reorganisation of EBN involved establishing a revised and more transparent management structure and a more comprehensive work programme into which were incorporated specific technical assistance and entrepreneurial development projects; hence the increase in Community cofinancing. However, it should be noted that the Commission's contribution has been decreasing as a proportion of EBN's receipts.

21. and 22. The Commission agrees with the comments of the Court and will examine the scope for instituting a more effective and expeditious method of making Community aid available to EBN with the aim for example of avoiding bank lending charges as well as programme delays through financial shortages. The essential reason for the delays was the desire to ensure that the payments to EBN were in conformity with the conditions.

CONCLUSION

23. It is the Commission's intention that during the next programming period (1994-99), there should be closer integration of Community support for BICs with regional development activity under the Community Support Frameworks. These local development instruments would thus find their place in an overall regional development context.

24. The Commission verifies that there is no other direct financial assistance from other Community sources during a BIC's start-up phase. The principles of the BIC concept and the way in which they are applied ensure that there is no duplication of effort and that maximum synergy is achieved.

25. Results are evaluated on the basis of each BIC's annual report. The Commission is currently carrying out a full-scale evaluation of experience to date; this is being done in conjunction with EBN which will in future conduct an annual evaluation.

The Commission is aware of the sources of a BIC's funding through its financial plan and independently audited accounts. A BIC is supported by and large by its sponsoring

consortium of public and private sponsors. It is not the Commission's view that BIC's should necessarily cease to need financial support from the public sector bearing in mind their essential rôle as a means of achieving a public sector objective.

26. The Commission will examine the scope for instituting a more effective and expeditious method of making Community aid available to EBN and will give active consideration to the question of applying to it the normal rules for organising the provision of services.

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