

Opinion of the Committee of the Regions on ‘think small first’ — A ‘Small Business Act’ for Europe

(2009/C 120/04)

THE COMMITTEE OF THE REGIONS

- **welcomes** the Commission’s communication on a ‘Small Business Act (SBA) for Europe’ and **endorses** the policy agenda being pursued which strives to provide a breakthrough for EU SME policy by delivering a framework to facilitate the promotion of entrepreneurship and SME-friendly legislation while enabling the growth of small and medium sized enterprises across Europe through the application of the ‘Think Small First’ principle.
- **acknowledges** that the SBA is *not legally binding* but **considers** that, in order to deliver on its objectives and to ensure full implementation, the SBA needs to be *politically binding* and provide a roadmap for SME policy and a stable governance structure for this policy and therefore **calls on** the European Council to meet its responsibilities in this regard and for the European Commission and the Member States to work in co-operation with local and regional authorities and other stakeholders.
- **draws** attention to the fact that the current economic downturn and crisis in international banking impacts disproportionately on SMEs’ ability to access finance and **calls** on the Commission and Member States to ensure that the banking sector takes due consideration of these challenging operating conditions for SMEs and that the recommendations agreed at the Fifth Roundtable ⁽¹⁾ between banks and SMEs which attempted to ensure greater access to finance to small business are fully implemented.
- **recognises** that embedding the Small Business Act in the Lisbon Strategy and the National Reform Programmes is the correct approach and should help with monitoring and **calls** for a thorough annual evaluation in this context to measure progress of SME policy in each Member State against agreed targets and deadlines, with recommendations for future concerted actions, in order to ensure full implementation of the SBA and its objectives.

⁽¹⁾ European Commission. Roundtable between Bankers and SMEs. May 2007.

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Reference document

Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions — ‘Think Small First’ A ‘Small Business Act’ for Europe

COM(2008) 394 final

POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

1. **welcomes** the Commission’s communication on a ‘Small Business Act (SBA) for Europe’ and **endorses** the policy agenda being pursued which strives to provide a breakthrough for EU SME policy by delivering a framework to facilitate the promotion of entrepreneurship and SME-friendly legislation while enabling the growth of small and medium sized enterprises across Europe through the application of the ‘Think Small First’ principle;

2. **acknowledges** that the SBA is *not legally binding* but **considers** that, in order to deliver on its objectives and to ensure full implementation, the SBA needs to be *politically binding* and provide a roadmap for SME policy and a stable governance structure for this policy and therefore **calls on** the European Council to meet its responsibilities in this regard and for the European Commission and the Member States to work in co-operation with local and regional authorities and other stakeholders;

3. **believes** that in the current economic climate the SBA and its objectives are now more important than ever, as SMEs offer untapped potential for economic growth and for creating and sustaining jobs; further **considers** that the SBA provides an opportunity for political leadership and to underpin confidence in Europe’s enterprise sector;

4. **recommends** that in formulating and implementing EU policy the diversity of SMEs, in terms of size and form, the regulatory frameworks and the business cultures within which they operate, should be taken into account, as well as, the varied micro/small/medium enterprise profile and varied business performance between regions and would therefore **suggests** that the SBA should provide for a more explicit recognition of the local and regional dimension to fully take all these factors suitably into account;

5. **highlights** the importance of providing supports that ensure the long-term sustainability of enterprises and **urges** caution on placing too much emphasis on start-ups and new

SMEs to the detriment of established businesses and those undergoing development and re-structuring;

6. **acknowledges** the importance of promoting and developing a culture of entrepreneurship; **welcomes** the proposed European SME Week and ‘Erasmus for Young Entrepreneurs’ but **considers** that if the value of entrepreneurship is to seep into national and European consciousness it needs to start with schools and developing meaningful dialogue between small business people, pupils and teachers and therefore, **calls on** Member States to place greater emphasis on promoting entrepreneurial education and engendering entrepreneurial mindsets for students and in teacher training and to revise the Education and Training 2010 Work Programme accordingly;

7. **welcomes** the recognition in the SBA of the particular needs of female entrepreneurs but **draws attention** to the needs of immigrant entrepreneurs, who by circumstance are generally more entrepreneurial and less risk averse and **recommends** that consideration should also be given to the requirements of young people, minorities and older entrepreneurs as well as creating a distinction between the different challenges and requirements of EU and Third-Country migrant entrepreneurs;

8. **stresses** the particular relevance of flexicurity for both employers and workers in SMEs and **calls** for greater incorporation of flexicurity within the SBA;

Ensure a High Degree of Implementation and Establish Evaluation Procedures

9. **recognises** that embedding the Small Business Act in the Lisbon Strategy and the National Reform Programmes is the correct approach and should help with monitoring and **calls** for a thorough annual evaluation in this context to measure progress of SME policy in each Member State against agreed targets and deadlines, with recommendations for future concerted actions, in order to ensure full implementation of the SBA and its objectives;

10. **demands** that the Committee of the Regions be fully informed of the annual assessments and **highlights** that it will be monitoring progress on the local and regional levels, through its well established Lisbon Monitoring Platform;

11. **considers** that with over 90 proposed measures there should be a prioritisation of actions, in the SBA in order to assist implementation, achieve concrete results for SMEs and inject a sense of urgency for action. In this regard, **would suggest**: (a) access to finance; (b) towards full implementation of the 'think small first' principle, for a better regulatory and administrative environment; and (c) improving access to markets, including public procurement; as priority action areas;

12. **welcomes** the intention to strengthen the application of the principles of subsidiarity and proportionality and underlines that these principles apply from the EU to national but also to the regional and local levels;

13. **calls** on the Commission to provide more detail on how the 'SME test' will be treated as part of the Impact Assessment, in terms of the scope and nature of the impacts to be assessed and the level and periods of consultation that will be undertaken;

14. **highlights** that the communication does not sufficiently address the role of the SME Envoy and **calls** on the Commission to ensure that the SME Envoy is given sufficient political and financial resources to enable successful implementation of the objectives of the SBA and to enhance the visibility and awareness of SME related policy activity;

15. **supports** the objectives of the European Private Company (EPC) statute, to reduce the cost of setting-up companies, and simplify the regulatory framework in order to facilitate cross-border trade and remove further obstacles;

16. **stresses** the importance of ensuring that existing best practice and good administration within Member States and their local and regional governments in promoting entrepreneurship and SME-friendly policy-making is not undermined by the measures contained in the SBA and the new legislative proposals;

17. **considers** that the reliance on the disparate pre-existing programmes and financial instruments to achieve the objectives of the SBA, with no additional funding, is a weakness and **recommends** the establishment of a specific budget line to pilot actions;

Improving Access to Finance

18. **draws** attention to the fact that the current economic downturn and crisis in international banking impacts disproportionately on SMEs' ability to access finance and **calls** on the Commission and Member States to ensure that the banking sector takes due consideration of these challenging operating conditions for SMEs and that the recommendations agreed at the Fifth Roundtable⁽²⁾ between banks and SMEs which attempted to ensure greater access to finance to small business are fully implemented. These include: (i) more transparency between banks and SMEs; (ii) combining debt and equity; (iii) increasing lending volume with securitisation; (iv) easier venture capital investment across borders; and (v) better regulation of micro-credit;

19. **applauds** the efforts of the European Commission and the European Investment Bank (EIB) to make various financial instruments available to SMEs but **strongly requests** the Commission to re-assess in particular the JEREMIE initiative — to address its variable geographical coverage across the EU and to better consider the potential implications for other policy areas, such as competition policy, which are hampering the full or partial application of the initiative in some regions. The CoR also **recommends** that the EIB group be more proactive in communicating its role, added value and the methods of accessing JEREMIE and the CIP programme;

20. **recommends** that EU financial measures be accompanied by complementary instruments to ensure that SMEs have a greater chance of success and **underlines** that local and regional authorities are the natural partners in providing these accompanying supports;

21. **welcomes** the proposed amendment to the Directive on late payments which should help to ensure that SMEs are paid in time but **underlines** that enforcement of this Directive remains the key issue and Member States must work to improve the payment culture among business and public administrations and **calls** on the European Commission and other EU Institutions to respond to recent concerns expressed by the European Ombudsman to speed-up how payments are made to contractors, companies and other organisations⁽³⁾;

22. **considers** that, in light of the diversity of size and scope of SMEs, that a number of EU programmes could include better tailored measures for micro, small and medium enterprise to prevent micro-enterprises from having to compete with medium sized companies who have access to better financing opportunities and conditions, for key financial and other supports;

⁽²⁾ European Commission. Roundtable between Bankers and SMEs. May 2007.

⁽³⁾ Between 2005-2007, the Commission managed to halve the percentage of its late payments. However, in 2007, there were delays involving more than 22 % of all payments made by the Commission.

23. **welcomes** the Commission's proposal to simplify the VAT regime through the introduction of a uniform exemption threshold and a directive to increase VAT thresholds and **suggests** that Member States could review other aspects of fiscal policy with a view to improving: conditions to re-invest profit in a company, cash-flow and business transfer;

24. **welcomes** the new General Block Exemption Regulation which allows Member States to grant state aid to SMEs, regional development, innovation, research, training, employment and risk capital without first notifying the Commission and notes the increase in the De minimis Regulation ceiling from EUR 100 000 to EUR 200 000;

25. **encourages** the European Commission and, where relevant Member States, to assess the plethora of business support programmes, initiatives and networks, by bundling where possible instruments and funds with a view to enhancing visibility and providing more coherence for SMEs, (this point can be linked with point 46 (d) on single points of contact);

26. strongly **recommends** that the European Commission include local and regional best practice in its further discussions at European level. Local and regional authorities can stimulate the **potential private capital** available by creating and financing networks of 'informal capital', bringing private investors in to contact with companies in the seed and start-up phase;

Deliver Better Regulation for the Benefit of SMEs

27. **acknowledges** the proposed introduction of common commencement dates for SME-related regulations; **questions** whether this would have tangible impacts on reducing the administrative burden on SMEs and **recommends** that this be assessed after an initial trial period;

28. **notes** the Commission's proposal that micro-business should not be required to respond to local statistical surveys more than once every three years but **highlights** that annual data is necessary for evidence based policy analysis and **recommends** that it would be more appropriate if the 'only once' principle was fully applied to reduce the overlap in returns to different public offices such as for tax and statistical purposes;

29. **wishes** to highlight the considerable barrier to entry and expansion at the micro-scale caused by the 'gold-plating' of legislation and **requests** that greater consideration be given to including measures to address this problem in the SBA;

30. **welcomes** the commitment to the removal of barriers to the transfer of business and **draws attention** to the fact that this is a particularly pertinent issue for the transfer of businesses

between family members as a large number of SME owners are growing older and will withdraw from their businesses within the next decade; similarly, **emphasises** that there are similar issues for owner-operator SMEs;

31. **appreciates** the Commission's proposal that all Member States should aim to complete legal proceedings for non-fraudulent bankruptcies within one year and that re-starters need to be treated on an equal footing with new start-ups but **calls** on the Commission to address the similar but different challenges faced by failed entrepreneurs who are not formally declared bankrupt;

32. **looks forward** to agreement on the EU-wide patent jurisdiction and **welcomes** the uniform provisions proposed in the EPC Statute which will make it possible for SMEs to save time and reduce costs and **advocates** that full support should be provided by the Commission and Member States to ensure the objectives are met;

33. **highlights** the burden of the high cost of the range of insurances required by SMEs (such as public and employers liability and employers occupational insurance) and the barrier this can be to their development and even survival and **calls** on the Commission and Member States to work with the insurance industry to establish if there are appropriate measures that can address the specific concerns of SMEs;

Facilitate Access to Markets

34. **considers** that the SBA should recognise the role that local and regional authorities can play in facilitating the cross-border growth of SMEs and in particular providing access to information that SMEs need in order to operate internationally such as on regulatory frameworks and requirements, tax, dispute resolution procedures and advisory and support services for SMEs;

35. **recognises** the role that foreign direct investment can play as a vehicle for SMEs to access international markets and **calls** on the Commission to develop measures to ensure that SMEs are more involved in exporting activities as their involvement can lead to a significant diffusion of technology, more efficient business models and as a result can raise the overall international competitiveness of SMEs; **supports** the recent communication on world-class clusters⁽⁴⁾ and the objective to better integrate SMEs into clusters and support knowledge transfer and internationalisation;

36. **highlights** the ever increasing threat of the black market and **calls** on the Commission to address the challenges that this presents for SMEs, in particular through measures which could improve the protection of intellectual property and better fight against counterfeiting;

⁽⁴⁾ European Commission communication: Towards world class clusters in the European Union (COM(2008)652).

Facilitate Access to Markets — Greater Participation in Public Procurement

37. **notes** that the public procurement market remains fragmented and cross-border procurement is limited and thus **urges** the Commission and Member States to develop a more transparent framework which would open up the procurement market in the EU and provide additional opportunities for SMEs;

38. **welcomes** the European code of best practice on facilitating access by SMEs to public procurement contracts by the Commission ⁽⁵⁾ and **calls** on the Commission and Member States to promote innovative contracting measures to increase SMEs participation in public procurement such as dividing more tenders into lots or including opportunities for cooperation in the invitations to tender, where appropriate;

39. **welcomes** the commitment of the European Commission to use the Enterprise Europe Network (EEN) to promote the code of best practice amongst local and regional authorities during 2009, to facilitate exchanges of best practice and re-balance the buying culture within these authorities and **underlines** the need for the EEN to work with the appropriate representative associations on this within each Member State;

40. **appreciates** the importance for SMEs of breaking the initial barrier to the public procurement market, as the most successful SMEs tend to have the greatest experience of the tendering process and therefore **urges** better provision of information for SMEs on the opportunities that exist in the public procurement market and to ensure that SMEs develop a well-informed strategic approach to entering the market;

41. **recognises** the excessive administrative burden placed on SMEs in preparing tenders and **suggests** that the use of pre-qualification questionnaires, which greatly reduce the work required to re-format the same information on subsequent tenders, could be more widely applied in all Member States;

42. **draws** attention to the largely untapped potential of e-procurement; **suggests** that the cost-cutting advantages provided by ICT solutions require greater exploitation given that just one third of public procurement contracts across the EU are currently accepted in electronic format and therefore **calls** for this to be better addressed in the SBA and implemented by the Commission and Member States;

⁽⁵⁾ Commission Staff Working Document: European code of best practices facilitating access by SMEs to public procurement contracts SEC(2008) 2193.

The Local and Regional Dimension

43. **acknowledges** the role that local and regional authorities can play in realising the objectives of the Small Business Act and recommends that Member States work constructively with these authorities, in particular, to ensure that the 'think small first' principle is anchored in public policy-making so that public administration at all levels contributes to supporting entrepreneurs;

44. **highlights** that local and regional authorities provide the enabling environments for SMEs, are significant customers of their goods and services and provide a range of advisory, financial and other supports, such as the provision of affordable business premises;

45. **invites** local and regional authorities to assume ownership of the SBA and take, where possible, greater political responsibility in supporting our SMEs by: being better attuned to their concerns; listening to what they have to say; responding to their needs and supporting their development;

46. In this regard, **encourages** all local and regional authorities to be proactive in addressing the needs of small and medium enterprises in areas such as:

- a) Establishing consultative forums, between local/regional government and SME interests, to help improve consultation and work towards public policy that is responsive to small business;
- b) Improving and facilitating access to public sector contracts by re-balancing the buying culture and procurement procedures within their authorities, in order to better facilitate small companies to tender or be part of a tender with other companies. Also, local and regional authorities could facilitate the use of e-procurement, which would help reduce burdens on SMEs in the bidding process;
- c) Evaluate the level of rates, charges and fees that authorities ask from the business sector and look at ways for re-balancing contributions to local and regional authority budgets, with a view to fully applying the user-pays principle and reducing the financial burden on small and medium enterprises;
- d) Work with relevant agencies in their areas to better coordinate access to information, training and advice to SMEs — developing coherent local/regional strategies on information provision, with a widely-recognised single point of contact — a local/regional Knowledge Base, to respond to SME enquiries at each stage of a business' development. Single points of contact at appropriate local/regional levels — which have proximity to, and are accessible by enterprises — can reduce frustration, wasted time and missed opportunities for small and medium businesses.

- e) Encouraging the use of e-government services for, and digital interactions with, SMEs;

Facilitate the Development of R&D, Innovation and Skills

47. **considers** that the SBA needs to focus on increasing the effectiveness of technology transfer between higher education institutions and SMEs, creating the right environment and infrastructure for innovation and technology transfer are crucial for sustaining competitiveness, reinventing new business, fighting unemployment and accelerating developments in SMEs;

48. **draws** attention to the fact that the current debate on Research and Development (R&D) and innovation seems to be aimed at large enterprises and high potential start-up companies, which is adversely impacting on spatial balance by reinforcing existing concentrations of economic activity in large urban centres and **calls** on the Commission and Member States to address the challenges that this brings for SMEs operating outside these economic areas;

49. **notes** that the definition of innovation within the SBA is very narrow referring to hi-tech innovation only and therefore **urges** the Commission to consider a broader classification of innovation taking into consideration the different levels/types of

innovation that are taking place in a variety of industries and activities of SMEs across the EU;

50. **welcomes** the proposal to develop an overview of future skills needs in the EU but **calls** on the Commission to work with the regions to develop such an overview at regional and, where appropriate, local level and not just at Member State level, given the diversity of regional economies and their skills requirements;

Turning Environmental Challenges into Opportunities

51. **notes** that the communication does not make reference to the Environmental Compliance Assistance Programme (ECAP) and **recommends** that this be addressed to ensure that the requirements of environmental compliance should be proportional to a company's impact on the environment;

52. **considers** that the introduction of incentive mechanisms and more innovative use of fiscal policy by Member States for SMEs to invest in environmentally friendly products and processes would assist in the greater use by small businesses and would also significantly enhance the awareness of these products and processes.

Brussels, 12 February 2009.

The President
of the Committee of the Regions
Luc VAN DEN BRANDE
