

Opinion of the European Economic and Social Committee on 'The different policy measures, other than suitable financing, that would help SMEs to grow and develop'

(2009/C 27/02)

On 20 September 2007, Mr Andrej Vizjak, Minister for the Economy, asked the European Economic and Social Committee, on behalf of the forthcoming Slovenian presidency of the Council, to draw up an exploratory opinion on

The different policy measures, other than suitable financing, that would help SMEs to grow and develop.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 11 June 2008. The rapporteur was Mr Cappellini.

At its 446th plenary session, held on 9 and 10 July 2008 (meeting of 9 July), the European Economic and Social Committee adopted the following opinion by 122 votes to 0, with five abstentions.

1. Conclusions and recommendations

1.1 The EESC believes that the Small Business Act for Europe (SBAE), which it had called for on numerous occasions, should make it possible to re-launch the European Charter for Small Enterprises; furthermore, it considers that the SBAE not only represents a remarkable opportunity for developing the potential of small businesses but will also gauge the extent to which the EU institutions and Member States wish to launch a genuine policy of voluntary and lasting support for SMEs and the smallest companies.

1.2 This policy should not be confined to periods of economic downturn, when politicians have a tendency to rediscover the benefits of SMEs and small business, especially their capacity for plugging employment gaps and reducing unemployment statistics, but should instead aspire to be a well-structured policy providing long-term support for small business competitiveness.

1.3 The EESC recommends 10 key measures to support and re-launch SME development by creating a truly favourable environment and effective Small Business Act for Europe, which will be more than just another political declaration:

- to have a good knowledge of the European landscape of the various types of SMEs, their evolution and their needs at cross-sectoral and sectoral level in the light of the internal, external and cross-border aspects of the internal market, particularly through the publication of annual reports;
- to integrate the SME dimension into all Community policies and into the legislative process;
- to pursue a strategy of simplified administration at all levels and to establish a new method of consultation with the various types of SMEs and the intermediary organisations representing them;
- to ensure that legislation at all levels takes account of the situation and needs of the various types of SMEs and applies the principle of 'think small first';

- to ensure that legislation respects the following four fundamental principles: 1) effective impact analyses, 2) proportionality, 3) 'only once,' and 4) the principle of safeguarding, with a particular focus on extending the powers of the SME Envoy (i.e. the SMEs' representative) and creating an SME ombudsman for the single market;
- support the assistance and advisory activities of intermediary organisations representing SMEs;
- to relaunch business cooperation and inter-organisational exchange programmes and to establish a network of related support services;
- to introduce a more extensive and permanent policy of innovation focused on small business;
- to simplify and promote SMEs' access to EU programmes;
- to launch a policy for the transfer of business ownership.

1.4 the EESC requests the implementation of the SBAE at all levels in the form of a legally binding instrument.

1.5 Furthermore, it calls for the SBAE to encourage social dialogue between the social partners in SMEs so as to establish the best possible working environment for the promotion of creativity and innovation, including in the area of working conditions, with a particular emphasis on improving safety and risk assessment at the workplace.

2. (Background) Presentation of the exploratory opinion

2.1 The crucial role played by small and medium-sized enterprises (SMEs) in the EU economy is universally recognised as a key factor for EU level growth and employment and for addressing the new challenges of globalisation. The results of the SME policies implemented during the years 2005-2007 show that significant progress has been made, both at EU and at national level, thanks to the application of the *think small first* principle.

2.2 The European Commission has stressed the need to unlock SMEs' potential for growth and job creation and to take full advantage of their capacity for innovation. This approach found its reflection in the report on the renewed Lisbon Strategy for growth and employment adopted on 11 December 2007, and provided the inspiration for the creation of a *Small Business Act* for Europe, whose principal objective is to identify concrete measures and principles for improving the European SME environment and for reaping the full benefit of their diversity. This initiative was endorsed by the European Council meeting in December 2007; the Commission aims to present a proposal by June 2008.

2.3 It is worth bearing in mind that the EESC has recently issued, or is currently preparing, a number of other opinions relating to SME policy, including:

- Developments in the business service sector in Europe (INT/412 — rapporteur: Mr Calleja) (in preparation)
- Research and development programme for SMEs (INT/379 — rapporteur: Mr Cappellini)
- A mid-term review of Modern SME policy (INT/392 — rapporteur: Mr Burns) (in preparation)
- International public procurement (INT/394 — rapporteur: Mr Malosse)
- Micro-credit (INT/423) — rapporteur: Mr Pezzini) (in preparation).

2.4 The Slovenian presidency of the Council has asked the EESC for a series of political proposals promoting SME growth. The aim is not for the EESC to draw up a new list of technical measures focusing on the individual growth of SMEs but rather to put forward a more structured political framework and to innovate in favour of SMEs.

2.5 Two priorities in particular have been set out by the Slovenian presidency:

- a) to enable all SMEs, irrespective of their differences in terms of size, operations, sector or means of production, to respond to the major challenges which they will face in the future such as industrial, climate and demographic change, social challenges, as well as the restructuring of markets due to the effects of globalisation, changes in distribution and the standardisation and certification of products and services;
- b) to enable SMEs to be more closely involved in political decision-making, operational priorities and legislative decisions which affect their working environment.

2.6 In addition, the Slovenian presidency requires the opinion of the EESC in connection with the preparation of the *Small Business Act* for Europe.

3. General comments

3.1 The EESC has, in its previous opinions, commented on the significant advances made by SMEs, especially in terms of access to funding or simplified administrative procedures. It is

particularly satisfied with the approach of the European institutions, which has shown a clear move in favour of small business, and hopes that this is not solely due to the current difficult economic and social situation. However, in spite of these unquestionable achievements, the policies launched in recent years are nonetheless beset by a number of weaknesses.

3.2 The EESC considers, in particular, that the European Charter for Small Enterprises has failed to achieve its strategic objectives because it has no legal standing and has, for the most part, remained little more than a political declaration. There is a need to strengthen its implementation in the Member States and at regional level and to relaunch the annual evaluations and recommendations in the Member States.

3.3 Furthermore, mention has often been made of the need to further improve the dialogue with the various types of SMEs; the EESC believes that there is a need to introduce a new culture of dialogue at European, national and regional level making it possible to strengthen and institutionalise dialogue between the institutions and intermediary organisations representing SMEs.

4. Specific comments

4.1 Create a new environment promoting the development of all SMEs

In the light of this situation and the significant challenges facing SMEs in the future, the EESC fully supports the presidency's initiative to launch an innovative policy for SMEs, the cornerstone of which will be the SBAE, and endorses the Commission's initiatives for improving SME competitiveness, in order to give more weight to the renewed Lisbon Strategy adopted at the 2008 Spring Summit.

4.2 A European project supporting SMEs and micro-enterprises

The EESC recommends that the European institutions no longer focus exclusively on high-growth companies, international positioning or various indicators of excellence as this has led to a situation where millions of small businesses who generate value, innovation, employment and regional stability are being deprived of the benefits of EU action. It urges institutions and public authorities at all levels to adopt an innovative approach to SME policy by launching a truly European project bringing together all the economic potential of small, medium-sized and micro-enterprises to inject the extra growth and employment which is needed by the EU. This European project must also promote and develop dialogue with the social and economic partners and the representative organisations of the different types of SMEs on the key new EU challenges (climate change, demographic change and immigration, the environment, energy) which SMEs will face in the future. Based not only on both high growth enterprises but perhaps primarily on the local economy and on so called 'traditional' activities, it must allow the EU to initiate a policy of promoting businesses on a human scale and to focus on the local economy in order to ensure Member States' growth by stressing five priority measures.

4.2.1 To understand and convey the reality of the situation facing the different types of SMEs. All EU policies must be based on clear facts providing information on the subject. The definition of an SME covers a very broad range of business situations and types or forms of companies (sole traders or incorporated companies, companies with no workforce or up to 250 employees, companies engaged in craft, commercial or social activities, companies active in the professional world) operating in a variety of different sectors, each with their own very different situations and needs. Information about the various types of SMEs is often incomplete or non-existent. The analyses carried out by the previous Observatory of European SMEs often provided vital data. The EESC is delighted by DG Enterprise's decision to re-launch the Observatory and requests:

- the launch of a vast programme of economic studies, including sector specific reports, on the situation and needs of the various types of SMEs, including at national and regional level, and statistical analyses in consultation with the representative organisations concerned;
- the promotion and development of business organisations' own research and study activities at European, national and regional level, in consultation with research centres, universities and the Member States.

4.2.2 Include the SME dimension in all Community policies: The EESC has noted that beyond the political declarations in favour of small businesses, there is still a strong tendency among legislators at all levels to apply the large company model by rote and to follow the bonsai principle which holds that what is good for a large company is good for small companies too, either due to their lack of understanding of the real situation or their desire to keep things simple. This approach, based on a single economic model, is particularly ill-suited to the reality of a plethora of different types of companies and business cultures, leading to a situation where over 90 % of European companies feel that EU policy ignores or fails to understand their needs. The EESC draws the attention of the EU institutions and the Member States to the fact that while small and micro-enterprises represent the life blood of the EU economy and employment, they risk becoming its downfall, not through their own fault, but as a result of the insufficient attention paid to them by public authorities at all levels. The EESC requests that the SBAE finally provide an opportunity to put matters into practice and hopes that the needs and specific characteristics of the various types of SMEs be taken into account in all policies, programmes and negotiations, including social dialogue and international relations, at EU as well as national and regional level.

4.2.3 Pursue a policy of simplified administration: the EESC urges the Commission to increase its efforts to simplify EU legislation; however, above all it calls on the EU institutions and the Member States to engage in a more effective policy of simplification, based on the following five points:

- to put in place a genuine *think small first* policy;

- to simplify, but not to diminish responsibility: the EESC has certain doubts concerning the validity and efficiency of systematic exemptions for small businesses and would prefer a degree of proportionality in the area of implementation as well as direct consultation with the SME organisations concerned;
- to systematically involve the representative organisations of the various types of SMEs in the EU, national and regional legislative process, as well as in social dialogue at various levels, and increase cooperation with the EESC and the Committee of the Regions;
- to systematically apply the *only once* principle at all levels;
- to draft practical guides and explanatory documents on all adopted legislation to make them more comprehensible and easier to transpose.

4.2.4 Support the assistance and advisory activities of intermediary organisations: Intermediary organisations representing the various types of SMEs are a key element in the success of EU policies through the technical assistance services which they can provide to all SMEs requiring specific skills that cannot be ensured under the new EEN (Enterprise Europe Network) network. They play a vital role in providing companies with both information and support, in particular by tailoring legislation to the specific needs of each company on a case-by-case basis and transposing legislation to the micro-economic and local level, including as close as possible to the smallest companies. On the one hand, the EESC considers it vital that public authorities at all levels engage in a voluntary policy of supporting their activity and that Community programmes which cover SMEs expressly provide for support measures for such organisations. On the other hand, it calls on the Commission, the Member States and the regions to put into practice the conclusions of the 4th European conference of craft industries and small businesses in Stuttgart on this issue.

4.2.5 Relaunch business cooperation programmes and inter-organisational exchange programmes: The EESC urges the Commission to relaunch the inter-regional business cooperation programmes which have proved to be effective in the past; furthermore, support must be given to action taken by intermediary organisations or the creation of bodies which promote such cooperation should be made possible.

4.3 Adopt a genuinely effective European Small Business Act

4.3.1 The EESC expresses its delight at the positive opinions of the Council and the Commission supporting the creation of a Small Business Act at European level, especially as the Committee has advocated the introduction of the SBAE on numerous occasions⁽¹⁾. It believes that, to be effective, the SBAE must fulfil the following conditions:

⁽¹⁾ See EESC opinion on *Business potential, especially of SMEs (Lisbon Strategy)* (OJ C 256 of 27.10.2007, p. 8).

4.3.1.1 its aim must be to **create the best possible environment** for SMEs and micro-enterprises at all levels and to provide a concrete response to the various challenges that SMEs must face during their life cycle including, in particular, the transfer or take-up of business ownership; in the light of the above, the SBAE must not lead to a deterioration in the working conditions of SME employees; the initiatives launched should, on the contrary, make it possible to take better account of their situation;

4.3.1.2 it must bring **real added value** and not simply limit itself to combining existing programmes or coordinating the various measures currently underway;

4.3.1.3 it must not just constitute another declaration of intent, as was unfortunately the case for the European Charter for Small Enterprises and not be restricted to a simple political declaration on the part of the EU institutions and the Member States; European SMEs and micro enterprises deserve better and the EESC believes that **giving the SBAE real legal standing** will demonstrate and prove the EU's commitment to taking effective action in respect of SMEs and micro-enterprises;

4.3.1.4 it must be **binding in its entirety** and apply to all levels of European, national and regional decision-making by focusing on public authorities at all levels, whilst leaving the responsibility for its implementation to the Member States⁽²⁾;

4.3.1.5 it must **be applied to all EU policies** by including SMEs in all these policies and by developing a holistic approach which takes proper account of all aspects of the policies and the impact of the new rules on the various types of SMEs.

4.3.2 The EESC requests that the SBAE include **five key policy measures** to ensure that the legislation does not restrict the development and competitiveness of the various types of SMEs;

4.3.2.1 **Ensure that legislative texts at all levels are drawn up by taking into account the specific needs and situation of the various types of SME.** To this end, the following basic rule should be established which will apply to all levels of the decision-making process: legislative proposals must be formulated taking account of the needs and expectations of SMEs, especially the smallest businesses, and by applying the *think small first* principle, with a particular focus on the self-employed, who account for over half of all European businesses. This approach envisages in particular the systematic consultation of SME representative organisations, and the involvement, at an appropriate level, of experts from these organisations in the work of those advisory committees which deal with issues at regional, national or European level which could have an impact on SMEs. This was in line with the request made by the Competitiveness Council of 13 March 2006.

In this vein, the EESC calls for the appointment of an SME envoy at each Commission DG who will be responsible for

ensuring that the legislative measures and programmes managed by the DG take sufficient account of the priorities and expectations of SMEs and micro-enterprises.

4.3.2.2 **Ensure that legislation complies with the fundamental principles.** For the EESC, the effectiveness of legislation at all levels and of joint or individual SME programmes or measures is dependent on the inclusion of the following four principles in the SBAE and on their systematic application at regional, national and European level:

- systematic impact analyses for SMEs: no legislative text should be adopted unless it has first been subject to a systematic impact analysis covering the various types of SMEs involved, in order to gauge the direct and indirect social and economic effects, the administrative burden and the information and investment costs that this will entail, as well as the advantages they can gain;
- the principle of proportionality: legislation must not impose unnecessary measures on SMEs and must be limited to the strict minimum necessary; the conditions for the application of legislation must be adapted to the different circumstances of the enterprises concerned and their capacity for implementing legislation;
- the *only once* principle: the role of SMEs is to produce, not to act as administrative departments; they may not be subject more than once to declarations and administrative procedures regarding the same issue and it is up to the administrative authorities concerned to pass this information on to one another; the 'only once' principle may not be honoured by government offices which apply the 'one business-one contact person' principle based on the fact that intermediary organisations already carry out this function at national level;
- the safeguard principle: legislation may not be adopted if it impedes the development of SMEs or risks hindering their competitiveness. It should be possible to block new legislative proposals which have not been subject to a full impact analysis or where it is apparent that the proposed measures could impede the socio-economic development of SMEs;

Furthermore, the EESC emphasises the need to put in place and to ensure complete transparency in administrative procedures by allowing SMEs to have access to all administrative data concerning them and to correct it, where appropriate.

4.3.2.3 **Put in place a broader and consistent policy of innovation.** The EESC asks that the Commission, the Member States and the regional authorities do not restrict themselves to supporting innovation in high technologies only and that they adopt a more proactive policy by including in their programmes specific measures to support the innovation of low and medium technology and non-technical innovation in SMEs, especially in the smallest businesses.

⁽²⁾ See EESC opinion on *International Public Procurement* (OJ C 224, 30.8.2008, p. 32) in which the EESC voices its opposition to 'the introduction of a quota system for SMEs like that applied under the US Small Business Act'.

The new EBN advisory network will never, by itself, be able to intervene effectively on behalf of all those companies with a potential for innovation. The EESC therefore requests that the SBAE identify the following priorities:

- encourage the social partners in the SME sector to engage in dialogue with the aim of creating a good working environment which is conducive to creativity and innovation;
- support the appointment of advisors at intermediary organisations for SMEs and small and micro-enterprises, as close as possible to business, as well as custom-made training courses for entrepreneurs and employees on how to innovate more effectively by capitalising on the new opportunities provided by markets in transition;
- create financial instruments tailored to the needs of the smallest businesses, ensuring that they also support measures targeting employees;
- encourage both Member States and the regions to launch a campaign in cooperation with SME organisations to identify technological and non-technological innovations within SMEs and, in particular, micro-enterprises.

4.3.2.4 Broaden access to Community programmes. The EESC believes that the complexity of administrative procedures and the existence of divergent requirements are making it increasingly difficult, if not impossible, for small companies to take part in EU programmes, prompting the paradoxical situation where intermediary organisations are showing less and less interest in such programmes. To take but one example, current legal constraints do not allow innovative action such as support for experimental pilot projects, thereby depriving the EU of a whole raft of innovative proposals. The EESC believes there is a need for a review of the related rules and regulations: given the importance of this work, it is not the role of this opinion to identify the changes that need to be made; nevertheless, the EESC asks the Commission to launch a consultation with the SME representative organisations within the framework of the SBAE in order to lay down new conditions for organising and participating in programmes at various regional levels.

Against this background, structural funds must be able to promote SME participation in public contracts, especially in the most disadvantaged regions ⁽³⁾.

Brussels, 9 July 2008.

4.3.2.5 Simplifying and encouraging the transfer of business ownership. The EESC particularly stresses the importance of the transfer of business ownership, especially for small production and service-based businesses in urban and rural areas: their anticipated disappearance — which is, however, by no means inevitable — will have a huge negative impact on retaining businesses and jobs in these areas. On the one hand, the creation of systems for bringing together buyers and sellers, and the introduction of financial or tax indicators should be promoted, on the other, entrepreneurs should be encouraged to improve their capitalisation in order to maintain the value of their assets.

The specific situation of entrepreneurs in, for example, rural areas requires the development of innovative structures such as public-private partnerships.

4.4 A legally binding instrument should be at the core of the SBAE

4.4.1 In order to ensure that the SBAE is truly effective, the EESC asks that these measures be adopted by the Council and by the Parliament in the form of a legally binding act which will be applied at European, national and regional decision-making levels.

4.4.2 In this context, the EESC asks for an annual evaluation of the implementation of the SBAE and of all SME policies at EU and national level and that the Committee be kept informed of the progress made: this annual report must be covered by a separate specific chapter as part of the implementation of the Lisbon strategy.

4.4.3 Following these reports, the Commission must be able to issue its recommendations for implementation, both to the Member States and the regions, on which it plans to issue an opinion.

4.4.4 The EESC requests that these annual assessments lead to the modification or revision of the SBAE or SME policies, where appropriate.

4.4.5 The EESC strongly urges the Commission and the Council to involve the representative organisations of the various types of SMEs closely in the formulation and implementation of the SBAE.

The President
of the European Economic and Social Committee
Dimitris DIMITRIADIS

⁽³⁾ See EESC opinion 979/2008 on *International Public Procurement* (not yet published in the Official Journal).