

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Review of the “Small Business Act” for Europe’**

COM(2011) 78 final

(2011/C 376/09)

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On 23 February 2011, the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Review of the ‘Small Business Act’ for Europe*

COM(2011) 78 final.

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 30 August 2011.

At its 474th plenary session, held on 21 and 22 September (meeting of 21 September), the European Economic and Social Committee adopted the following opinion by 155 votes to three with 11 abstentions.

## 1. Conclusions and recommendations

1.1 The EESC welcomes the fact that the revised Small Business Act for Europe (SBA) includes many of the measures proposed by the EESC. It recognises that, for some years now, greater attention has been given to small and medium-sized enterprises (SMEs) and microenterprises<sup>(1)</sup> when framing EU legislation. The Committee is also aware of the European Parliament’s and the Member States’ support to ensure that the needs of these enterprises are addressed more effectively. The SBA constitutes an important turning-point in European mindsets because it has opted to develop a governance partnership that involves the public authorities, regions and cities, the economic and social partners, and organisations representing SMEs and microenterprises.

1.2 The revised SBA for Europe marks a decisive new stage in the political recognition of SMEs and above all of microenterprises. The EESC would first of all urge the Commission, the European Parliament and the Council, as well as the Member States and the regions, to place the SBA’s ‘Think Small First’ principle at the heart of EU, national and regional decision-making. It also recommends that the Member States and the regions adopt this as the basis for their policies on SMEs and for their economic and industrial policies. Ultimately, the Committee believes that the SBA should take a more binding form, especially for the EU institutions.

1.3 The revised SBA reflects growing recognition of the importance of SMEs. However, implementation of the SBA and its ‘Think Small First’ principle is patchy or even non-existent in some Member States. The same is true within the EU legislative and decision-making process.

1.4 The EESC believes that the appointment of national SME Envoys should help the Member States to apply the SBA. The EESC also advocates appointing regional SME Envoys.

1.5 The EESC welcomes the draft multiannual financial framework’s proposals to create an ‘SME competitiveness’ programme and include measures for SMEs in the most important post-2013 programmes. It notes, however, that the Commission, and DG Enterprise and Industry in particular, does not have sufficient human resources to ensure the SBA is applied effectively. The Committee calls on the EU institutions to adopt the ‘SME competitiveness’ programme, and to specifically target small and microenterprises. It also urges them to ensure the human and financial resources required.

1.6 All that remains is to move on to the ‘act small first’ stage. The SBA will not succeed unless a genuine **‘multi-stakeholder and multilevel governance partnership’** is established. It is necessary to ensure that the economic and social partners and all representative public and private stakeholders are involved in political discussions and the legislative process from the very beginning. The EESC therefore calls for organisations representing the different categories of SMEs to be fully involved in the legislative and decision-making process at all levels.

1.7 Lastly, the EESC calls on the Commission to waste no time in launching a process of consultation with the European organisations representing the various SME categories, in order to pinpoint the operational measures that should be made a priority. The EESC sees the need to promote this type of consultation between the public authorities and the economic and social partners in the Member States and regions.

<sup>(1)</sup> Commission Recommendation 2003/361 concerning the definition of micro, small and medium-sized enterprises, OJ L 124, 20.5.2003, p. 36.

## 2. General comments

### 2.1 Approach to SMEs' differing circumstances still too general

2.1.1 The 'Think Small First' slogan is always taken to mean 'think SMEs first', while 92 % of businesses are microenterprises that operate on a highly diverse range of markets. Since they are major employers, they should be the main focus of the SBA and of EU policies in general. These microenterprises find it harder, however, to apply EU policies and legislative measures and consequently deserve more attention and a simplified approach that is tailored to their needs.

2.1.2 The measures that will result from the SBA must take into account the circumstances of small enterprises, such as their directors having to wear many hats, skills transfer and dependence upon a local environment. We must also take into account the fact that the compliance of SMEs with the multiplicity of EU rules depends on a very limited number of people, unlike large companies, which have many specialists in such matters among their employees.

2.1.3 The revised SBA states that the circumstances of the various SME categories must be taken into consideration, reflecting their size, specific characteristics and structure (production, trade, liberal profession, etc.) and their operating methods depending on the markets. The EESC feels that particular attention should be given to family businesses and sole traders at European, national and regional levels. It urges the Commission and the Member States to adopt specifically targeted regulatory, administrative, fiscal and training measures.

2.1.4 Nevertheless, as impact studies currently target SMEs in general, it is difficult to obtain precise information on the effects, constraints and benefits of EU policies for each of these categories. In order to fill these information gaps, targeted analyses and studies on these different categories should be prioritised in all EU programmes.

2.1.5 EU policies and programmes, including SBA measures, should contribute to developing the competitiveness of all businesses and not just those with high growth potential. Support is also required for the 95 % of small and microenterprises operating on local markets which, irrespective of their size, offer significant job creation opportunities at their level. Nonetheless, the current statistical methods, which are based on the turnover figure, undermine the social and cultural role of these small enterprises, particularly at regional and local level. The EESC calls on the Commission to take this into account in its assessment and to create the appropriate indicators required.

2.1.6 The EESC welcomes the SBA's reference to the international dimension of SMEs. Nevertheless, it would stress that

for most small businesses, internationalisation is more often a consequence of their growth than an end in itself. The European Union should lend them more active support in these activities, mainly by supporting initiatives in the Member States and relaunching the INTERPRISE cooperation programmes.

### 2.2 Do the main EU policies really take the SBA into account?

2.2.1 Despite references in specific texts, such as the Europe 2020 strategy and its flagship initiatives, the SBA and its principles are not really taken into account in the framing of major EU policies. Once again, small and microenterprises appear to have been ignored or under-estimated during the legislative process. This finding is supported by the following examples.

2.2.2 In the context of innovation policy, priority is given to businesses experiencing strong growth. This limited vision does not reflect the reality of innovation within small businesses, where the real need is to secure support services and tools geared to their specific characteristics.

This is also the case for energy policy. In its opinion on *Enhancing the effectiveness of European Union energy policy in favour of SMEs and particularly microenterprises* <sup>(2)</sup>, the EESC stressed that energy policy, essential for the future of the EU, had never looked at the issue of its implementation in small and microenterprises.

Lastly, impact studies concerning measures aimed at the completion of the internal market do not take sufficient account of the real situations experienced by small businesses and the problems they can encounter in cross-border trade or in their local and neighbourhood-based activities.

2.2.3 The EESC would ask that all policy proposals linked with the EU's priorities be based on the 'Think Small First' principle. It calls on the European institutions to give consideration to the interests of small and microenterprises when implementing the EU 2020 strategy's flagship initiatives and the priorities of the Single Market Act.

2.2.4 In this context, the EESC welcomes the fact that the Commission's Communication on twelve levers for stimulating the Single Market mentions, as its first key action, a series of measures for facilitating SMEs' access to venture capital as part of the solution to the most pressing problem facing SMEs, namely financing. The Committee stresses that this key action should not be considered in isolation but should be complemented by other measures outlined in the review of the SBA.

<sup>(2)</sup> OJ C 44, 11.2.2011, p. 118.

### 2.3 *Absent from the SBA: support for small enterprises and the role of business organisations*

2.3.1 The SBA touches on the need to support small enterprises. The EESC has often stressed the need to strengthen support and advisory measures for small enterprises, by means of tailored services provided in various forms by public or private organisations. The EESC also stresses the essential role that intermediary organisations play between policymakers and businesses by providing advice for businesses as well as policymakers.

2.3.2 The EESC believes that two key reasons for the competitiveness of small enterprises reside in the efforts of SME organisations to shore up this support and in improved dialogue between these organisations and policymakers at all levels. More often than not, these organisations are the only ones to deal directly with each business, in a targeted approach adapted to specific needs. It is thanks to their efforts that the smallest businesses are able to apply legislative measures; that businesses have access to funding, mainly from the EU; and that decision-makers can understand the real needs of small businesses and adapt their policies accordingly.

2.3.3 The EESC therefore urges that:

- EU programmes be more readily accessible to these SME organisations in order to carry out joint work;
- EU legislation set out technical assistance measures enabling them to conduct information, assistance and training initiatives; and that
- their function as 'one-stop shops' be assessed and strengthened, especially with regard to information, compliance and access to EU programmes.

2.3.4 Due to budgetary constraints and the need to concentrate resources on priorities, the EESC believes that it is a vital priority to support advisory, assistance, information and training services for SMEs, especially for small and microenterprises. The Committee calls for EU programmes to promote this assistance and provide intermediary organisations representing all categories of SMEs with all the support they need.

## 3. Specific comments

### 3.1 *Access to finance*

3.1.1 As the economic crisis has progressed, access to finance for small and medium-sized enterprises (SMEs) has become more and more difficult. Under such circumstances, organisations that provide SMEs with overdraft guarantees and counter-guarantees have become crucial. The EESC hopes that

the European Commission will acknowledge the important role played by these organisations as a fundamental tool for facilitating access to finance for micro-enterprises and SMEs.

3.1.2 EU financial instruments should be addressed to all SMEs, including the smallest. The EESC calls for 'guarantee' schemes to be strengthened, so that they continue to apply to all SME activities. These include, in particular, the tried and tested 'SME Guarantee Facility', which should be the first pillar in the post-2013 SME action programme. Lastly, the EESC calls for access to these financial instruments to be made easier for non-banking financial bodies, such as mutual guarantee funds.

3.1.3 The EESC believes that the measures adopted by the Basle Committee (Basle III) will bring about the required reform of bank practices. Nevertheless, the Committee is concerned about their impact, as they may make it difficult for small enterprises to access bank loans, thereby severely curtailing the financial resources of SMEs and of the real economy in general. The EESC calls on the EU institutions, especially in the context of the future Capital Requirements Directive (CRD IV), to take steps to ensure that the new requirements for banks do not impact on the financing of SMEs. The Committee calls for measures to enable banks - especially local banks, mutual banks and financial establishments offering bank guarantee services - to continue to fulfil their task of financing the real economy.

3.1.4 Various risk capital formulae may be useful for businesses, whether they are innovative or not, if adapted to their needs and specific circumstances. The European Union should facilitate a smooth-running risk capital market. Nevertheless, these formulae are no substitute for other instruments, such as guarantees. Small businesses should be able to choose the instrument most suited to their needs.

### 3.2 *Towards smart regulation*

3.2.1 The EESC wishes to emphasise the particularly positive development represented by the inclusion of SME tests in impact analyses, which now include social and environmental impacts in their assessments. The Committee urges the Commission to strengthen these tests by further integrating small and microenterprises. As well as pointing to the need for analyses and tests to be conducted by fully independent bodies, the EESC calls for SME organisations to be consulted during the preparation of these analyses and to be given a 'right to reply' before their final publication.

3.2.2 Hoping for a reduction in administrative burdens for SMEs, the EESC suggests that the 'only once' principle be combined with the 'one in one out' principle, according to which the introduction of new administrative burdens should go hand in hand with the removal of already existing ones. This principle should be applied both at European and local levels.

3.2.3 The renewed SBA's willingness to apply the 'Think Small First' and the 'only once' principles more effectively is to be applauded. The problem now lies in its effective application at national level and throughout the European Commission's DGs. This is why the EESC attaches considerable importance to:

- the implementation of independent high-quality impact analyses that acknowledge the diversity of SMEs; and
- the role of the Commission's SME Envoy, as an interface between the Commission and SMEs, which involves studying all policies affecting small businesses, promoting their views and, if necessary, opposing decisions that run counter to their interests.

3.2.4 When introducing measures, priority should be given to proportionality, so that small enterprises have only to complete formalities that are strictly necessary. If EU decision-makers applied to the letter the 'Think Small First' principle to which they have subscribed, there would be no need to envisage exemptions.

3.2.5 Recognising differences between microenterprises should not necessarily result in the systematic exemption of microenterprises from certain formalities. Should exemptions prove necessary, they should be negotiated with the representatives of the enterprises concerned. Otherwise, there is a risk that compliant businesses will be classified less favourably than those that do not respect the rules.

3.2.6 As a result, the EESC would recommend that:

- the 'Think Small First' and 'only once' principles be applied to all aspects of the Europe 2020 strategy;
- legislation be framed in partnership with representatives of the small businesses concerned from the outset;
- the principle of proportionality be applied systematically when this legislation is implemented;
- national and regional over-regulation be avoided when texts are transposed or applied; and that
- the Commission's SME Envoy be involved in the work of the Impact Assessment Board responsible for evaluating the quality of impact analyses.

### 3.3 Market access

3.3.1 The SBA acknowledges the need to ensure that SMEs can access public procurement contracts. Simplifying procedures

is not enough to encourage them to participate in public procurement, Member States also need to adopt SME-friendly policies. At present, only a few Member States do this.

3.3.2 The EESC sees an urgent need to fully implement the 'European code of best practices' <sup>(3)</sup> for public procurement. It calls on the Commission and the Member States to adopt policies that improve access by SMEs and microenterprises to public procurement contracts.

### 3.4 Entrepreneurship and job creation

3.4.1 Small businesses have a particular labour relations model within the company and a significant need for skilled staff. The EESC also recognises that employees play a vital role in the development of SMEs since they can be a source of innovation and have a share in achieving the company's goals. The Committee observes that small businesses are excellent providers of apprenticeships and vocational training. They play a central role in teaching new skills and enhancing knowledge.

3.4.2 The EESC regrets the fact that issues relating to the labour market, employment and the issue of the skills of employees and company directors, which also affect small and microenterprises, are all but missing from the SBA, despite the fact that these matters affect the capacity of such businesses to grow and their potential to create new jobs.

3.4.3 The EESC supports the Commission's efforts to strengthen women's entrepreneurship and recommends the sharing of good practice guides that include the actions undertaken by Member States as well as those conducted by SME organisations.

## 4. What can be done to ensure that the SBA and its priorities are taken into account?

### 4.1 Securing partnership-based governance: the multi-player and multi-level governance rule

4.1.1 The Communication is clear that strong governance is essential and that the SBA's main priority measures 'will only make an impact if based on strong SME governance'. EU policies, programmes and legislation will be effective only if they are designed and implemented with representative intermediary organisations at all levels. One of the revised SBA's main priorities must be to guarantee this partnership within the legislative and/or decision-making process at European, national and regional levels.

<sup>(3)</sup> [http://ec.europa.eu/internal\\_market/publicprocurement/docs/sme\\_code\\_of\\_best\\_practices\\_en.pdf](http://ec.europa.eu/internal_market/publicprocurement/docs/sme_code_of_best_practices_en.pdf)

4.1.2 The EESC takes the view that while the Enterprise Europe Network's revised SME panels may be excellent sources of information, they cannot replace the experience and skill of the bodies that represent SMEs. The proposal for an 'SME competitiveness' programme under the multiannual financial framework includes no provision for these bodies and places the emphasis exclusively on the Enterprise Europe Network: in a number of Member States, unfortunately, not all the organisations representing the various categories of SME are associated with the network. The network should be thoroughly assessed and its methods and operating rules improved so that organisations from the various categories of SME in the Member States can more readily participate in it.

#### 4.2 *The shift from 'Think Small First' to 'Act Small First'*

4.2.1 The EESC therefore calls on the EU institutions to:

- work together towards incorporating the SBA and its 'Think Small First' principle into their decisions in a more binding manner, which would encourage national, regional and local authorities to fall in line; and to
- establish a precautionary principle, under the authority of the European SME Envoy, using the American SBA's 'Office of Advocacy' system as a model. This system would ensure that none of the laws affecting small enterprises run counter to their interests.

#### 4.3 *By what means?*

4.3.1 The revised SBA's success and effectiveness will depend on the human and financial resources allocated for its implementation. The EESC welcomes the proposal for a new 'SME competitiveness' programme, which should have the following priorities:

- the monitoring and evaluation of the implementation of the principles of the SBA in all EU programmes and legislation and in the Member States;
- the implementation of an 'advocacy unit' system in order to bolster the effectiveness of impact analyses by studying the potential effects of future legislation on small and microenterprises;
- the establishment of instruments for competitiveness, standardisation, information and cooperation, developed in accordance with the 'Think Small First' principle;
- the availability of dedicated financial instruments for SME development, in particular the SME Guarantee Facility;
- the promotion of the support and advice activities of SME organisations and reinforcement of governance based on partnership with the representative organisations;

- a statistical and economic analysis of the different SME categories that takes their diversity into consideration, carrying out studies and research on them and disseminating the good practice of Member States and regions in their regard.

4.3.2 The EESC is concerned at the limited number of people currently working on SME issues and the SBA. The human resources deployed to implement and in particular to monitor this programme for SMEs, mainly within DG Enterprise, must be commensurate with the SBA's ambitions.

4.3.3 The EESC welcomes the introduction of national SME Envoys, who will be responsible for facilitating the implementation of the SBA's priorities in the Member States and ensuring that SMEs and microenterprises can have their say on national policies and laws. However, it feels that the effectiveness of this scheme will depend on the ability of the SME Envoy to influence political choices and national laws and on the quality of the cooperation with the various organisations for SMEs.

4.3.4 The EESC would stress the importance of the SBA Advisory Group as a consultation forum including the Commission, Member States and European SME organisations. This advisory group could become a forum for consultation on the legislative proposals and operational programmes of all the Commission DGs dealing with small and microenterprises. The EESC welcomes the fact that several regions have appointed regional SME Envoys and calls for such initiatives to be encouraged.

## 5. Policy measures

5.1 The EESC calls on the Commission to take stock of the situation on a yearly basis in order to:

- outline the implementation of the SBA within its services, the Member States and the regions;
- analyse the consideration given to SBA principles in the EU texts adopted by the European Parliament and the Council; and also to
- take stock of the situation and the progress achieved by the SBA Advisory Group.

This report should also be presented to the Council, the European Parliament and the Committee of the Regions.

5.2 Lastly, the EESC calls on the Council to establish a special annual Competitiveness Council for SMEs, microenterprises and the SBA.

5.3 Along the lines of the Tripartite Social Summit for Growth and Employment, which was established by a Council Decision of 6 March 2003, the EESC proposes that the Council set up a forum for economic dialogue which would take place twice a year in conjunction with the Competitiveness Council. This would bring together organisations representing European SMEs, the ministers for industry and SMEs of the troika countries, the Member States, the Commission and the EESC as the representative of civil society, with the aim of involving SME and political representatives at the highest level to help SMEs implement the Europe 2020 strategy.

Brussels, 21 September 2011.

*The President*  
*of the European Economic and Social Committee*  
Staffan NILSSON

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## APPENDIX

**to the Opinion of the European Economic and Social Committee**

The following amendment, which received at least a quarter of the votes cast, was rejected in the course of discussions (Rule 54(3) of the Rules of Procedure):

**Point 1.7 (new)**

Add a new point following 1.6:

1.7 It further calls on the Commission and the Council to establish a precautionary principle as an 'Office of Advocacy' to ensure that European legislation affecting SMEs is not contrary to their interests and takes due account of their circumstances.

**Outcome of the vote on the amendment:**

Votes in favour:	57
Votes against:	66
Abstentions:	36

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