

Opinion of the Committee of the Regions on the ‘Review of the “Small Business Act” for Europe’

(2012/C 9/05)

THE COMMITTEE OF THE REGIONS

- recognises the achievements to-date of activities implemented through the SBA but strongly recommends that in order for the Commission and Member States in particular, to deliver more substantially on its objectives, the SBA needs to become more politically binding to ensure greater and more fully compliant levels of implementation and to overcome the current barriers for full adoption of the SBA;
- considers that the SBA demands political leadership and believes that the Europe 2020 Strategy needs to include a more explicit recognition of the SBA to provide a more stable governance structure for this policy by adopting an appropriate roadmap highlighting key milestones to be achieved by all Member States that should be included in National Reform Programmes;
- foresees greater opportunities for regional and local authorities to contribute to the aims of the SBA and urges a more explicit recognition of the local and regional dimension to encourage both a bottom-up and top-down approach as well as giving the SBA greater visibility across the EU. Concludes that a greater level of communication and prioritisation of the Act is required across the EU at national, regional and local levels;
- highlights that the greatest challenge for SMEs is access to finance and this requires concerted action in the next stages of the SBA; underlines also the importance of efforts towards facilitating SMEs access to markets as well as a substantial reduction in administrative burdens;
- greatly regrets that the commitment to embed the SBA in both the Lisbon Strategy and subsequently the Europe 2020 Strategy has not occurred, in doing so the opportunity to utilise the National Reform Programmes as a key implementing tool of the SBA has been so far missed. Therefore, once again urgently calls for the immediate embedding of the principles and objectives of the SBA in the Europe 2020 Strategy and NRP implementation.

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Reference document	Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions - Review of the 'Small Business Act' for Europe COM(2011) 78 final

I. POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

1. welcomes the Commission's 'Review of the Small Business Act (SBA) for Europe' and restates its full support for the continued pursuit of this crucially important policy agenda to support the development, growth and sustainability of SMEs throughout the EU;

2. forcefully emphasises the need to address the key issues preventing the implementation of the SBA across all levels of government in the European Union and urges greater prioritisation of the key elements of the SBA by Member States – the loss of 3.5 million jobs⁽¹⁾ in SMEs in Europe as a result of the financial, economic and social crisis provides the unwelcome evidence to drive this to the top of the political agenda;

3. recognises the achievements to-date of activities implemented through the SBA but strongly recommends that in order for the Commission and Member States in particular, to deliver more substantially on its objectives, the SBA needs to become more politically binding to ensure greater and more fully compliant levels of implementation and to overcome the current barriers for full adoption of the SBA;

4. supports the efforts of the Commission to strengthen governance aspects of the SBA, in particular the establishment of national SME Envoys in the Member States, who together with the Commission's Special Envoy for SMEs must take charge of steering implementation of the SBA across the EU;

5. considers that the SBA demands political leadership and believes that the Europe 2020 Strategy needs to include a more explicit recognition of the SBA to provide a more stable governance structure for this policy by adopting an appropriate roadmap highlighting key milestones to be achieved by all Member States that should be included in National Reform Programmes;

6. foresees greater opportunities for regional and local authorities to contribute to the aims of the SBA and urges a

more explicit recognition of the local and regional dimension to encourage both a bottom-up and top-down approach as well as giving the SBA greater visibility across the EU;

7. highlights that the greatest challenge for SMEs is access to finance and this requires concerted action in the next stages of the SBA; underlines also the importance of efforts towards facilitating SMEs access to markets as well as a substantial reduction in administrative burdens;

8. re-emphasises the continued importance of providing appropriate supports to SMEs that ensure the long-term sustainability of a diverse set of enterprises; As well as placing emphasis on high-potential start-ups, new and export orientated SME, attention should also be paid to established businesses, those undergoing development and re-structuring while also recognising the challenges for locally and domestically focused SMEs which are ultimately the lifeblood of local and regional economies;

9. further underlines that the SBA and SME policy at all levels needs to accommodate and work with different business models, this includes social economy businesses, cultural and creative industries (pre-commercial and commercial), cooperatives and similar legal forms, in order to maximise job creation and sustainable economic growth;

Ensure a High Degree of Implementation and Better Governance

10. greatly regrets that the commitment to embed the SBA in both the Lisbon Strategy and subsequently the Europe 2020 Strategy has not occurred, in doing so the opportunity to utilise the National Reform Programmes as a key implementing tool of the SBA has been so far missed. Therefore, once again urgently calls for the immediate embedding of the principles and objectives of the SBA in the Europe 2020 Strategy and NRP implementation;

11. is disappointed by the variation in the degree of implementation of the SBA by Member States, while this is recognised in the Commission's Communication the underlying factors causing these differences are not fully explored – greater accountability is required from Member States to deliver upon the SBA; therefore concludes that a greater level of communication and prioritisation of the Act is required across the EU at national, regional and local levels;

⁽¹⁾ Estimation from the Annual Report on European SMEs 2010 to be published as part of the SME Performance Review (http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

12. welcomes the nominations of national SME Envoys by the Member States and implores all Envoys to fully meet their responsibilities to ensure that administrations 'think small first' and take due consideration of the challenges for SMEs in the development of laws, regulations and procedures that can positively impact upon the operating environments for SMEs;

13. observes that SME Envoys are divided between political and administrative nominations and recommends that more Member States should make political appointments in order to provide a stronger signal of prioritisation and commitment towards implementing the SBA and addressing the challenges of SMEs;

14. maintains that the reliance on the disparate pre-existing programmes and financial instruments to achieve the objectives of the SBA, with no additional or dedicated funding, is a fundamental weakness;

15. notes the appointment of a new EU SME Envoy but once again 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 financial resources and adequate support at the political level to enable successful implementation of the objectives of the SBA and to enhance the visibility and awareness of SME related policy activity;

16. welcomes the intention to establish an SBA Advisory Group composed of Member States, SME Envoys and representatives of SME organisations and requests that the Committee of the Regions be included as a member on this Advisory Group given the desire for the SBA to impact on all levels of governance and not just at EU and national levels;

17. suggests that within Member States, local and regional authorities are encouraged to take ownership of the SBA principles and adapt its measures to local/regional circumstances; considers that the European Entrepreneurial Region (EER) scheme could act as an inspiration in this regard;

18. acknowledges the successful adoption of most of the SBA's legislative proposals and encourages the adoption of the Statute for a European Private Company (SPE) by Member States which will ultimately encourage greater exploitation of the Single Market; by reducing the cost of setting-up companies, and simplify the regulatory framework in order to facilitate cross-border trade;

19. implores Member States to fully adopt and implement the Late Payment Directive and 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;

20. stresses that the proposed introduction of legislative exemptions for certain types of companies, start-ups or micro enterprises should be implemented, where appropriate, in such

a way that it does not lead to the creation of 'second-tier' enterprises and confusion in the marketplace;

21. calls for a stronger application of the Performance Review in order to monitor, assess and compare Member States' performance in implementing the SBA and furthermore asks that all information from the Performance Review be publicly available, to act as both a communication tool and a motivation for Member States to try harder;

Improving Access to Finance

22. brings attention to the challenges faced by SMEs with the tightening of conditions for credit by financial institutions⁽²⁾ which have emerged from the economic downturn and crisis in international banking that currently persists and further points out the disproportionate impact upon SMEs due to their perceived higher credit risk which ultimately severely undermines their ability to survive and operate in both the short and medium term;

23. encourages the Commission and Member States to build upon the conclusions of the second meeting of the permanent SME Finance Forum in March of 2011 and gratefully welcomes the initiatives undertaken by the Commission to address the issue of access to credit facilities such as the Progress Microfinance Facility and the commitment to introduce an action plan for improving SMEs' access to finance on a sound commercial basis;

24. advocates the SBA action plan which should focus upon the challenging operating conditions for SMEs seeking access to finance such as: (i) more transparency between banks other financial institutions 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;

25. considers that the proposed one-stop-shop for SME funding has some merit but suggests that this needs further consideration and, as a first step, recommends that a mapping exercise of all supports available to SMEs (to include EU, national, regional and local support programmes and support agencies) should be conducted at national/regional level, as appropriate; further recommends that other successful models that deliver added-value to SMEs through the provision of an integrated, cross-referral system of business supports, be considered by the European Commission and promoted more widely at local and regional level;

26. welcomes the Commission's proposal to include effective implementation of the SBA as a thematic ex-ante conditionality for EU Funds under the proposed Common Strategic Framework and the inclusion of SME investments as a thematic priority in the draft ERDF Regulation, which should help translate objectives of the SBA into reality at local/regional level in each Member State;

⁽²⁾ For example successful loan applications from enterprises dropped from 90 % in 2007 to 50 % in 2010 in Ireland. Source: Central Statistics Office (2011). Access to Finance 2007 and 2010.

27. considers that the disparate nature and requirements of European Union programmes open to SMEs is a weakness in terms of accessing funding and proposes a better bundling of Community instruments and funds for SMEs in the EU budget; demands enhanced support in the next MFF for all programmes and instruments aimed at fostering SMEs and in this regard generally welcomes the SME related proposals set out in the Commission's 2014-2020 proposal but reserves judgement until final budgets, specific volumes for SME support and concrete implementation aspects are agreed;

28. is concerned that the Competitiveness and Innovation Programme (CIP), post 2013, as part of the Common Strategic Framework for Research and Innovation will not adequately provide for the requirements of SMEs and would therefore advocate a specific SME pillar in this framework; calls for greater accessibility to and adaptation of financing instruments to the needs of SMEs, inter alia through a stronger emphasis on microfinance and mezzanine financial instruments, the extension and expansion of the CIP's guarantee instruments and the RSFF under the Research Framework Programme and a more intelligent use of the products of the European Investment Bank, such as JASMINE and JEREMIE;

29. supports the decision of the Commission to extend the temporary State Aid framework that allows additional aid for SMEs until the end of 2011 and considers that the Commission should prolong this regime beyond 2011 subject to a considered review of the performance of the framework in meeting its objectives;

30. suggests that national governments consider tax incentives for innovative small business start-ups in their initial years of operation;

31. is encouraged by the Commission's proposal to oversee a greater number of beneficiary SMEs to be achieved through strengthened loan guarantee schemes aimed at supporting investments, growth, innovation and research and further acknowledges the outline of proposals to introduce legislation to make the venture capital market function more effectively;

Deliver Better Regulation for the Benefit of SMEs

32. underlines the importance of a simplified, clearer and consistent regulatory and administrative operating environment for SMEs and considers that a strengthening of the application of the 'SME test' is crucial in this regard;

33. calls for a more systematic application of the 'SME test' in the impact assessment process to include early stage policy communications as well as legislative proposals and further suggests that this process would be strengthened if the Impact Assessment Board was more independent from the Commission;

34. strongly advocates that all Member States apply the 'SME test' and the 'think small first' principle, not only to national legislation but also to policy frameworks and administrative procedures affecting SMEs and suggests that the Commission evaluates how the 'SME test' is applied in the Member States, as part of the SME Performance Review;

35. welcomes the Commission's readiness to assist Member States to avoid the 'gold plating' of European Union legislation as advocated by the Committee in its previous opinion on the SBA by highlighting the considerable barriers to entry and expansion at the micro-scale caused by the 'gold-plating' of European Union legislation;

36. fully supports the 'only-once' principle and encourages local and regional authorities to apply this for all administrative and regulatory information requests from SMEs; however, highlights that there is some evidence that where public authorities have tried to implement 'only-once' practices and share data collected they have encountered objections on the grounds of data protection and data retention;

37. supports the Commission's pledge to present a set of policy recommendations in 2011 to simplify and address the challenges that exist for the removal of barriers to the transfer of business and once again draws attention to the fact that this is a particularly pertinent issue for the transfer of businesses between family members, in particular, as a large number of SME owners are growing older and will withdraw from their family-run businesses within the next decade, similarly, emphasises that there are similar issues for owner-operator SMEs;

38. regrets that to-date there has been little progress in the area of the simplification of bankruptcy procedures and therefore calls on Member States and the Commission to prioritise this issue and also again calls on the Commission to address the similar but different challenges faced by failed entrepreneurs who are not formally declared bankrupt;

39. highlights the difficulty faced by unsuccessful entrepreneurs in accessing Member State's social protection systems, in comparison to the entitlements of their employees, when their businesses are forced to close down;

Facilitate Access to Markets

40. supports the roll-out of the Single European Payments Area (SEPA) to all enterprises across Europe and fully agrees with the statement of the SEPA Council in May 2011 ⁽³⁾ which calls for the urgent adoption of a Regulation to set migration end dates for both the SEPA Credit Transfer and SEPA Direct Debit, once adopted it will replace existing member states' credit transfer and direct debit schemes which will ultimately lead to a more rapid and efficient establishment of the implementation of SEPA;

⁽³⁾ http://www.ecb.int/paym/sepa/pdf/SEPA_Council_statement_3rd_meeting.pdf.

41. welcomes the Commission's declared commitment to fully implement the European code of best practice on facilitating access by SMEs to public procurement and urges a greater response from the Commission and Member States to the Committee's previous calls for the promotion of 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;

42. furthermore, requests the Commission to promote the option at national level for bidders to apply for a 'procurement passport' (an electronic registration system), to demonstrate that an SME has the declarations and documentation that are often requested by contracting authorities during procurement. The fact that they only have to apply once for the passport means that SMEs do not have to keep presenting the same declarations and documents. This saves time and resources for SMEs that frequently take part in procurement procedures. Such a procurement passport would be valid for a given period, since the relevant certificates have limited validity. Such systems are already operational and experience has been positive to date;

43. reiterates the largely untapped potential in the area of e-procurement and acknowledges the call for the Commission and Member States to ensure a mutual recognition of e-identification and e-authentication across the EU by 2012, to this end the CoR encourages the Commission to review progress under this measure in 2011 to ensure the appropriate steps are being taken and to identify issues that require attention in its implementation;

44. suggests that the cost-cutting advantages provided by ICT solutions require greater exploitation given that just one third of public procurement contracts across the European Union is 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;

45. once more highlights the ever increasing threat of the black market to the viability of legitimate SMEs and requests that the Commission addresses the challenges that this presents in terms of unfair competition and unregulated trade, in particular measures should be introduced which could improve the protection of intellectual property and better fight against counterfeiting;

Promotion of Entrepreneurship

46. acknowledges the importance of promoting and developing a culture of entrepreneurship; calls on Member States to place greater emphasis on promoting entrepreneurial education and engendering entrepreneurial mindsets for students and in teacher training;

47. advocates the consolidation of the European Entrepreneurial Regions (EER) scheme as part of the implementation of the SBA, to promote entrepreneurship and as a tool to network regions and disseminate best local and regional practices in supporting SMEs;

48. welcomes the evaluation of the 'Erasmus for Young Entrepreneurs' programme and considers that the pilot phase of the programme has delivered on many of its objectives and provided genuine EU added-value; supports extending this programme on the understanding that key shortcomings of the pilot phase are resolved, in particular: (a) better communication of the initiative generally and better promotion of the benefits for participants and hosts; (b) the establishment of local/national contact points to resolve communication and promotion problems; (c) a greater geographical balance in participation; (d) the provision of an 'aftercare' programme for participants to consolidate experience acquired; and (e) a firmer financial footing for the programme;

49. notes and supports the creation of mentoring schemes for female entrepreneurs and also draws attention again 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 European Union and Third-Country migrant entrepreneurs;

50. welcomes the Europe 2020 Flagship initiative 'An Agenda for New Skills and Jobs' which takes into account some of the specific characteristics and challenges for SMEs, and encourages the Commission and Member States to ensure that skills and jobs policy are developed in the context of the SBA to maximise the potential for job creation and skills development with SMEs.

Brussels, 12 October 2011.

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