

**Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and the Council establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (2014-2020)’**

COM(2011) 834 final — 2011/0394 (COD)

(2012/C 181/22)

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On 13 December 2011 and 24 January 2012, respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Article 114 of the Treaty on the Functioning of the European Union, on the

*Proposal for a Regulation of the European Parliament and the Council establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (2014-2020)*

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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 8 March 2012.

At its 479th plenary session, held on 28 and 29 March 2012 (meeting of 29 March), the European Economic and Social Committee adopted the following opinion by 142 votes with 6 abstentions.

## 1. Conclusions and recommendations

1.1 The EESC endorses the COSME programme’s general objectives yet notes that it does not take account of the demands put forward in the SBA opinion<sup>(1)</sup>. These include, in particular, strengthening support and advice for SMEs; business transfers; and dialogue and partnership with SME organisations.

1.2 It calls for more visibility in terms of the specific action to be taken. Two problems appear to be immediately apparent:

— its objective: the objective of the regulation is the competitiveness of businesses. There is a need to make them capable of competing with their competitors on the global markets. The EESC endorses this objective but considers that it is equally important to act to ensure the sustainability of SMEs on local, regional and European markets;

— its means: the EESC calls on the Commission to build on the legislative proposal to include a work programme listing the specific measures that will be implemented in order to respond to the needs of all types of SMEs and their expectations in the face of the current crisis.

1.3 Any decision on the operational programme should fall under the competence of the European Parliament and of the Council in accordance with the co-decision procedure. The

delegated acts procedure should be limited to the definition and implementation of annual programmes, drawn up in consultation with the Member States and SME organisations.

1.4 The EESC calls for the programme:

— to address all businesses<sup>(2)</sup>;

— to focus its resources on essential priorities: information, support and advice, access to markets and to financing, adaptation of EU requirements and standards, cooperation, incorporation of the priorities of EU 2020 Strategy (innovation, green economy and the employment of young people);

— to establish a fifth specific objective to this end: to support SMEs and their access to advice, focusing on small and microenterprises.

1.5 The EESC proposes a fourth action to improve legislation, particularly through the creation of an ‘office of advocacy’<sup>(3)</sup>, which will aim to ensure that the legislation takes greater account of the realities facing small enterprises. The role and coherence of the ‘office of advocacy’ with other bodies operating, e.g. SME Envoy network will however need to be defined. It notes its opposition to the wider application of exemptions and advocates involvement of SME organisations in the legislative and decision-making process.

<sup>(1)</sup> OJ C 376, 22.12.2011, p. 51-57.

<sup>(2)</sup> See footnote 1.

<sup>(3)</sup> See footnote 1.

1.6 The EESC stresses that there is an insufficient level of governance partnership in the proposal. It does not accept that this should be limited to consultation alone and draws the attention of the European Parliament and the Council to the need to put such governance in place and to strengthen the partnership with SME representative organisations in line with other EU programmes <sup>(4)</sup>. The EESC calls for the creation of a working group that would allow European SME organisations to be consulted during all stages of planning, implementing and monitoring the COSME programme.

1.7 With regard to Article 9 on actions to improve access to markets, the EESC calls for:

- a distinction to be made between, on the one hand, access to markets and on the other, information, advice and setting up SMEs;
- support for action already undertaken by SME organisations and public organisations in the Member States;
- a modification of the missions and organisation of the Europe Enterprise Network to ensure that it complements the action of SME organisations and involves them directly in its work. The network must be more visible and its potential should be fully used.

1.8 The EESC points to a number of ambiguities between the proposed financial instruments, the Horizon 2020 programme and other sources of financing, such as those put forward in the proposals for regulations on territorial cohesion. This situation is somewhat problematic for SMEs. It therefore asks for clarification of the link between these different forms of financing. While it welcomes the fact that 56 % of the budget has been allocated to financial instruments, the EESC calls on the Commission and the European Parliament to establish a clear dividing line between the two instruments, to make them accessible to all companies and for all types of investment, and to coordinate them with other, similar types of Community funding in order to enable SMEs to choose the instrument that is best suited to them. It also calls for the rules and conditions of the LGF guarantee to be modified.

1.9 It calls for a revision of the text of Annex I on indicators in order to define them together with organisations of SMEs. It is also necessary to review the text of Annex II and the legislative financial statement due to a number of contradictions with the texts of the proposal.

1.10 The EESC recommends that the European Parliament and the Council support and strengthen the programme by increasing the visibility of its content, its operational measures and the financing of its priorities while ensuring partnership with European SME organisations. Given its objectives, its

budget of EUR 2,5 billion seems to be patently insufficient. The EESC is opposed to any attempts to reduce the programme's budget and asks that the Parliament accord it greater importance. The EESC considers that it is SMEs which will help the EU climb out of the crisis and create new jobs.

1.11 The EESC believes, however, that the programme lacks ambition. It feels that the proposed budget of EUR 2,5 billion will not be sufficient to implement the measures that are required to support the long-term activities and development of SMEs, and yet it is SMEs that will help the EU climb out of the crisis and will create new jobs. The EESC is thus opposed to any attempt to cut this budget. It calls on the European Parliament to bring it up to par with the budget for the current Competitiveness and Innovation Programme (CIP) with a view to increasing, as a matter of priority, the budgetary resources allocated to financial instruments.

1.12 The EESC calls on the European Commission to clarify the budgetary distribution of the programme (other than financial instruments) and to include a detailed breakdown of the financial resources allocated to each activity within the programme.

## 2. General comments

2.1 In its opinion on the 'Review of the SBA' <sup>(5)</sup>, the EESC set out its priorities for the 2014-2020 Competitiveness/SME programme. Unfortunately, the COSME proposal does not take sufficient account of them and lacks vision regarding the practical measures for their implementation. The EESC calls on the Commission to provide the Committee, European Parliament and the Council with details of an action programme for the duration of this programme.

2.2 The EESC remains surprised by the lack of any reference to the SBA, whereas it should form the cornerstone of the programme. There is no reference to the 'only once' principle. Scant mention is made of the 'Think small first' principle and the specific situation of the different categories of SMEs is not sufficiently taken into account.

2.3 Competitiveness evolves according to the rules of the market and is dependent on other factors such as differences in terms of labour cost, purchasing power, taxation, access to financing or the employability of young people. The EESC considers that COSME's priority should be to ensure the long-term development of businesses and not just their competitiveness.

2.4 Lastly, the COSME programme should set out measures specifically aimed at small and microenterprises.

<sup>(4)</sup> Article 5 of the General Regulation on the Structural Funds.

<sup>(5)</sup> See footnote 1.

2.5 In connection with the analysis of the implementation of the European definition of SMEs in 2012, the EESC urges that account to be taken of the wide diversity of SMEs. Furthermore, the Commission should inform the Committee of the findings of this analysis and involve it in its follow-up work.

### 3. Positions on the proposal for a regulation

#### 3.1 Regarding the recitals

3.1.1 The EESC shares the aims of recital 10. The COSME programme must also:

- simplify the activity of SMEs and cut red tape;
- promote the implementation of the priorities of the EU 2020 Strategy such as innovation, the green economy and employing young people. The EESC welcomes the inclusion of recital 11 in the proposal which pays particular attention to microenterprises, enterprises engaged in craft activities and social enterprises;
- apply the principles of the SBA in EU policies and programmes at local and national level;
- incorporate the needs of SMEs into other EU programmes and ensure the coordination and simplification of their administrative rules.

3.1.2 In addition to the creation and development of enterprises, the Committee considers that the second chance principle, business transfers and acquisitions, the employability of young people, training for entrepreneurs and their employees as well as a reference to the role played by independents and the liberal professions should all be included in recital 11.

3.1.3 Recital 12 must mention that one of the major problems for the vast majority of SMEs is that of access to specially tailored advice. The EESC supports the principle of the Enterprise Europe Network yet considers that its potential should be fully used. Still many European SMEs appear to be unaware of its existence. The services offered by the EEN should be grounded as much as possible in real SME demands and needs. The EESC backs the proposal to restructure EEN governance and to involve all relevant business organisations in the governance of the EEN.

3.1.4 The Commission's power to adopt acts in accordance with the delegation procedure mentioned in recital 28 should be restricted to acts relating to the implementation of the programme, in particular the annual programmes, and to the rules on externalisation after consulting the stakeholders. The operational programme, practical measures and specific rules for participation should be adopted by the European Parliament and the Council.

3.1.5 The EESC insists that the COSME regulation must institute a genuine system of governance for the European SME organisations. It should pursue the idea of partnership proposed by Article 5 of the Regulation on common provisions for the structural funds<sup>(6)</sup>. SME organisations should be present throughout the preparation and during the annual implementation of the programme, in accordance with the SBA.

3.1.6 Tourism provides clear added value to the EU economy and support measures under COSME should include tourism industry. The EESC calls on the Commission to provide the Committee, European Parliament and Council with an operational programme for this sector, drawn up together with the SME organisations. However, many other sectors also provide clear added value.

#### 3.2 Chapter 1: subject matter

3.2.1 The EESC calls for the terms 'microenterprises,' 'craft enterprises,' 'self-employed workers' and 'the liberal professions' to be added to Article 1.

3.2.2 The EESC endorses the general objectives of Article 2. It should like to add the long-term development of SMEs and the promotion of business transfers.

3.2.3 A fourth general objective must be added to Article 2: the implementation of the principles of the SBA and the application of its priorities in EU policies and programmes.

#### 3.3 Chapter 2: specific objectives and fields of action

3.3.1 The four specific objectives set out in Article 3 are essential. However, the EESC calls for the addition of the following:

- in point 1d): improving access to local markets, especially by promoting the adaptation of European standards and requirements to the needs and realities of small and microenterprises;
- a fifth specific objective: promoting support for SMEs and their access to advice.

3.3.2 The EESC asks the European Parliament and the Council to add a new article on governance and the creation of a consultative working group bringing together European organisations representing different categories of SMEs for the launch, implementation and follow-up of the programme and its annual versions.

<sup>(6)</sup> See footnote 1.

3.3.3 The EESC stresses the need to include in Article 6 specific proposals to:

- promote impact assessment procedures and put in place an ‘Office of advocacy’ system after its role and competences are clearly defined;
- apply the ‘Think Small First’ and ‘Only once’ principles of the SBA during the legislative process and the implementation of the EU 2020 Strategy;
- ensure that legislation is developed with SME organisations.

3.3.4 The EESC reiterates its opposition to widening the use of exemptions for microenterprises (7). It recommends involving SME organisations with a view to adapting legislation to the realities of these micro-enterprises.

3.3.5 The EESC calls for the introduction in Article 7 of action to promote business transfers and acquisitions. This concerns, in particular, training for future purchasers of businesses, information and training for young students on knowledge of the world of SMEs and the opportunities they represent.

3.3.6 Regarding Article 9, a distinction should be made between, on the one hand, action which aims to improve access to the markets and, on the other, action to provide information, advice and support for businesses. The EESC calls for Article 9 to be divided into two separate articles as follows:

3.3.6.1 Article 9: actions to improve access to markets

Points 2, 3 and 4 should be included and point 2 developed by specifying that the COSME programme will, in particular, support those measures that help ensure the participation of SMEs and microenterprises in the European standardisation process of formulating and adapting European standards and requirements as well as the implementation of these standards at enterprises.

3.3.6.2 Article 9a: actions to provide information, advice and support for businesses

- The EESC stresses that ensuring that all SMEs have access to information, advice and support should be a priority. Therefore, the COSME regulation should:
  - help make Community programmes more accessible to SME organisations and ensure technical assistance measures to provide SMEs with information and advice. SME organisations should play a greater role in this respect;

- strengthen the role of the one-stop-shop system for SME organisations at local and national level.

- The EESC regrets the fact that the activities of the Enterprise Europe Network (EEN) do not reach or benefit more SMEs – especially small and microenterprises – and that not all SME organisations are involved in the network. It feels that, in order to ensure that all these SMEs have access to information, the EEN should be established within all such organisations. Their activities should be supported, although care should be taken not to create new intermediate structures. While the regional consortium model has proved effective in many Member States and regions, it should probably be adapted to allow all SME organisations to join.

The EESC takes the view that the EEN should be primarily intended for SME organisations that have proved themselves able to organise information, advice and support services and to deliver these to SMEs. It recommends that the network’s activities should be determined in agreement with European organisations representing SMEs and that it should be possible for those organisations to be consulted when developing the specifications for the future network’s activities.

### 3.4 Chapter 3: implementation of the programme

3.4.1 Article 10 stipulates that the annual programme shall be adopted by a committee made up of representatives from the Member States. The EESC considers that the European organisations representing SMEs must be consulted in advance within the framework of the working group whose creation the EESC has called for (point 3.3.2). Monitoring of the implementation and management of the programme set out in Article 12 should be carried out in cooperation with this group.

3.4.2 Article 11 provides for ‘support measures’ which, for the most part, consist of studies and analyses. Once again, the EESC calls for the Commission to support a clear study and analysis programme, which is drawn up in cooperation with SME representative organisations, to cater to the needs of enterprises.

### 3.5 Chapter 5: Committee and final provisions

3.5.1 In Article 16, the regulation should state that the Commission should be assisted not only by a committee made up of representatives of the Member States but also by the group of partners proposed by the EESC (point 3.3.2).

3.5.2 While the EESC accepts the principle of delegated acts for implementing provisions, it considers that the proposals of Article 17(2) form part of the decision-making process that falls under the responsibility of the European Parliament and of the Council as it concerns the modification of a specific programme objective. It urges the European Parliament and the Council to delete Article 17(2).

(7) See footnote 1.

3.5.3 In Article 18, delegated acts should be established in cooperation with the specific working group of partners proposed in point 3.3.2. The same applies to Article 19 in respect of the urgency procedure.

### 3.6 *Annex I: Indicators for general and specific objectives*

3.6.1 The EESC recommends that the Commission define the indicators with SME organisations, taking into account those that already exist at Member State level.

3.6.2 The EESC proposes to reconsider benchmarks applied in evaluation of the competitiveness. 'Starting a business' as mentioned in Annex 1 of the draft regulation is only one of indicators to measure the competitiveness of economy. Even COSME sets as a medium term target (result) by year 2017 to adopt 'about 7 simplification measures per year'. Therefore, the EESC suggests to specify priority sectors for the reduction of administrative burden which are of particular importance for the competitiveness of SMEs such as dealing with construction permits; getting credit; taxes; enforcing contracts, etc.;

### 3.7 *Annex II: Actions to improve SME access to finance*

3.7.1 The EESC supports the financial instruments and calls on the European Parliament and the Council to strengthen them. The loan guarantee facility is one of the most effective instruments for the vast majority of SMEs.

3.7.2 In point 3, the EESC notes that the link between the Horizon 2020 programme, which supports only investments in research and innovation, and financial instruments of the same kind that the regions are able to put in place under the structural funds, is not clear. The EESC calls on the Commission to clearly explain this link between instruments which appear to be similar – and to set out identical access procedures.

3.7.3 The EESC calls for the addition of a new paragraph 2a), stipulating that 'The Loan Guarantee Facility may be applied during all phases of a company's lifecycle: start-up, development and transfer, without distinction in terms of activity or market size. This facility shall relate to all types of investment, including intangible investments.'

3.7.4 The proposal states that the Loan Guarantee Facility covers loans up to EUR 150 000.

3.7.4.1 The EESC urges the Commission to specify what criteria were used to set this level as the CIP programme did not establish any limits. The EESC notes that the amount

proposed covers the actual loan amount. Nonetheless, loans for business start-up, investment or transfer are often for significantly higher amounts. This means that higher loans would effectively be guaranteed under the Horizon programme even though it is only supposed to be used for innovation projects.

3.7.4.2 The EESC therefore calls for a return to the previous CIP system, which did not set any limits. Failing this, it requests that the limit of EUR 150 000 apply only to the counter-guarantee amount and not to the loan amount. With regard to business transfers and acquisitions, the costs of which are often significantly higher than for business start-ups, the EESC urges that no limit be set for the counter-guarantee amount.

3.7.5 The same point discusses the drafting of reports on the 'innovative SMEs' supported. The LGF must be capable of benefiting all businesses, whether they are innovative or not. The EESC reiterates its doubts as to the usefulness of such reports; they should be limited to information that can be used directly and should not encumber budgets that are earmarked for business financing.

3.7.6 The EESC demands that all measures relating to the definition and introduction of financial instruments be adopted in consultation with European SME organisations and their financial partners.

### 3.8 *Legislative Financial Statement*

3.8.1 In point 1.4.1 on the multiannual strategic objectives, it is requested that the programme promote business transfers and acquisitions, not only their creation and growth.

3.8.2 Point 1.5.4 emphasises, in paragraph 3, that the 'the new Programme would target SMEs in their growth and internationalisation phases'. This limitation is contrary to the rest of the text and to the principles of the SBA: the new programme must target all SME activities, whatever their type of market.

3.8.3 The EESC notes that the end of paragraph 3 runs counter to the text of the regulation and calls for its deletion.

3.8.4 The last sentence of paragraph 5 in point 1.5.4 mentions the creation of a one-stop shop. The EESC asks that account be taken of offices and departments that already exist, calls for respect for the organisational methods particular to each Member State and urges that action be taken in cooperation with SME organisations.

3.8.5 In point 2.1, on monitoring and reporting rules, the EESC requests a mid-term evaluation to adapt the COSME programme during its second phase. These evaluations should be carried out in a timely manner by an independent external body and then submitted to the European Parliament and the Council.

Brussels, 29 March 2012.

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

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