Opinion of the European Economic and Social Committee on ‘Economic diversification in the accession countries – role of SMEs and social economy enterprises’

(2004/C 112/27)

On 17 July 2003 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on Economic diversification in the accession countries – role of SMEs and social economy enterprises.

The Consultative Commission on Industrial Change (CCIC), which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 15 March 2004. The rapporteur was Ms Fusco and the co-rapporteur was Mr Glorieux.

At its 407th plenary session held on 31 March and 1 April 2004 (meeting of 1 April 2004), the European Economic and Social Committee adopted the following opinion unanimously:

1. Introduction: definitions and objectives

1.1 The accession of ten new countries to the European Union is an unprecedented historic event, both because of the number of countries concerned and because of the profound social and economic changes this will bring for these countries and for Europe as a whole. With this in mind, and in accordance with the priority of strengthening the EESC’s presence in the debates on the future of Europe (based on the speech made on 11 December 2002 by the president, Mr Briesch), this own-initiative opinion is intended as a contribution, emphasising the participation of civil society and its organisations, to the process of political opinion-forming during this period of enlargement.

1.2 In addition, this opinion is intended to contribute to the debate on the consequences of enlargement described in the Wim Kok report (Enlargement of the European Union — results and challenges) of 26 March 2003, by emphasising the role which small and medium-sized enterprises (SMEs) and social economy enterprises (SEEs) play in economic diversification (including its social implications) in the accession countries, and the challenge of integrating them fully in the single market. The EESC wishes to contribute to the various Community initiatives intended to ensure full success for their accession, including their economic and social cohesion in the current industrial changes.

1.3 SMEs, a term which also includes micro-enterprises with their special features, are enterprises corresponding to precise numerical criteria defined by the European Commission (see Appendix, Table 1). (*)

1.4 SEEs belong to a group of four families: cooperatives, mutual societies, associations and foundations. They are characterised by the primacy of their social objectives, rather than the need for maximum returns — this often gives rise to a link with their local area and local development — and by the satisfaction of needs that other sectors of the economy cannot satisfy alone. Their basic values are: solidarity, social cohesion, social responsibility, democratic management, participation and autonomy. (*)

1.5 The Lisbon European Council of March 2000 laid down the objective of making Europe the most dynamic and competitive knowledge-based economy in the world, while stressing the need to create a friendly environment for starting up and developing innovative businesses, especially SMEs (*) and adding that ‘The competitiveness and dynamism of businesses are directly dependent on a regulatory climate conducive to investment, innovation, and entrepreneurship.’ (**) On that basis the Feira European Council (19 and 20 June 2000) approved the European Charter for Small Enterprises, which states that ‘Small enterprises are the backbone of the European economy [and] are a key source of jobs and a breeding ground for business ideas’ (**). The Lisbon strategy also maintains that economic growth is a key factor for ensuring social cohesion in Europe.

(*) B. Roelants (co-ord): Preparatory Dossier for the First European Social Economy Conference in Central and Eastern Europe, 2002, p. 31. Common denominators drawn up on the basis of definitions prepared by the EU Commission, the Committee of the Regions, the CEP-CAFM (European Conference of Cooperatives, Mutual Societies, Associations and Foundations) and the FONDA (linked to organisations at the origin of the social economy concept).

(**) Presidency conclusions – Lisbon, 23 and 24.3.2000, point 14

(1) The European Charter for Small Enterprises: Luxembourg, Office for the Official Publications of the European Communities, 2002. The Commission states that the Charter was recognised in Maribor on 23.4.2002 (see http://europa.eu.int/comm/enterprise/enterprise_policy/sme-package/index.htm). The Committee and the Parliament continue to urge that the Charter should have legal force, and that it should be expressly included in the European Convention’s chapter on industry.

A strategy for full employment and better jobs for all’, COM(2003) 6 final
The Commission subsequently argued that the challenges making it necessary to adopt the Lisbon agenda are the requirements to increase the supply of jobs, raise the employment percentage, improve technical knowledge and ensure an ordered flow from agriculture and industry to services without worsening the regional disparities in the countries themselves (1).

1.6 The EESC, in its opinion 242/2000 (2), stressed the importance of SEEs and indicated that they are fundamental to entrepreneurial pluralism and diversification of the economy (3). Most SEEs are included in the EU's standard definition of SMEs (4). Those which do not match that definition, because of their size, generally have certain characteristics in common with SMEs, such as a low level of external investment, no stock exchange listing, proximity of owner-shareholders, and a close link with the local social fabric.

1.7 The Commission acknowledged that SMEs are the bedrock of European industry, with 66% of total employment and 60% of the EU total of value added, excluding the agricultural sector. In 1999 the proportion of the applicant countries' employment accounted for by SMEs was even higher at 72%, excluding the agricultural sector. The job total for micro-enterprises (fewer than 10 workers) is the most significant, with 40% of total employment (5), and is a good argument for paying special attention to enterprises of this type (see Appendix, Table 2).

1.8 In the EU, the social and economic importance of the enterprises and organisations of the social economy is growing: with about 9 million workers (full-time equivalent), they account for 7.9% of civilian waged employment (6). Moreover, they involve a considerable proportion of civil society, since it is estimated that more than 25% of the EU's citizens are members of them as producers, consumers, savers, inhabitants of a dwelling, policy-holders, students, volunteers etc. In the acceding and applicant countries of central and eastern Europe, the number of cooperatives alone is estimated at 15,000 enterprises, providing more than 700,000 jobs and involving nearly 15 million members; after a period of decline, these too have entered a new phase of growth (7). SEEs develop particularly in enterprises, providing more than 700,000 jobs and involving nearly 15 million members; after a period of decline, these too have entered a new phase of growth (7). SEEs develop particularly in enterprises of this type (see Appendix, Table 2).

1.9 In several current EU Member States there is major interaction between conventional SMEs and SEEs. Cooperative banks often promote start-up and development projects by conventional SMEs. Social economy structures have proved useful in strengthening conventional SMEs when these have wished to form networks, groups or joint support schemes, achieve economies of scale or set up mutual guarantee schemes for bank loans.

1.10 The EESC, in its opinion of 24-25 September 2003 on Industrial change: current situation and prospects — An overall approach prepared by the CCIC, takes the view that the concept of change is different from that of restructuring, pointing out that in fact 'it is a much more dynamic concept. On the one hand it embraces the on-going development of the company (establishment, development, diversification, change); but, on the other hand, the business world is closely linked with the European political and social environment in which it develops, and which in its turn influences the process of industrial change (8). Moreover, 'Today it is important to dwell on the proactive concept of change in order better to anticipate and manage the economic, social, organisational and environmental repercussions of industrial change (9). This concept of change is particularly important given the accelerating pace of restructuring, in a context characterised by globalisation, EU enlargement, the deepening of the Single Market, and technological, industrial and social changes.

1.11 The present opinion takes account in particular of the Commission report 'Managing Change' of 2 November 1998, drafted by a high-level group chaired by Mr Pehr Gyllenhammar (10) on which the EESC issued a critical but positive opinion, welcoming the fact that it acknowledged that industrial change created new possibilities and that it stressed the need for job creation, expressing the view that 'The broad strategy of seeking stimulus from an approach built on benchmarking, innovation and social cohesion is valid.' As regards the SMEs, the EESC emphasised that they could not overcome on their own the problems of industries in decline or those resulting from serious and sudden crises. The EESC took the view that large-scale changes must be managed through a collective effort based on flexible territorial partnerships of a voluntary nature (11).

(1) Opinion of the Economic and Social Committee on The social economy and the single market, CES 242/2000 of 3.3.2000
(2) In a recent study, the OECD specifies that the 'social economy' is a broader concept than the non-profit sector, since it is less strictly linked to non-distributional constraints, whereby organisations cannot legally redistribute their surplus to their owners (OECD, Paris, 2003. The non-profit sector in a changing economy, p. 299).
(3) McIntyre et al.: Small and medium enterprises in transitional economies, Houndmills Macmillan, p. 10
(4) Industrial policy in an enlarged Europe: Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, COM(2002) 714 final.
(5) CIRIEC 2000: The enterprises and organisations of the third system: strategic challenge for employment, University of Liège.
(6) Calculated on the basis of the study carried out by the International Cooperative Alliance in 1997 and funded by the European Commission.
(7) See the charter of the CEP-CMAF (European Conference of Cooperatives, Mutual Societies, Associations and Foundations).
(8) See the report of the EESC opinion of 7.7.1999, OJ C 288 of 10.9.1999, 3.7.2 and 3.7.3
(9) EESC opinion of 7.7.1999, OJ C 288 of 10.9.1999, 3.7.2 and 3.7.3
(10) With the exception of Poland and Hungary. See European Commission: Impact of enlargement on industry.
1.12 Faced with the industrial changes since the 1990s, with increasing globalised competition and entrepreneurial concentration, and on the eve of their forthcoming inclusion in the Single Market, the SMEs and SEEs of most of the accession countries are coping with enormous challenges. At the same time, bearing in mind the decisive role they play in socio-economic terms, it is urgently necessary for the EU as a whole to reflect on the best way to make the most of their role, support their adaptation to these challenges, and promote their innovative and funding capacity, their entrepreneurial spirit and their competitiveness.

2. Comments on the special features of the accession countries as regards SMEs, SEEs and economic change

2.1 Economic changes and diversification in the accession countries

2.1.1 In the course of their transition from a command economy to a market economy, the accession countries of central and eastern Europe have undergone a profound industrial change. Liberalisation has been abrupt, with a corresponding loss of traditional export markets, and a sizeable fall in industrial employment.

2.1.2 After a decade of restructuring, the manufacturing industries of the accession countries of central and eastern Europe have come closer to the EU’s model for production and employment structures. Manufacturing industries have taken advantage of direct foreign investments to modernise, generating a gap in productivity and profit levels between foreign-owned and national-owned enterprises. While some countries have advanced towards sectors with higher added value, the others appear to maintain a specialisation in labour-intensive, mainly in the large companies as to their replacement by SMEs, but did not make up for job losses. In some cases has fallen. This sector, of considerable socio-economic importance, also shows a significant gap between the accession countries and those of the EU, both in terms of economic importance and in terms of employment.

2.1.3 Industrial change in the context of enlargement also includes a growth of intra-industrial trade and other types of partnership (joint ventures, mergers, temporary partnerships, etc.) between the accession countries and those of the EU, as well as sub-contracting by large enterprises to SMEs. This development is a decisive factor for ensuring a fairer distribution of the benefits of enlargement and a smoother integration into the Single Market. If the resulting economies of scale are significant, there can be greater complementarity between large enterprises and SMEs, and the latter can have a fundamental role to play as sub-contractors and suppliers of services.

2.1.4 Market services represent a growing proportion of the GDP of the accession countries, reaching 54% in 2001, but in a context of sub-contracting and interconnections between industry and services. However, the industry represented 33% of their GDP in 2001, and will continue to be important.

2.1.5 Apart from the market services mentioned above, and noting that in absolute terms, between 1994 and 2002, the majority of new jobs are found in the services sector, employment in services to local communities has risen very little, or in some cases has fallen. This sector, of considerable socio-economic importance, also shows a significant gap between the accession countries and those of the EU, both in terms of economic importance and in terms of employment.

2.1.6 The EESC would point out that SMEs in countries in transition tend to have greater flexibility and innovation potential than large companies, with generally higher productivity in services and in ‘niche’ manufacturing sectors. In general they show more entrepreneurial spirit. However, the company failure rate remains very high, even if in some countries the ratio between the gross and net rates for SME start-ups is more favourable than in some of the EU Member States (see Appendix, Table 4).

2.2 Social impact of the changes

2.2.1 The analysis of employment growth by significant sector in the applicant countries between 1995 and 1999 shows that employment in SMEs has increased noticeably whereas that in large companies has declined (see Appendix, Table 3). According to the report by the European SMEs Observatory, this growth could be due to as much to job losses in large companies as to their replacement by SMEs, but did not make up for job losses.

(2) Particularly the agri-food and beverages, wood, textile and metal-based industries.
(3) Ibid., note 18, p. 8
(4) Ibid., note 18, p. 1 and pp. 4-5
(5) Such as Poland and the Czech Republic.
(6) Especially in Bulgaria, Hungary and Poland.
(8) Some net losses were noted, particularly in Lithuania and Slovakia.
2.2.2 The transition period has brought with it growing poverty and inequality (1). Among other problems, analyses based on incomplete data show that women are clearly disadvantaged on the labour market (2).

2.2.3 In recent years, the social protection and health systems of the accession countries have undergone many reforms. To a large extent, certainly, these countries are facing the same problems as the current EU Member States: rising expenditure and stagnating or falling revenue. Even so, they generally fall short of the European average in health care terms. Life expectancy there is 6 years less than that in the Member States (3).

2.3 Role and challenges of SMEs and SEEs in the accession countries

2.3.1 The current accounts deficit in the accession countries at present, and restrictions imposed by the stability pact, will put further pressures on public expenditure (4). It is therefore necessary to find innovative ways of meeting public interest needs (5). An area where SEEs in particular can play an important role, as is the case in several EU countries (6). This is all the more important in former industrial regions, where there is a general lack of conventional investment, and in rural regions, where many agricultural SMEs are disappearing. In a significant number of the acceding and applicant countries of central and eastern Europe, SEEs are already far the main employer of disabled people.

2.3.2 The European Charter for Small Enterprises acknowledges that, while the latter are the backbone of the European economy, they are also the most sensitive of all to changes in the business environment. This is even more true in the accession countries, which have together officially approved the Charter (7). The challenge for SMES and SEEs as regards their capacity to compete in the Single Market is significantly greater this time than in all the previous waves of enlargement. Among the most important constraints upon them are the lack of skilled labour, access to financing and administrative regulations (8) — an area where SEEs in particular can play an important role, as is the case in several EU countries (9). This is necessary to find innovative ways of meeting public interest needs. To a large extent, certainly, these countries are facing the same problems as the current EU Member States: rising expenditure and stagnating or falling revenue. Even so, they generally fall short of the European average in health care terms. Life expectancy there is 6 years less than that in the Member States.

2.3.3 The European Commission’s Green Paper on Entrepreneurship states that SEEs, because they have to apply ‘business principles and efficiency to achieving social and societal objectives, … face particular challenges in accessing finance, management training and advice.’ (10) These challenges are all the more serious in the accession countries, where they are not the only ones faced by SEEs. In particular, cooperatives there are often regarded as a vestige of the earlier regime, although they appeared there a century and a half ago, and have generally adapted well to the introduction of the market economy. The regulations or prejudices to which they are subjected often limit their access to the market. However, in economies in transition, the combination of small cooperative producers, local cooperative savings and cooperative lending institutions, and local authorities (as promoters, guarantors, and sometimes partial holders of financial holdings both in production and in financing institutions) is entirely natural.

2.3.4 SMEs and SEEs in the accession countries are an important instrument of employment and re-employment in the major industrial changes in progress, from declining sectors and those which reduce employment to traditional sectors (crafts and trades) and others which are expanding, such as services to enterprises, the new information and communication technologies, high-technology sectors, construction and public works, proximity services (including health) and tourism.

2.3.5 The SMEs and SEEs in these countries can play an important role in this process of change in various ways, already tried out in the EU countries, with many cases of good practices: through the employment of people new to the labour market; through support for the innovative capacity of micro-enterprises and small enterprises; through the reemployment of people made redundant in businesses obliged to reduce their staff or shut down; through setting up social welfare mutual societies; through the creation of new businesses in the growing sectors; through the development of services and sub-contracting; through the transfer of enterprises in crisis to their workers; and through qualitative transformation within the same sector. In addition, SEEs can make certain specific contributions to this process of change both through their capacity to train entrepreneurs, which has already been demonstrated in the present EU countries, and through the values they promote, such as socially responsible entrepreneurship, democracy and citizens’ participation, involvement (including financial) of workers in the enterprise, social inclusion, and interest in local and sustainable development.

(1) Tang et al., 2002: Winners and losers of EU integration, Washington, World Bank, p. 8. Age is one of the main factors in discrimination. Other vulnerable groups include the disabled, and minorities such as the Roma.

(2) Women are more likely than men to leave the labour market definitively. When they do return to the labour market, they are more likely than men to be unemployed in some of the accession countries. Cf. UNICE, Economic Survey of Europe, 1999-2000, Table 41. Gender differences in employment in 1997.

(3) According to the AIM (International Association of Mutual Benefit Organisations). Among the main problems are the rapid rise in expenditure, long waiting lists, a lack of data for assessment and organisation of services, under-the-counter payments to providers of medical treatment, etc.

(4) Kumar et al., 2002: Transitional impacts and the EU enlargement complexity, Ljubljana, University of Ljubljana, pp. 25-36

(5) Tang et al., 2002, p. 44

(6) Cf. in particular the Italian system of social cooperatives. See also the Best Procedure Report 2001 (SEC 2001/1704 – 29/10/2001). The measures described in the BEST report are an important source of knowledge for improving the business environment in the accession countries.

(7) Maribor 2003


2.3.6 Regularising the shadow economy is a challenge to be met in the accession countries. According to a 2003 study by the United Nations University (1), this economy is unstable and cannot be a motor for growth or capital accumulation, as its primary function is survival by maintaining consumption. It contravenes labour standards and has negative macro-economic effects in the long term, such as erosion of the tax system, of the basis of the foreign exchange market and of social protection, thereby jeopardising effective macro-economic management. This economy preserves an irrational sectoral structure with an absolute predominance of micro-enterprises and low-level capitalisation, weak entrepreneurial initiative and a technology which soon becomes outdated. In the intensified competition which will follow accession to the EU, an industrial policy for the accession countries must urgently take account of this worrying situation, which the authorities of these countries should manage firmly.

3. Recommendation concerning an integrated programme for the promotion of SMEs and SEEs in the economic diversification of the accession countries

3.1 General comments

The features that SMEs (including micro-enterprises) share with SEEs (see point 1.6), and the positive interplay that exists between them (see points 1.9 and 2.3.5), are powerful arguments for launching a new joint effort at EU level to promote and support them. The particularly serious challenges that SMEs and SEEs are facing in the context of accession (see section 2) make it particularly important to introduce support measures, so that these two types of enterprise can make an effective contribution to the development of the new Member States.

The EESC has taken account of the existing programmes for supporting SMEs in particular, but also notes the unsatisfactory nature of the existing structures for supporting SEEs and for promoting joint initiatives between SMEs and SEEs.

The EESC therefore proposes that an integrated programme be launched to support SMEs and SEEs in the accession countries. Such a programme should be promoted jointly by the EU Commission, the European Investment Bank, the European Investment Fund, the governments of the countries involved and the organisations that represent and support SMEs and SEEs at European and national level. The Structural Funds, which will become accessible to the accession countries from May 2004 onwards, should play a leading role in funding the activities of this integrated programme. A link should be ensured with the action plan relating to the Commission’s communication on entrepreneurial spirit.

3.2 10-point programme

3.2.1 Integrating the data

In most of the accession countries, statistics relating to SMEs and SEEs and their representation and support organisations are still highly inadequate and lack uniformity (2). SEEs suffer even more than conventional SMEs from such lack of precision. At present there are no precise data on such enterprises in these countries, beyond the data provided by their federations where those exist. The EESC regards as very necessary the European Commission’s proposal to set up a system of satellite accounts with the national statistical institutions, already tried out in some Member States (3), while setting up a data collection system which is simple and clear enough for SMEs and SEEs to provide the data without difficulty. (4)

3.2.2 Improving compliance with and effective implementation of the acquis communautaire, and the legal and administrative framework

3.2.2.1 Although a considerable effort is being made in the accession countries to incorporate the acquis communautaire into national laws and standards and to implement it as part of public policies, this work is still very incomplete as regards that part of the acquis that concerns SMEs and SEEs, especially in such areas as business policies, promoting SMEs, employment, social policy, social inclusion and corporate social responsibility, particularly as regards respect for the environment. This process should be substantially strengthened, particularly by training administrative staff and by assisting SMEs and SEEs in their efforts to comply progressively with Community standards, with the support of the European Commission. The work currently being done in the field of the acquis and its implementation under the PHARE Business Support Programme should be continued. Moreover, although the accession countries have considerably improved their legislation on SMEs (particularly as regards bankruptcies), progress is still very slight as regards legislation intended to promote SEEs. The latest changes to the cooperative legislation of certain accession countries even constitute steps backward. Legislation on cooperatives and other types of SEE should therefore be reformed in several accession countries, and should be brought more into line with the statutes of the European cooperative society (and the future statutes of the European association and the European mutual society). Exchanges and comparative studies on legislation relating specifically to SMEs and SEEs should be launched. Moreover, under the laws of several accession countries the costs involved in setting up SEEs should be reduced, considering that they cannot call on external investments and that they usually remain anchored in the fabric of local society.

(1) European Commission, Consulting document on Cooperatives in Enterprise Europe, 7.12.2001, p. 34
(2) European Commission, Consulting document on Cooperatives in Enterprise Europe, 7.12.2001, p. 34
(3) Account should also be taken of Recommendation 193/2002 of the International Labour Organisation, adopted almost unanimously (part from two abstentions) and particularly by the governments of the 15 EU Member States and the 10 accession countries, and especially of Article 7 on tax policies and public procurement, and of Articles 4 and 6 on cooperatives belonging to a wider sector also including mutual societies and associations.

(4) It is particularly urgent for SMEs to be classified according to the NACE system.
3.2.2 For conditions for access to the Single Market to be really fair, it is necessary to modify as soon as possible the rules that restrict the access of SEEs to public works contracts in several accession countries. Moreover, account should also be taken in public procurement, as in taxation, of the productivity costs borne by some SMEs, and particularly SEEs (1), in carrying out policies such as employing disadvantaged people or respecting social and environmental standards going beyond the legal minima (2).

3.2.3 Active promotion of entrepreneurship through information and education

3.2.3.1 Whereas much progress seems to have been made in the accession countries on facilitating the procedures for setting up SMEs, particularly with the setting-up of information centres at local level, much remains to be done to ensure that public authorities are equally active in providing information on SEEs. Moreover, these information centres should do more to promote traditional trades and promising sectors, such as services to enterprises, proximity services, health services, ICT-related activities and tourism.

3.2.3.2 The EESC is pleased to note that the European Charter for Small Enterprises declares that ‘Specific business-related modules should be made an essential ingredient of education schemes at secondary level and at colleges and universities’ as should ‘appropriate training schemes for managers in small enterprises’. However, this aim still seems far from being achieved in most of the accession countries. Moreover, these teaching programmes should also include a component on SEEs, which is not generally the case. The entrepreneur training potential of SEEs, which has been verified in the EU Member States, should be brought to the fore by promoting inter alia enterprise-to-enterprise training, and by giving SEE managers the opportunity of sharing their experience in enterprise management training centres for SME managers.

3.2.4 Promoting support and advice centres for the creation, development and transfer of enterprises

3.2.4.1 Just as start-ups should continue to be vigorously encouraged, above all in the most promising sectors, so the vital importance of making a success of transfers of enterprises to which there is no heir or which are in crisis should not be neglected in the current industrial changes. Successful transfers can safeguard not only the enterprise’s activity, but also derived jobs and hence a substantial part of the local socio-economic fabric (3). Transfers of enterprises to their workers, particularly through SEEs, have shown very high levels of success in the EU countries when the backup was adequate. This experience could be put to good use for any type of SME transfer.

3.2.4.2 For every stage in the life of an enterprise, including its creation and transfer, SMEs and SEEs need a true support policy, as well as high-quality support, consultancy and backup services on enterprise strategy, design, innovation and technological know-how, research and development, quality certification etc., as shown also by a number of successful experiments in industrial areas of the EU. Among other things, the emphasis should be on cooperation between these support centres and universities, and on promotion of entrepreneurship among women and young people. Encouragement should also be given to support for the marketing and export of SMEs’ and SEEs’ products, especially through the recognition of typical products, and chambers of commerce and trades, together with occupational organisations, should be involved in promoting these products.

3.2.5 Improving the conditions for funding and access to funding

3.2.5.1 The question of capital for start-ups and transfers of SMEs and SEEs is fundamental. Improving the financial framework for setting up and developing enterprises of these types, and improving access to the Structural Funds and encouraging the initiatives of the European Investment Bank, as proposed by the Charter for Small Enterprises, are conditions that are as fundamental as support services. The EESC proposes that a financial mechanism be set up to combine various intervention tools over the entire growth cycle of SMEs and SEEs in the accession countries, with the EIB, the European Investment Fund and social economy banks being involved, together with funding through the Structural Funds (4). Financial systems of public support for SME and SEE start-ups and transfers, and multiplier systems through solidarity funds, such as those that have already been successfully tried out in certain European countries, should also be encouraged (5).

(1) Activities covered by the concept of social responsibility of enterprises. The development of reporting activities would make it possible to take account of these progressive processes conducive to sustainable development.

(2) In addition, it has been observed that survival chances for transfers are on average higher than those for start-ups. See European Commission: ‘Helping the transfer of businesses’, DG Enterprise, 2003.

(3) Various European financial bodies (Crédit Coopératif, Crédit Mutuel and ESFIN in France, Coopfund (Legacoop) in Italy, and SOFI-CATRA in Belgium) are already working, in contact with the European Commission, to set up a ‘Coop-Est’ project involving various financial instruments to meet the needs for funding structures for SEES.

(4) For the public mechanisms, especially in Italy and Spain, with the single payment of unemployment benefits. For the multiplier mechanisms, groups of SEEs have, in several centres of excellence in the EU, set up solidarity and risk-capital funds to fund their development. These funds generally have a multiplier effect on other funding, such as lending by commercial banks, and have shown their capacity to generate enterprises and jobs. Such funds already exist within some cooperative federations in the accession countries, but this type of effort should be vigorously supported in the context of the Structural Funds.
3.2.5.2 Attention should also be drawn to the role which can be played by ethical and solidarity-based funding networks in providing suitable financial tools to the accession countries’ SMEs and SEEs. The Italian Parliament recently echoed this in a resolution adopted unanimously in October 2003. In particular, it is pointed out that various alternative-finance organisations are already working on a joint project which could serve as a guide for the new arrangements now being developed (1).

3.2.5.3 Promotion should also be given to the idea of setting up mutual guarantee societies between SMEs and between SEEs, so that they can guarantee bank loans between themselves—a system which has proved itself in several EU countries, often in the form of a cooperative, mutual society or association (2).

3.2.5.4 The EESC emphasises that it is also important to encourage solidarity-based funding of sickness, invalidity and pension costs by specialised SEEs such as mutual societies, like those which exist in the EU Member States.

3.2.6 Promoting SMEs and SEEs in the context of local development

SMEs and SEEs form part of the local fabric. Hence they have a fundamental role to play in the context of local development, and the local authorities should set up active partnerships with them to this end. (1) The partnerships between local authorities and social economy actors which exist in the EU should be actively promoted in the accession countries (2).

3.2.7 Supporting the development of enterprise systems

The Charter for Small Enterprises underlines the importance of also developing groups, amalgamations, networks and clusters of enterprises. The experience gained in the EU countries, particularly with groups and consortia of cooperatives and mutual societies, often on a territorial or sectoral basis, shows that the development of systems of enterprises can be of vital impor-

tance for SMEs and SEEs with a view to defining together long-term enterprise strategies, increasing entrepreneurial scales in the same sector or region, developing their technological capacity and improving their competitiveness, while leaving the enterprises free to make their own decisions. In addition, the enlargement and deepening of the Single Market is a reason why SMEs and SEEs in the present and new EU Member States should use the future trans-European instrument that the European cooperative society will be. The EESC considers that the preparation of these various enterprise systems should be actively encouraged in the accession countries.

3.2.8 Strengthening the institutional representation of SMEs and SEEs

The EESC takes the view that it is necessary to develop, strengthen and make more effective the representation of the interests of SMEs and SEEs in the accession countries by representative organisations, the latter’s capacity to negotiate with the authorities, their strategic action of promoting enterprise support services, and links among these organisations at all levels. The SMEs and SEEs in these countries must make their voices heard as key actors in the economic and social fabric. Hence the importance of continuing the considerable effort launched by the Phare Business Support Programme to help strengthen the representative organisations of SMEs and SEEs in the accession and applicant countries of central and eastern Europe (1).

3.2.9 Developing the social dialogue

SMEs and SEEs in the accession countries must also be consid-
ered in their role as employers, even if work in them as a conventional employee coexists with work as a self-employed person and with worker ownership. As employers they must undertake to respect European and world labour standards. In addition, their representative organisations must enter into the social dialogue as independent actors, discussing not only labour relations but also all social policies with trade union organisations and the other economic and social actors at all levels. Activities in this direction should be actively promoted under the programme proposed here.

(1) By setting up a European Federation of Ethical and Alternative Banks (Feba) and a European Ethical and Alternative Finance Company (Sefa).
(3) See André Douette (2003):
(4) This point is developed specifically in point 10 of the European Charter for Small Enterprises.
(5) Like those which exist within the European network of towns for the social economy (REVES), and which can be classified in three distinct categories:
(6) the creation of mixed public-private structures: for example, the Job Centre of the municipality of Genoa, the ‘Gagner’ agency in Roubaix, and the SAKA BYAGARD/SOKOYAN KYATALO day care centre in Kokkola, Finland;
— public support for the creation of general interest bodies, such as Genoa’s Immigrant Services Centre or the ARKESIS integrated network for local development in Reggio Calabria;
— the service partnership, where the public sector provides a reference framework for the management and provision of general interest services by SEEs: for example, Pfefferwerk GmbH in the centre of Berlin, and cooperatives which directly manage the job centres of the provinces of Forlí, Cesena and Ravenna in Italy;
— Other important examples of multi-partnership at local level in the EU involving SEEs include the system of Italian social cooperatives combined in the Gino Matteelli Consortium for Social Cooperation (CGM), the home help sector, the new arrangements for the Société Coopérative d’Intérêt Général (SCIG) in France, the Solidarités des Alternatives Wallonnes network, women’s cooperatives in Sweden, etc.
(7) By setting up a European Federation of Ethical and Alternative Banks (Feba) and a European Ethical and Alternative Finance Company (Sefa).
(8) See also Committee of the Regions: Draft opinion of the Committee of the Regions on Partnerships between local and regional authorities and social economy organisations: contribution to employment, local development and social cohesion, CdR 384/2001.
3.2.10 Encouraging and developing activities for the exchange of best practice between SMEs and SEE in current EU countries and those in the accession countries

Initiatives by the EU Commission (1) show the importance of systematically enabling SMEs and SEE in the accession countries to benefit from the experience of their counterparts in the EU countries in each of the areas discussed in points 3.2 to 3.2.9. Particular encouragement should be given to the EU Commission’s efforts to set up a network for exchanging good practices regarding the quality of support services for SMEs. Such exchanges enable entrepreneurial actors in the accession countries to improve their development strategy by engaging in strategic consideration of the proposed models of excellence, and to establish themselves increasingly as actors which have to be taken into account by the public authorities in their policies.

4. Conclusions

4.1 The EESC acknowledges that the success and effectiveness of SMEs and SEE are not automatic and do not depend solely on the enterprises themselves. The opportunities for development of these enterprises and for them to fulfil their roles in the transitional economies and the economic diversification of the accession countries must be supported by a favourable environment which takes account of their particular characteristics. Such an environment should be promoted by means of a specific programme for these countries, comprising the ten points mentioned above. The EESC calls on the Commission to promote such a programme for SMEs and SEE in the accession countries.

4.2 In line with its opinions and declarations of recent years, the EESC intends to contribute both to launching the new support measures and to following them up. In particular, the EESC, in the context of its work on the internal market, will closely follow the development of SMEs and SEE in the EU, paying particular attention to the new Member States.

4.3 The EESC takes the view that industrial policy in an enlarged Europe must take account much more effectively of the needs and challenges of SMEs and SEE in the accession countries. It would draw attention to their needs, such as management education and training, innovation, quality, design, funding and cooperation instruments such as clusters, second- and third-degree structures, networks etc., which will be more and more necessary to meet the challenges of EU enlargement and internationalisation.

4.4 Finally, the EESC undertakes, and calls upon all the EU institutions, including the Commission, to develop a far-reaching dialogue with all the representative institutions and managers of SMEs and SEE in the accession countries, in order to meet together the very serious challenges facing these enterprises during the process of their countries’ accession to the EU, while remaining aware that this is a major development in the history of twenty-first century Europe as a whole.

Brussels, 1 April 2004.

The President
of the European Economic and Social Committee
Roger Briesch

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(1) Particularly the Phare Business Support Programme with the UAPME’s BSP1 and BSP2 for SMEs, and the CECOP’s