

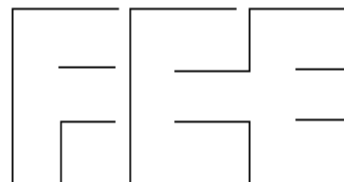
Date  
6 August 2003

Le Président

Fédération  
des Experts  
Comptables  
Européens  
AISBL

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Dear Mr Zourek,

Re: 2003 Report on the Implementation of the European Charter for Small Enterprises

Following your request in preparation for the 17 June meeting of DG Enterprise with business organisations, FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) is pleased to submit its comments on the European Commission 2003 Report on the Implementation of the European Charter for Small Enterprises. The Report was discussed in detail by FEE's SME/SMP Working Party.

Below we provide you first with some general comments, followed by specific remarks on the issues raised in the Report.

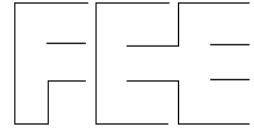
#### General

FEE welcomes the Commission's Report under the Open Method of Co-ordination. We believe that the Report provides a contribution to removing the barriers and obstacles to the start-up and growth of SMEs across the EU by the sharing of best practice.

We recognise the urgent need for a higher commitment of Member States in accelerating the implementation of the European Charter for Small Enterprises. In particular, we believe that administrative and fiscal burden should be further reduced, the transposition of EU legislation speeded up and the implementation of SME consultation mechanisms improved.

FEE sees great value in the process of benchmarking of Member State activity. However, the Report contains references to small enterprise developments only within the European Union. This would be sufficient only if Europe were demonstrably leading the world in economic growth and the development of smaller enterprises. As this is not the case, we believe that benchmarking should be seen in a global context, making comparisons also with competitors outside the EU.

In addition to that, we are of the opinion that self-determined targets set by Member States are too vague and unambitious. In order to become in 2010 "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion", we suggest to set up more specific targets, which have to be made public, can be easily quantified and effectively judged. This would enable progress to be evaluated. At present the Report largely presents a catalogue of national schemes and lacks evidence of regular peer review, even though the Report fulfils a valuable function in identifying Member States and EC progress under the various subject headings.



## Remarks on the Issues Raised

### *Education and training for entrepreneurship*

FEE welcomes the Commission's support to Member States efforts to promote education and training for entrepreneurship. However, we believe that more attention should be given to the assessment of the effectiveness of the schemes adopted by Member States, providing also comparisons with competitor countries outside the EU.

### *Cheaper and faster start-ups*

FEE agrees with the Commission on the need for a further simplification of start-up procedures, in order to reduce the time of starting-up a business to the minimum.

We suggest in addition to the time element also to focus on the aspect of cost, making a comparison of costs in Member States, and assessing the progress made in cost reduction.

### *Better legislation and regulation*

Excessive bureaucracy represents a burden for SMEs. FEE recognises the need to exempt SMEs from certain regulatory obligations and simplifying EC and national rules. FEE welcomes the intention to concentrate on selected priority areas including better consultation and listening to small businesses.

We also believe RIA (Regulatory Impact Assessment) should be extended to all Member States and accession countries, and bankruptcy law should be further revised, in order to facilitate a second start for insolvent but viable businesses.

Several Member States still do not provide sufficient opportunities for small businesses to be consulted on company law and other legislation. We therefore encourage the implementation and the consolidation in all Member States and accession countries of consultation mechanisms whereby SMEs and their representative bodies are systematically consulted on enterprise policy and legislation, including economic and social initiatives.

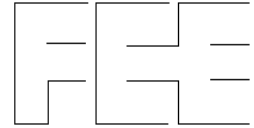
### *Availability of skills*

The Commission's adoption of its Action Plan for skills and mobility, aimed at improving occupational and geographic mobility within the EU, will be of assistance to those Member States with skills shortages.

One of the key areas will be the training of citizens to develop e-skills, both as potential consumers and as workers. FEE suggests taking a global approach, making comparisons not only within but also outside the EU. This will help understand progress against the objective of the EU becoming the most competitive and dynamic knowledge based economy in the world.

### *Improving on line access*

FEE agrees with the Commission on the need in all Member States and accession countries for an improvement in e-government facilities and on-line registration.



We welcome the creation of the e-business legal portal as a significant help in identifying the most important legal problems faced by companies when conducting business on-line.

We also believe that SMEs should be encouraged to increase the use of Internet to trade and acquire business information. National governments should further implement web-portals to provide information to businesses and consumers, and raise the awareness of their existence by means of advertising. The key issue for SMEs is to increase numbers using the Internet to trade and acquire business information.

#### *More out of the single market*

FEE recognises the urgent need for all Member States to speed up transposing EU legislation into their national legal system, in order to achieve the Stockholm European Council's target of reducing implementation deficits to 1.5%.

We consider SOLVIT network as an important step towards helping SMEs in solving problems related to the misapplication of regulations.

We also believe that competition law plays a key role for SMEs. We therefore suggest an acceleration in the adoption by all Member States of regulations with provisions against public actions that harm competition. According to the Charter, the Commission should further "simplify competition legislation to reduce the burdens of compliance for small business".

#### *Taxation and financial matters*

FEE recognises the need for further simplification of taxation systems in all Member States and accession countries. We are in favour lowering of corporate taxes<sup>1</sup>. We recognise the significant impact that both taxation costs and differences in the taxation systems have on the start-up, growth and international expansion of SMEs.

We already provided the Commission with our comments on the Consultation Papers 'The experimental application of 'Home State Taxation' to Small and Medium Enterprises in the EU" of December 2002 and 'The application of IAS in 2005 and the implications for the introduction of a consolidated tax base for companies' EU-wide activities' of March 2003.

In the area of access to finance the Report identifies two significant strands: the development of micro loan systems aimed at start-ups and micro enterprises and small-scale equity finance schemes aimed at high growth enterprises.

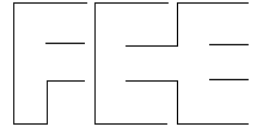
FEE recognises the importance of facilitating the access to bank loans for SMEs. The current European code of conduct for banks and SMEs project may be of assistance in this respect.

In relation to the public funding of enterprises, the adoption by the Commission of its Communication on "State aid and risk capital" has clarified the conditions for compatibility of public funding of risk capital measures with the State aid provisions of the Treaty. We agree on the need to urge the Member States to implement the necessary fiscal and structural reforms to promote investment in venture capital.

As regards Risk Capital Financing in Regional Policy the Report suggests that although significant goals have been achieved, there is still much progress to make in order to attain the levels required for the number of innovative fast growing companies in Europe. The strong links between access to finance and entrepreneurship underscore this aspiration.

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<sup>1</sup> The Communication 'Towards an Internal Market without obstacles- A strategy for providing companies with a consolidated tax base for their EU-wide activities' COM (2001) 582, the Study 'Company Taxation in the Internal Market' SEC 1681 23 October 2001.



### *Strengthen the technological capacity of small enterprises*

The Report details the actions in Member States at national and regional level to develop inter-firm clusters and networks and the programmes to support or expand measures to promote technology transfer from universities to SMEs.

We welcome the Sixth Framework Programme for RTD, as it attaches great importance to the participation of SMEs, including micro and craft enterprises in all research areas, and could be of great support in the fields of research and innovation for small enterprises. We believe that both the Commission and Member States need to ensure the National Contact Points (NCPs) network is widely spread and easily accessible to SMEs.

We also agree with the Best Procedure project on Technology Transfer Institutions, as we recognise the need to contribute to the improvement of technology transfer from the academic to the business world.

### *Successful e-business models and top-class small business support*

FEE considers that best practice and the adoption of successful e-business models represent a significant contribution to SMEs start-up and growth. We believe it necessary for Member States to speed up the launch of general action plans or strategies on e-commerce and the provision of financial support to e-commerce investments.

Business support services represent an area where the effectiveness of government action and value for money has been questioned by SMEs. Progress is reported by Member States in this area. It would have been useful if the Report had identified the amounts expended on these activities together with some assessment of their effectiveness. It would also have been of assistance to provide a fuller commentary on the common areas of market failure addressed by the support and the extent to which the schemes provide opportunities for utilising private sector expertise.

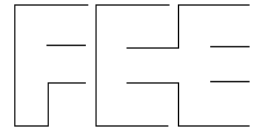
The Report comments that support services are increasingly being provided on-line and mentions a variety of applications for such on-line services to provide entrepreneurs with advice on crisis management, insolvency procedures and re-start. We believe that such tendency to on-line support is likely to increase in the EU, but needs to be stimulated.

### *Develop stronger, more effective representation of small enterprises' interests at Union and national level.*

FEE believes that the views of SMEs should be sought in all Member States and accession countries.

The Commission has a number of channels of communications with SMEs including the Interactive Policy Making (IPM) initiative, a SME Envoy, regular meetings with European business organisations and the Business Test Panel.

We believe that there must be an active dialogue between the Commission, Member States, SMEs and their representative organisations. Research both by impartial academics and specific small enterprise bodies such as the European Observatory for SMEs play an important role in shaping the strategic and operational aspects of policy. We believe it would be of interest to have details of the research commissioned by or for the Commission, together with indications of its likely impact on policy.



We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

David Devlin  
President