

A strong European policy to support Small and Medium-sized enterprises (SMEs) and entrepreneurs 2015-2020

Public consultation on the Small Business Act (SBA)

1. INTRODUCTION

The European Commission is launching this public consultation to gather feed-back and ideas on how the Small Business Act for Europe¹ should be revised to continue a strong European policy to support Small and Medium-sized enterprises (SMEs) and entrepreneurs 2015-2020.

The structure of this consultation document is based on the recent preparatory work carried out by the network of SME Envoys², and takes into account the policy debate on future SME policy held at the Competitiveness Council of Ministers in September 2013. There is broad agreement on the need to keep and further develop the SBA as the Commission's policy instrument to promote SMEs and entrepreneurship 2015-2020. The four key areas of the SBA: facilitating SMEs' access to finance and to markets, reducing administrative burden and promoting entrepreneurship continue to be priorities in the coming years. In addition, the need to address the shortage of skilled workers is now a fifth priority at the initiative of the SME Envoys.

This document gives a short overview of the SBA and the results achieved so far. Sections 4.1 – 4.4 present a concise summary of the ongoing initiatives to be continued in the five priority areas and propose new initiatives set out in the text boxes. The Commission is seeking feed-back on these initiatives through an online questionnaire attached to the consultation.

2. WHAT IS THE SMALL BUSINESS ACT FOR EUROPE?

The Small Business Act for Europe adopted in 2008 and updated in 2011 reflects the Commission's political will to recognize the central role of SMEs in the EU economy. The some 21 million SMEs create 58% of the value-added, employ 87 million people and account for 85% of the net job creation. SMEs also have a central role in the

¹ http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

² http://ec.europa.eu/enterprise/policies/sme/small-business-act/sme-envoy/index_en.htm

Commission's overall reform strategy, Europe 2020³ and its flagship initiatives, in particular on Industrial policy⁴.

The SBA sets out a comprehensive policy programme with specific actions in ten areas with the objectives to promote entrepreneurship, to apply the 'Think Small First' principle in policy making and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development. The update of the SBA in 2011 shifted the focus to actions most likely to help SMEs cope with the economic crisis: facilitating access to finance, cutting red tape, promoting access to markets and stimulating entrepreneurship.

3. WHAT HAVE WE ACHIEVED SO FAR?

The Commission is monitoring the implementation of the SBA in the Member States with an annual report and country-specific facts sheets⁵ which highlight both progress as well as deficiencies. Member States have taken around 2400 measures to improve the framework conditions and the operating environment of SMEs in the past three years. Measures promoting entrepreneurship as well as responsive administration are at the forefront of Member States' drive to improve the business environment. More efforts are needed across the EU to facilitate a re-start and to give a second chance to failed entrepreneurs. Finally, the SBA has stimulated the exchange of good practices and intensified cooperation with stakeholders.

The Commission has focused on the speedy implementation of the actions in four priority areas of the SBA. Examples of the achievements include:

- SMEs are now fully mainstreamed into the Commission's Regulatory Fitness and Performance programme (REFIT)⁶, with a clear commitment to make the regulatory framework simple, clear, stable and predictable.
- The broad range of initiatives taken in cooperation with the European Investment Bank (EIB) Group and the Member States has helped SMEs to cope with tightening conditions in accessing finance.
- The Enterprise Europe Network (EEN) has played a key role in providing businesses with the necessary information on the Single Market to facilitate their access to business opportunities in other EU countries and beyond. The

³ http://ec.europa.eu/europe2020/index_en.htm

⁴ http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm

⁵ SME Performance Review, see : http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

⁶ http://ec.europa.eu/smart-regulation/refit/index_en.htm

Network also played a key role in the organisation of B2B events as part of the Missions for Growth⁷ attracting about 4.500 participating companies.

- A number of cluster activities have been implemented to promote SME internationalisation, excellence in cluster management and to explore the role of clusters in supporting emerging industries in the EU.
- Actions to promote an entrepreneurial culture and mind-set have been stepped up in a dedicated Entrepreneurship 2020 Action Plan⁸. The “Erasmus for Young Entrepreneurs” initiative⁹ has promoted entrepreneurship, innovation and internationalization among new entrepreneurs.
- Communication activities, including the European SME Week, the European Enterprise Promotion Awards and Business Planet videos have disseminated information on entrepreneurship and showcased and rewarded success stories.
- Last but not least, the 28 national SME Envoys, a growing number of regional SME Envoys and the European level business organisations have sped up the implementation of the SBA and disseminated good practices.

4. TIME TO MOVE INTO TOP GEAR IN SME POLICY

The SBA has proven to be an efficient policy tool to promote a better business environment for SMEs. However, analysis of the SBA country-specific fact sheets shows that it has not been fully implemented in a considerable number of Member States. Moreover, the SBA needs to be updated and geared towards creating more opportunities for growth for European SMEs.

European SMEs are the most important source of new jobs. However, they can only create jobs when they grow. In order to do so, they need the right skills, relevant support and a favourable business environment to innovate and become globally successful. Therefore, **the overall driver for the new SBA is the support for growth.**

The Commission has already taken the first steps to address these challenges within the new Multi-annual financial framework (MFF) for the period 2014-2020:

⁷ http://ec.europa.eu/enterprise/initiatives/mission-growth/missions-for-growth/index_en.htm

⁸ http://ec.europa.eu/enterprise/policies/sme/entrepreneurship-2020/index_en.htm

⁹ <http://www.erasmus-entrepreneurs.eu/>

- the Competitiveness of Enterprises and Small and Medium-sized Enterprises programme (COSME)¹⁰ has a budget of €2.3 billion dedicated to SMEs over the seven years.
- the new research and innovation programme, Horizon 2020¹¹, will significantly expand the budget for SME innovation activities to almost €9bn. In particular the newly created SME instrument will support a significant number of EU SMEs to bring new products and services to the market.
- A significant part of the EU Structural and Investment Funds (ESIF)¹² is earmarked for SMEs and innovation linked to the SBA.

4.1.Reducing administrative burden

Companies which meet the criteria set out in the Commission’s recommendation on SME definition¹³ are eligible for support under many EU support programs. They may also benefit from exemptions, lighter requirements or reduced fees for EU administrative compliance.

SMEs do not differ only by their size. The SMEs sector in the EU covers a whole range of different enterprises, such as liberal professions, crafts, family enterprises, social economy enterprises, co-operatives, one person companies. Their needs should be better integrated into policy actions and EU programmes, including the simplification and burden reduction.

The “Think Small First” principle is increasingly applied to ensure that legislation and administrative procedures are proportionate and easy to apply for SMEs. The average time and cost of starting up a business have been cut from nine to four days and from €463 to €315. However, the time and cost to obtain all the licences required to start commercial operations remain very high in some Member States. Public administrations are becoming responsive to SMEs’ needs by increasing the use of e-government solutions, including in public procurement.

The growth of SMEs is hampered in some countries by more burdensome national legislation such as the application of more stringent social security regimes, taxes and labour legislation when passing a certain threshold of employees or turnover. The Commission and Member States should identify and address these bottlenecks.

¹⁰ http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm

¹¹ <http://ec.europa.eu/programmes/horizon2020/en>

¹² http://ec.europa.eu/regional_policy/what/future/index_en.cfm

¹³ <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/>

The Commission has taken action to strengthen the dialogue with SMEs. The TOP 10 public consultation¹⁴ in 2012 provided direct feed-back from SMEs and their representative organisations on the pieces of EU legislation which are perceived as particularly burdensome. The follow-up of the results is fully integrated into the EU Regulatory Fitness and Performance programme (REFIT).

The Commission will continue to:

- Promote the application of the “Think Small First” principle to legislation and administrative procedures affecting SMEs and the “SME Test” in impact assessments. By end 2016, all Member States should apply an SME Test or an equivalent in their impact assessment procedure.
- Promote SME-friendly public administration initiatives, including simplified tax regimes and the “only once principle” whereby public authorities and administrative bodies should refrain from requesting the same information which has already been made available to them in the context of other procedures.

The Commission proposes to:

- Adopt an **EU regulation on regulatory simplification** ensuring that it is possible to start up a company at a maximum cost of €100 and within three days, to have the necessary licences within one month, to make the application of the “SME Test” or an equivalent system mandatory in all EU Member States and to ensure a **discharge within maximum three years for entrepreneurs having gone bankrupt**.
- Launch an **EU-wide campaign on cutting red tape for SMEs**.
- Explore the possibility to lower the transaction costs/fees for SMEs to facilitate their access to **industrial and intellectual property**.
- Strengthen the **consultation of SMEs and their representative associations** to collect information on burdensome legislation with a focus on implementation procedures and to ensure that SMEs’ concerns are taken into account at a very early stage of EU and national policy making.
- Encourage Member States to adopt **simplified tax regimes** for newly created companies during the development phase with the aim of reducing administrative

¹⁴ http://ec.europa.eu/enterprise/policies/sme/public-consultation-new/index_en.htm

burden and accelerating their start-up process.

- Identify and address bottlenecks in national legislation which impede SMEs to grow

4.2. Accessing finance

SMEs face significant difficulties in obtaining the financing they need in order to start-up, grow and innovate. The Commission has adopted a range of programmes to mobilise loan and equity financing for SMEs. However, SMEs are often not aware of such EU programmes. Therefore, it is important to ensure adequate promotion.

There is also a need to improve the effectiveness of national and regional initiatives to facilitate SMEs' access to finance. Strengthening the monitoring of the SME lending market will allow better and more evidence-based policy making. In particular, a strengthened dialogue with banks and other financing institutions on creating new approaches towards increased transparency on bank lending decisions might unblock or facilitate SME financing bolstered by more intensive credit mediation activities.

Last but not least, the full and effective implementation of the Directive on combating late payment in commercial transactions¹⁵ by Member States will contribute to enhance growth and boost competitiveness.

The Commission will:

- ensure a **speedy, broad and efficient roll out of the new financial instruments** in the form of guarantee and equity facilities for the period 2014-2020 (COSME, Horizon 2020, Structural and Investment Funds, Creative Europe and the Programme for Employment and Social Innovation)¹⁶ ;
- strengthen the promotion of EU Financial instruments via the online **portal on access to finance**¹⁷, 600 offices of the Enterprise Europe Network throughout Europe, promotional activities with National financial intermediaries and **dedicated events** in all Member States;

¹⁵ Directive 2011/07/EU

¹⁶ The Loan Guarantee Facility under COSME aims at mobilising by 2020 financing ranging from EUR 14,3 billion to EUR 21,5 billion (leverage ratio 1:20-30) to a number of firms ranging from 220 000 to 330 000. The Equity Facility for Growth under COSME aims at mobilising by 2020 between EUR 2,6 billion to EUR 3,9 billion of venture capital investment (leverage ratio for GIF 1:4 - 1:6)

¹⁷ www.access2finance.eu

- involve SME stakeholders in the monitoring of the implementation of the **Directive on combating late payment** in the Member States and, if necessary, identify any remaining problems;
- improve the **monitoring of Member States' policies** on SME access to finance and further **disseminate best practices** on SME financing in order to increase the up-take of them, with special attention to those countries facing the biggest difficulties;
- continue to calibrate its **legislative proposals** carefully to make sure that the supply of finance to SMEs is not hindered;
- improve **technical co-operation** with business organisations, financial sector associations, Member States and the EIB group to reinforce both **analytical and pragmatic frameworks for SME lending**

The Commission proposes to:

- Strengthen the **venture capital market in Europe**, with the aim of attracting private institutional investors back to the market thereby increasing the weight of private investors in the asset class by 2020 also through appropriate legislation (Delegated Acts of the Solvency II Directive).
- **Mobilise all the funds allocated to the financial instruments under COSME** so that at least 220.000 SMEs in Europe benefit from improved access to finance through EU-supported Venture Capital funds, Guarantees and Counter-guarantees.
- Develop **alternative sources of finance** in cooperation with the European Investment Bank along the lines proposed in the Communication on Long Term Financing of the European economy¹⁸, in particular by:
 - Removing obstacles to crowd-funding and raising awareness about its risks, benefits and how SMEs, in particular those who are struggling to obtain traditional financing, can access it through the development of information guides, dedicated events/workshops and the European Crowd-funding Stakeholder Forum¹⁹.
 - Further developing and spreading mezzanine financing as an additional source of finance, through exchange of best practices and the

¹⁸ COM(2014) 168

¹⁹ COM(2014) 172

establishment of dedicated discussion fora.

- Disseminating good practices on supply chain finance as a unique source of finance through appropriate awareness raising activities. Supply chain finance can increase SMEs liquidity by leveraging the creditworthiness of large companies in their supply chain.
- Facilitate the revival of **European securitisation markets** through appropriate legislation (Delegated Acts of the Solvency II Directive and Capital Requirements Regulation).
- **Strengthen the collaboration with financial institutions**, such as banks, to raise awareness about European financial instruments for SMEs and to encourage the provision of better feedback to clients whose credit applications are declined, through the signature of agreements with European and national associations of financial institutions.

4.3. Promoting SMEs' access to markets

The Commission will strengthen the actions to help SMEs to fully benefit from the opportunities offered both by the Single Market and by third country markets ensuring a well-defined geographic scope of the Commission's actions in close coordination with the European External Action Service (EEAS).

4.3.1. Within the EU Single Market

The Enterprise Europe Network (EEN) is the Commission's main tool to help SMEs increase their competitiveness in the Single Market and beyond through the services provided by the 600 EEN member organisations.

The Commission will continue to:

- Promote SMEs' access to the Single Market, e.g. by encouraging Member States to enhance the Points of Single Contact (Services Directive)²⁰, promoting SMEs' access to public procurement and completing the digital Single Market.
- Further develop the Your Europe Portal²¹ in cooperation with Member States to give SMEs an easy access to multilingual practical information on relevant EU rules and on their application in individual Member States.

²⁰ Points of Single Contact are online e-government portals that allow entrepreneurs to find out about the rules, regulations and formalities that apply to service activities in another Member State and to complete the administrative procedures online.

²¹ <http://europa.eu/youreurope/>

- Support European SMEs to improve their resource efficiency in a cost-effective manner, to commercialise their products through efficient technology transfer and to find business partners, acquire new skills and knowledge as part of the Green Action Plan for SMEs.
- Facilitate the participation of SMEs in the EU Key Enabling Technologies (KETs)²² initiative through compiling an inventory of KETs Service Platforms and their specificities to be made available to SMEs through a web portal.
- Reinforce cluster cooperation within Europe to encourage SMEs in clusters to engage in transnational cooperation and integrate into European value chains through the organisation of European cluster matchmaking events.

The Commission proposes to:

- Significantly **upgrade the EEN** by developing local cooperation with SME stakeholders in the region and by providing new services in order to ensure effective business matchmaking, technology transfer and innovation management for the beneficiaries of the SME Instrument. The Network will provide services with a yearly target of 500.000 SMEs by 2020.
- Set up a **European Resource Efficiency Excellence Centre** to provide SMEs with practical information, advice and support on how to improve their resource efficiency. The Centre and its partners should cover 80% of the European economy.
- Assist some 100 less-advanced cluster organisations to develop customised support **services for their client SMEs, including accessing markets** through twinning actions with advanced cluster organisations by 2020.

4.3.2 Outside the EU borders

Entering third country markets is proportionally more difficult for SMEs than for large companies. At present, only about 9.7 % of the manufacturing SMEs export goods to countries outside the EU. In general, exporting SMEs are more competitive, since they also tend to be more productive, more innovative and more skill intensive.

The category of mid-range enterprises²³, i.e. enterprises with more than 250 employees which fall outside the SME definition, are significant for the European

²² http://ec.europa.eu/enterprise/sectors/ict/key_technologies/index_en.htm

²³ Also called 'enterprises of an intermediate size', 'mid-caps' and 'mid-sized businesses'.

economy, in particular for their capacity for innovation and job creation. The Commission proposes to explore the need for policy measures specifically targeted to these companies which have the potential to operate in the markets outside the EU.

The Commission will continue the initiatives already running to support the globalisation of SMEs such as:

- Providing EU SMEs with easily accessible and adequate information on how to expand business outside the EU through the SME Internationalisation Portal²⁴ and its continuous update
- Negotiating a dedicated SME chapter in the framework of Transatlantic Trade and Investment Partnership (TTIP).
- Systematically promoting Corporate Social Responsibility (CSR) with the objective to enhance a competitive edge of the EU brand in the world market.
- Re-enforcing European Strategic Cluster Partnerships amongst cluster organisations to set up common actions supporting the collaboration, internationalisation and growth of their client SMEs.

The Commission proposes to:

- Develop an **integrated Commission strategy on SMEs internationalisation** with the objective to increase up to 20% the share of SMEs accessing third country markets by 2020.
- As part of this strategy, the Commission proposes to:
 - provide added value and complement the assistance provided at national and regional level with a clear geographic scope of actions;
 - foster stronger links between various EU support programmes and initiatives, including better positioning of the EEN services in third countries, tailor-made training for EU SMEs, greater interaction between EU IPR Helpdesk, EU SME Centres, EU cluster internationalisation initiatives and Corporate Social Responsibility initiatives;
 - launch promotion campaigns to showcase successful EU SMEs operating

²⁴ <https://webgate.ec.europa.eu/smeip/>

in global markets and increase awareness of SMEs of EU financed initiatives aimed at improving European companies' access to third country markets;

- promote direct SME support for internationalisation via Missions for Growth and international cluster co-operation
- support a more SME-friendly international environment by establishing and following-up SME dialogues with the public authorities of key EU trade partners

➤ Explore the possibility of creating **targeted policy measures for mid-range enterprises**, e.g. to support their globalisation.

4.4. Releasing the entrepreneurial and innovation potential for growth

Efforts to promote entrepreneurship, an entrepreneurial culture and mind-set as well to improve the framework conditions for SMEs will be continued as set out in the Entrepreneurship 2020 Action plan.

The Commission continues to:

- Give priority in providing a second chance for honest entrepreneurs, including the Commission initiative on business failure and insolvency.
- Promote measures for young entrepreneurs, women entrepreneurs and senior entrepreneurs (training, coaching, advising, and networking).
- Support the introduction and expansion of entrepreneurship education in Member States education systems through a strengthened cooperation with ministries and departments at national and regional level.

The Commission proposes to:

- Scale up the **Erasmus for Young Entrepreneurs Programme** which has so far created 2.000 new businesses and 12.000 new jobs at very modest cost from 800 to 10.000 exchanges per year by 2020.
- Set up an EU-wide **Early Warning platform** for stakeholders and experts²⁵ to provide counselling to businesses in difficulties and help viable companies get past the crisis, save jobs and reduce the stigma of failure attached to bankruptcy.

²⁵ For a comparable national practice, see:

http://startvaekst.dk/earlywarning.dk/earlywarning_experiences_from_denmark

- Set a target for all Member States to integrate **entrepreneurship into secondary school curricula as a key competence** by 2018 including a practical experience of entrepreneurship for young people to have before leaving compulsory education.
- Build on the on-line **platform for women entrepreneurs** that is expected to be launched in 2015 and ensure that it becomes a widely recognised and used one-stop shop actively involving local, national and European stakeholders and peer groups, and bringing together existing tools and initiatives to support women entrepreneurs.
- **Consult entrepreneurs** throughout Europe to collect ideas for new initiatives to promote entrepreneurship and youth start-ups; the best ideas will undergo a deeper assessment and be tested if they prove feasible.
- Support Member States and regions to develop **models for effective start-up and growth centres**, initiatives and strategies in cooperation with stakeholders and subsequently promote these models and their uptake across the EU using, e.g. ESIF funds.

It has been estimated that every year the ownership of approximately 450 000 enterprises with 2 million employees are transferred in the EU, for example when the owner of a small business retires, becomes ill or simply wishes to move into another field of endeavour. In these cases, it is not always easy to identify possible new owners or cope with needed formalities. Difficulties in making the transfer are estimated to lead to a loss of 150 000 companies and 600 000 jobs each year.

The Commission proposes to:

- **Facilitate transfer of business** by:
 - urging Member States to put in place national action plans on business transfers and have a one-stop-shop on transfers or a transfer element included in the existing one-stop-shops by 2017.
 - developing and disseminating 'Quality Standards' for effective online markets for business transfers and encourage the linkages between already existing cross border matching platforms;
 - facilitating EU wide networking with the aim to stimulate exchanges between researchers and practitioners and create a European Mentors

Network on Transfers;

- supporting an EU-wide matching platform for universities/business schools focusing on business transfers;

Innovation remains one of the main drivers of sustainable growth and job creation in the EU. All aspects of innovation must be taken into consideration, including: organizational models, leadership styles, human resources recruitment, performance measures, relations with suppliers, management of customers (especially international ones). In particular, innovation should include not only innovative and high-value added products, but also business management innovative models and collaborations/partnership between enterprises. A new concept of business administration aimed at simplifying organizational processes, eliminating unnecessary burdens, reducing costs and, therefore, increasing SMEs efficiency and growth should be promoted.

Clusters²⁶ and business networks play a key role in encouraging intersectoral cooperation and supporting SMEs to innovate and grow. In 2015 the Commission will present a new European Cluster Strategy for Growth which will give a more strategic focus to current and new initiatives, by unlocking the opportunities of SMEs in emerging industries, stimulating cross-sectorial cooperation and providing customised business support. The Commission continues to:

- Support SME growth in the EU, notably in emerging industries linked to smart specialisation strategies under the Horizon 2020 programme which will support cross-regional and cross-sectorial collaboration and innovation projects of SMEs facilitated by clusters, involving at least 3000 SMEs by 2020.
- Create and re-enforce European Strategic Cluster Partnerships to foster sustainable alliances amongst cluster organisations across the EU, to bring together competences from different clusters and sectors and to set up common actions supporting the collaboration, internationalisation and growth of their client SMEs.

In order to support the innovation potential for growth as part of the European Cluster Strategy for Growth, the Commission considers to:

- Promote and support **business management innovative models**, also through initiatives aimed at developing new managerial skills for SMEs.

²⁶ http://ec.europa.eu/enterprise/policies/innovation/policy/clusters/index_en.htm

- Bring together cluster policy makers in a **European Cluster Growth Policy Platform in 2015** aiming at exchanging policy experiences and working together to develop a shared methodology for cluster policies to boost growth by building on the advisory support of the European Cluster Observatory.
- Set up a **dialogue on Emerging Industries²⁷ in 2015 with SME communities and business support and cluster practitioners** on how to best customize growth support to the needs of SMEs in emerging industries, including through incubators, co-working centres and accelerators.

4.5. Reinforcing skills development to overcome the shortage of skilled labour

The development of many SMEs is hampered by the lack of availability of skilled workers on the labour market. While unemployment is high particularly in certain Member States, the problem is that available skills do not match requirements in the various evolving industries and that planning on the future skills-related needs of SMEs is poor. It is therefore necessary to link training more closely with skills' needs of the market.

The Commission is addressing the shortage of skilled workers and apprentices faced by European crafts and SMEs with a number of initiatives including sector-specific approaches identifying the skills needs²⁸ to respond to existing mismatches²⁹, improving the image of technical professions and their attractiveness for young people and by promoting apprenticeship schemes³⁰. Also cluster organisations should be considered as facilitators at the regional level, to address the skills mismatches in the specific context in which their SMEs operate.

The Commission proposes to:

- Launch a Commission wide co-ordinated initiative comprising the employment, education and enterprise dimensions to **overcome the shortage of skilled labour**, e.g. by promoting
 - training schemes for skilled works directly involving SMEs from the sector concerned

²⁷ Emerging industries can be defined as the establishment of an entirely new industrial value chain, or the radical reconfiguration of an existing one, driven by a disruptive idea (or convergence of ideas), leading to turning these ideas/opportunities into new products/services with higher added value.

²⁸ http://ec.europa.eu/education/policy/vocational-policy/sector-skills_en.htm

²⁹ <http://ec.europa.eu/social/main.jsp?catId=784>

³⁰ http://ec.europa.eu/education/policy/vocational-policy/alliance_en.htm

- the implementation of a dual system in vocational training and
- a better image of skilled crafts and technical jobs in SMEs.

5. NEXT STEPS

After closure of the public consultation, the Commission will analyse the replies received and publish a report summarizing the results. Based on the outcome of this consultation, the Commission will make a proposal for a new SBA to be adopted in the first half of 2015.