



# Procedure file

Basic information		
INI - Own-initiative procedure	<a href="#">2006/2138(INI)</a>	Procedure completed
Implementing the Community Lisbon Programme: small and medium-sized enterprises SMEs policy for growth and employment		
Subject 3.45.02 Small and medium-sized enterprises (SME), craft industries		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ITRE</b> Industry, Research and Energy		20/03/2006
		<a href="#">PPE-DE DEL CASTILLO VERA Pilar</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>ECON</b> Economic and Monetary Affairs	The committee decided not to give an opinion.	
	<b>EMPL</b> Employment and Social Affairs		23/11/2005
		<a href="#">ALDE TOIA Patrizia</a>	
	<b>ENVI</b> Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
	<b>IMCO</b> Internal Market and Consumer Protection	The committee decided not to give an opinion.	
	<b>CULT</b> Culture and Education		08/06/2006
	<a href="#">PSE HEGYI Gyula</a>		
<b>JURI</b> Legal Affairs		11/09/2006	
	<a href="#">PSE ROCARD Michel</a>		
<b>FEMM</b> Women's Rights and Gender Equality	The committee decided not to give an opinion.		
European Commission	Commission DG <a href="#">Internal Market, Industry, Entrepreneurship and SMEs</a>	Commissioner VERHEUGEN Günter	

Key events			
10/11/2005	Non-legislative basic document published	<a href="#">COM(2005)0551</a>	Summary
15/06/2006	Committee referral announced in Parliament		
23/10/2006	Vote in committee		Summary
27/10/2006	Committee report tabled for plenary	<a href="#">A6-0384/2006</a>	

30/11/2006	Results of vote in Parliament		
30/11/2006	Debate in Parliament		
30/11/2006	Decision by Parliament	<a href="#">T6-0528/2006</a>	Summary
30/11/2006	End of procedure in Parliament		

### Technical information

Procedure reference	2006/2138(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/6/35115

### Documentation gateway

Non-legislative basic document		<a href="#">COM(2005)0551</a>	10/11/2005	EC	Summary
Document attached to the procedure		<a href="#">COM(2006)0030</a>	25/01/2006	EC	Summary
Document attached to the procedure		<a href="#">COM(2006)0117</a>	14/03/2006	EC	Summary
Committee draft report		<a href="#">PE376.438</a>	21/08/2006	EP	
Committee opinion	<b>EMPL</b>	<a href="#">PE374.275</a>	20/09/2006	EP	
Amendments tabled in committee		<a href="#">PE378.718</a>	21/09/2006	EP	
Committee opinion	<b>JURI</b>	<a href="#">PE378.643</a>	04/10/2006	EP	
Committee opinion	<b>CULT</b>	<a href="#">PE376.686</a>	09/10/2006	EP	
Committee report tabled for plenary, single reading		<a href="#">A6-0384/2006</a>	27/10/2006	EP	
Text adopted by Parliament, single reading		<a href="#">T6-0528/2006</a>	30/11/2006	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2007)0054</a>	11/01/2007	EC	
Commission response to text adopted in plenary		<a href="#">SP(2007)0329</a>	13/02/2007	EC	

## Implementing the Community Lisbon Programme: small and medium-sized enterprises SMEs policy for growth and employment

**PURPOSE :** to present a Commission Communication on giving fresh impetus to SME policy in the context of the Lisbon Programme.

**CONTENT :** small and medium-sized enterprises (SMEs), defined as having fewer than 250 employees, make up a large part of Europe's economy: there are some 23 million of them in the EU, providing around 75 million jobs and accounting for 99% of all enterprises. SMEs are a key part of European industry, not least as they contribute up to 80% of employment in some industrial sectors, such as textiles, construction or furniture.

This Communication provides a framework for the various enterprise policy instruments and aims at making the 'Think Small First' principle effective across all EU policies. It highlights the major challenges SMEs face daily, proposes new actions to strengthen their capacity to sustain in the market, to grow and to create jobs and new ways to enhance dialogue and consultation with SME stakeholders. By doing so, it clearly supports the implementation of the Lisbon Integrated Guidelines and the Community Lisbon Programme.

The Communication goes on to set out a number of objectives and actions specifying how to make the measures of the Community Lisbon

programme beneficial to SMEs. In particular, it provides guidance on how to implement the Lisbon integrated guidelines in a way that serves SMEs. This is notably the case for guidelines 14 and 15, which relate to better regulation, a more entrepreneurial culture and a more competitive and supportive environment for SMEs. This should be particularly helpful for the implementation of the national reform programmes that Member States must undertake.

The Commission outlines the specific action to be taken:

- Promoting entrepreneurship and skills: the Commission will step up its efforts to increase the appreciation of entrepreneurs in society, promote greater awareness of a career as an entrepreneur, foster entrepreneurial mindsets including the promotion of responsible entrepreneurship practices. A forthcoming Commission Communication on this key area will underline the role of entrepreneurship education. At the same time, structural funds will contribute directly to promoting entrepreneurship by investing in actions such as increasing the range and quality of business advisory services and shared business services. Last but not least, most Member States could usefully take measures to reduce the time and costs involved in setting up a new company.

- Improving SMEs' access to markets: the Communication highlights the steps to be taken, with regard to public procurement, standardization, high tax compliance and promoting greater access to international markets.

- Cutting red tape: the Commission discusses the integration of the 'Think Small First' principle in all Community policies, as well as better regulation, and paying increasing attention to barriers related to the administrative burden which hinder SMEs in creating jobs.

- Improving SMEs' growth potential: the EU is acting to address persistent and well-identified market gaps that limit SMEs' access to finance, research, innovation and Information and Communication Technologies (ICT) and hinder their potential to grow. While its activities have had leverage effect, they need to be strengthened and further developed to respond to changing needs of all types of enterprises.

- Strengthening dialogue and consultation with SME stakeholders: the Commission will promote more regular and better structured dialogue with and consultation of stakeholders. It will aim to reflect the diversity of the audience more fully, from European business organisations to national and local support organisations, small business advisers and, to certain extent, to SMEs themselves. The Commission, and in particular its SME Envoy, is committed to extensive consultation of relevant stakeholders to ensure that their concerns are taken into account in the policy-making process.

Reaching the objectives set out in this Communication entails the full mobilization and commitment of all relevant actors, both public and private at regional, national and European level. The Commission will closely follow SMEs' performance in the economy, will make it a priority to reinforce the coordination of policies towards SMEs both at the EU level and among Member States and will use Community instruments and programmes to carry out actions supporting the competitiveness of SMEs.

## Implementing the Community Lisbon Programme: small and medium-sized enterprises SMEs policy for growth and employment

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The Commission adopted a communication on the revamped Growth and Jobs Strategy. This report is one of the cornerstones of the new Lisbon process. It includes a four to five page assessment of each Member State's National Reform Programme. And, above all, it makes clear and concrete proposals for European leaders to commit to when they meet in March and to implement by 2007. The Report also contains a succinct general evaluation of National Reform Programmes and structural indicators showing the evolving economic situation for each Member State.

The Lisbon strategy has entered a new phase. Last year saw a fresh start, and a step change in how Lisbon works. The spotlight is now on delivering results. By submitting national reform programmes, Member States have accepted a new responsibility, setting out detailed commitments for action. At the same time, the Community Lisbon Programme specifies what has to be done at EU level to complement national, regional and local efforts.

On this basis, the Commission has identified 4 priority actions which require a strong impetus from the highest political level and which should be implemented quickly - no later than the end of 2007. In this way, the Spring European Council in 2008 can launch the second cycle of the growth and jobs strategy on a firm foundation. These actions follow an integrated approach - they span different policy areas, several of which were discussed at the Hampton Court meeting, and which are intimately linked. Separately, they will make an important contribution to growth and jobs and to making Europe fit for the future. Acting on all of them together, as part of the new partnership between the Community and Member States, will create a forceful dynamo effect, moving the European engine for growth and jobs into higher gear.

The Commission calls upon the Member States to make the following commitments:

### 1. Knowledge

- ? Set clear and ambitious national targets in March for R&D spending by 2010, as while progress has been substantial, the EU as a whole is set to fall short of the 3% target for total public and private investment in R&D;
- ? Set 2% of GDP as a common target for spending on higher education by 2010;
- ? Free universities to access top-up private funding and end barriers to public-private partnerships by the end of 2007;
- ? All technical universities should have a technology transfer office to, for example, commercialise in partnership with industry the inventions, patents, licenses etc that result from their research;
- ? Set 2009-10 academic year as a target start date for a European Institute of Technology;
- ? Member States to deliver on their commitment to put in place comprehensive Lifelong Learning Strategies by the end of 2006;
- ? Proficiency in maths and science to be stepped up to enhance people's ability to innovate; Member States to provide for compulsory teaching of two foreign languages in their national education systems.

### 2. Enterprise

- ? Establish by the end of 2007 a 'one-stop-shop' to help budding entrepreneurs and allow businesses to fulfil all administrative

requirements in one place;

- ? Halve the time needed to set up a business by 2007, set the common goal of one week or less and ensure that recruitment of a first employee needs only one public administration contact point;
- ? Add entrepreneurship to all national schools curricula by the end of 2007;
- ? Set up a system to measure administrative burdens by the end of 2007.

### 3. Jobs and ageing

Adopt a real lifecycle approach to employment by:

- ? offering every young person who has left school or university a job, apprenticeship or additional training within six months of becoming unemployed by the end of 2007, and within 100 days by 2010;
- ? enhancing efforts to meet national targets for the provision of affordable high-quality childcare, to achieve gender equality at work and to promote a work-life balance;
- ? implementing active ageing strategies with more training for those over 45, financial incentives for prolonging working lives, gradual retirement, use of part-time work and improvements to the working environment;
- ? reforming public pension systems while securing the sustainability of public finances through fiscal consolidation.

### 4. Energy

- ? Electricity and gas markets to be open to all consumers by July 2007 (already the aim);
- ? Better cooperation between grid and gas pipeline systems in Member States, so from customers' point of view there will be only one European network;
- ? Stimulation of research on energy efficiency, renewables and on clean energy technologies and incentives to promote their use;
- ? Energy supply ? stronger approach to emergency mechanisms and to ensure EU speaks with one voice in international negotiations and with third country suppliers.

As well as vigorous political promotion support of the above objectives, continuous monitoring of progress and meeting its own commitments on completing the Community Lisbon Programme, the Commission will:

- ? Provide guidance on offering targeted fiscal incentives to the private sector to boost R&D;
- ? Work with Member States to target more structural funding towards, R&D, innovation and communication technologies;
- ? Improve SMEs' access to finance, propose further development of EU financial instruments under the competitiveness and innovation framework programme;
- ? Launch a major exercise to measure the administrative costs arising from EU rules or the way they have been implemented by Member States and make proposals on how to reduce these;
- ? Remove the obligation to notify certain categories of state aid, to help SMEs;
- ? Present a report by the end of 2007 on the balance between flexibility and employment security (?flexicurity?) focusing among other things on flexible working arrangements, tackling undeclared work, improving lifelong learning, combining flexibility and mobility with adequate income support for people affected by labour market changes, etc;
- ? Organise an extraordinary social summit;
- ? Publish in early spring 2006 a Green Paper on all the energy issues referred to above, including on an appropriate European framework to complement Member States' efforts to promote energy efficiency, renewables and clean energy

Lastly, efforts to build a real national consensus behind the programmes should be stepped up. The EU institutions and the Member States should ensure that a dedicated communication strategy should be established involving all national, regional and local stakeholders. There should also be a special role for the social partners.

## Implementing the Community Lisbon Programme: small and medium-sized enterprises SMEs policy for growth and employment

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The European Commission presents this communication on the transfer of businesses in the context of the implementation of the Lisbon Community Programme for growth and jobs. One third of EU entrepreneurs, mainly those running family enterprises, will withdraw within the next ten years. Around 690,000 businesses providing 2.8 million jobs are concerned each year. Up to 25% of the transferable businesses do not find a successor. Business transfers are complex and all too often they go wrong - not because the business as such is not viable but just because of problems in the transfer phase. The Commission calls upon Member States to ensure that tax systems are transfer-friendly provide adequate financial conditions, to raise awareness, consider soft factors and support mentoring and to organise transparent markets for business transfers.

In its **communication of July 1994** the European Commission identified four typical problems of transfers: a) ensuring continuity of partnerships and sole proprietorships; b) preparation of transfers by adopting the most appropriate legal form; c) encourage transfers to third parties and d) help family transfers with appropriate tax measures. In **December 1994** the Commission published a **recommendation on the transfer of small and medium sized enterprises** in which it invited Member States to encourage initiatives to increase awareness, information and training in order to ensure a timely preparation of business transfers; provide a financial environment conducive to business transfers; provide legal possibilities to restructure a business to prepare a transfer; establish legal principles that ensure continuity of partnerships and sole proprietorships in the event of the death of one of the partners or the owner; help the survival of businesses with appropriate inheritance and gift taxes; facilitate the transfer of a business to third parties by appropriate tax rules.

In **1998** the Commission encouraged Member States in a **second communication** to increase their efforts, in particular through legislative and administrative simplification, effective tax reductions and easier access to financial support for the takeover of a business. In **2000** a group of experts nominated by Member States found that less than half of the 1994 recommendations had resulted in concrete measures. The group recommended increased efforts to create market places for transfers to third parties, the development of better training tools and more research on transfer issues. A **further project** in **2002/03** confirmed the insufficient implementation of the recommendations, emphasised that business transfers should receive the same political attention as start-ups, recommended facilitating transfers to third parties and asked for more measures to encourage a timely planning of transfers.

The Commission points out that where progress is insufficient, the following recommendations reinforce the ones of 1994; others reflect changes in the economic environment during the last decade.

#### 1. Give political attention to both business transfers and start-ups

Especially since transferred businesses, on average, have a higher success rate and create more employment than start-ups the succession in or acquisition of an existing enterprise should consistently be promoted as an alternative to starting up. In each case where start-ups are promoted it should be considered if the same initiative will also be applicable to transfers. In some countries initiating more start-ups might currently appear more urgent, but conditions that help the continuation of businesses are also a stimulus for the entrepreneurial initiative.

#### 2. Provide adequate financial conditions

The promotion of succession concerns in particular financing business transfers. Start-up facilities, loans and guarantees should be available not only for creating a new business but also for taking over existing ones. The size of the instruments should take into account that business transfers often require more financing than start-ups. Given the growing importance of transfers to third parties the guarantees for equity or quasiequity fund investments in SMEs should include investments by local or regional funds which provide seed capital and/or capital in the start-up phase, as well as mezzanine finance, in order to reduce the difficulties which SMEs face due to of their financial structure, and those arising

from business transfers (in this sense see art 18:2 of the proposed programme for innovation and competitiveness currently under discussion by the European Parliament and the Council ).

#### 3. Raise awareness, consider soft factors and support mentoring

Member States should organise or support activities (e.g. organised by chambers of commerce) to make business owners aware of the need for a timely preparation. Member States should especially consider direct approaches such as personal mails to business owners above a certain age. Moreover, important interlocutors of small businesses (as tax advisers, accountants, banks etc.) should be included in awareness raising campaigns. As requested by the European Parliament the Commission will consider to launch the pilot project 'Transfer of expertise through mentoring in SMEs' to improve the management of human capital by laying down principles for a European training and mentoring scheme involving the transfer of knowledge and core competencies essential for business transfers.

#### 4. Organise transparent markets for business transfers

To facilitate transfers to third parties the match making between potential buyers and sellers should be helped by establishing and supporting impartial services for the concerned parties. Such services have to go beyond the mere establishments of databases for transferable businesses and to include a comprehensive mediation service to guarantee ordered and well structured transfers in the spirit of partnership. The 2004 MAP-project 'Fostering transparent market places for the transfer of businesses' examines good practices of existing buyer-seller-contact systems for transferring SMEs to third parties.

5. Ensure that tax systems are transfer-friendly

It is recommended that (partial) income tax exemptions for the gains from the sale of a business are considered if the owner is approaching retirement age as well as special reliefs for proceeds that are re-invested into another business or used to finance the retirement of the business owner. More needs to be done to encourage the sale of businesses to employees. In particular, tax exemptions for investments by employees into their own companies (e.g. tax favoured savings plans, share plans and stock option plans) have been used successfully by some countries.

#### 6. Create appropriate structures to broadly implement the recommendations

Only the Member States, their national, regional and local administrations and business support organisations can create the conditions for successful business transfers. Apart from reforms of laws and regulations, implementing a supporting infrastructure to reach the hundred thousands of businesses across Europe which will be facing a transfer over the next years will be equally important. This includes the distribution of information to administrators and support providers, training the trainers, the development of teaching material, tool kits and many related activities.

## Implementing the Community Lisbon Programme: small and medium-sized enterprises SMEs policy for growth and employment

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The committee adopted the own-initiative report drawn up by Pillar del CASTILLO VERA (EPP-ED, ES) in response to the Commission communication entitled "Time to move up a gear - The new partnership for growth and jobs".

MEPs stressed that, if the EU is to compete in a global market, it must promote a knowledge-based society, foster entrepreneurship amongst Europeans (from the earliest stages of education) and remove obstacles to business creation. They highlighted the crucial role of small and medium-sized enterprises (SMEs), which provide around 75 million jobs in the EU, and said that they should be given "comprehensive support".

The report "commends the aims of the EU Market Access Strategy and calls for the EU to do more to promote its database amongst the SME community and to keep it up-to-date". It also called for the authorities to create common 'one-stop information shops' for businesses and to encourage e-government. Other recommendations included establishing SME clusters around technology parks, public laboratories and universities in order to create dynamic environments in Europe, able to exploit scientific knowledge and to create knowledge-based jobs.

The committee also wanted to see improved regulation and proposals, including tax incentives, to facilitate the launch of new businesses. Given the ageing population (over the next ten years over a third of European entrepreneurs are expected to retire), MEPs advocated cutting

red tape to facilitate the transfer of family businesses to third parties or employees, thus preserving jobs and capital. In a similar vein, the Commission and Member States were urged "to respect the principle of proportionality and flexibility when considering EU employment legislation", since "non-wage costs are one of the major obstacles facing one-person enterprises and preventing them from employing additional workers". Lastly, the report called on Member States "to raise the profile of entrepreneurship and individual responsibility, rewarding effort, encouraging the social value of risk-taking and entrepreneurship".

## Implementing the Community Lisbon Programme: small and medium-sized enterprises SMEs policy for growth and employment

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The European Parliament adopted a resolution based on the own-initiative report drawn up by Pillar del CASTILLO VERA (EPP-ED, ES) in response to the Commission communication entitled "Time to move up a gear - The new partnership for growth and jobs". (Please see the summary dated 23/10/2006.)