

# Small Business Act

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The Committee on Industry, Research and Energy adopted the own initiative report by Edit HERCZOG (PES, HU) on a 'Small Business Act?', supporting the Commission's Communication which aims to drive an ambitious policy agenda to promote SMEs' growth and to anchor the 'Think Small First' approach in policy-making at all levels. It regrets, however, that the Small Business Act (SBA) is not a legally binding instrument and calls on the Council and the Commission to establish this principle as a binding rule, in a form to be determined, in order to ensure that it is properly applied in all future Community legislation.

The report stresses the absolute necessity of implementing the 10 guiding principles at European, national and regional level. The Commission is called upon to further enhance the visibility and awareness of SME-related policy actions (through the bundling of existing Community instruments and funds for SMEs under a separate heading in the EU budget) and to set up a screening system for the monitoring of the progress achieved following implementation of the guiding principles.

MEPs stress the need to place particular emphasis on craft, family, micro- and individual enterprises at EU, national and regional level. They call for the acknowledgement of the specific characteristics of members of the liberal professions and note that the Commission's proposals lack a clear strategy for self-employed persons to improve their legal status and rights. They also stress that even more money should be invested in projects to endorse female entrepreneurs.

The committee emphasises the need to develop a social and economic model that creates an appropriate security network for small and medium-sized entrepreneurs in the creative sector, where unstable working conditions are often encountered. In this context, MEPs see a need, in the framework of the SBA, for greater emphasis to be given to the area of labour law, especially in view of the concept of flexicurity, while taking into account the necessary social protection. MEPs call on the Commission and the Member States to take into account the creative and cultural sector as a driver of economic and social development in the European Union.

The committee makes a number of recommendations that focus on 5 areas:

(1) Boosting R&D and innovation: stressing the importance of innovation for SMEs and the difficulties in taking advantage of research opportunities, MEPs consider that all Community research and technological programmes should be designed in a way that facilitates the cross-border participation of SMEs. They call on the Member States to multiply initiatives that lower the threshold for SMEs to have access to research. In particular, the report makes the following recommendations:

- the Commission and the Member States should put in place better framework conditions aimed at creating an environment favourable to innovation by SMEs, in particular by introducing ways to improve the protection of intellectual property rights (IPR) and to fight against counterfeiting more effectively throughout the European Union;
- the Small Business Act should take account of cooperative arrangements among SMEs (clusters);
- a swift agreement should be reached on a Community Patent ensuring low-cost, efficient, flexible and high-quality legal protection, adapted to the needs of SMEs, as well as on a harmonised European patent litigation system;
- Member States should increase their share of innovative public procurement and the participation of innovative SMEs in public procurement procedures;
- the links between educational institutions and SMEs should be strengthened, so that the promotion of self-employment, entrepreneurship culture and business awareness is included in the national education curricula. MEPs call for an 'Erasmus for young entrepreneurs' and an 'Erasmus for apprentices';
- the importance of encouraging young entrepreneurs and female entrepreneurs should be supported through, amongst other things, the introduction of tutoring and mentoring programmes;
- the Commission should assess SME participation in the Competitiveness and Innovation Framework Programme and bring forward any necessary proposals.

(2) Ensure funding and access to finance: recalling that SMEs' limited ability to access finance is a major impediment to their creation and growth, MEPs call for a combined effort on the part of financial institutions, the Commission and the Member States to ensure SMEs' access to finance and to offer them the possibility of consolidating their capital by reinvesting their profit in the company. They consider that payment of charges prior to SMEs' commencing activities should not be required in order to ensure that they are able to build up their own funds and resources. In particular, the report:

- calls for greater efforts to promote and provide information on the existence of European funds and state aids intended for SMEs, and for these two instruments to be more accessible and more easily understandable;
- calls for the creation of better conditions allowing SMEs to invest in skills training, not least through direct tax cuts;
- underlines the need to open up European risk capital markets by improving the availability of and access to venture capital, mezzanine finance and micro-credit;
- calls for further investigation into how current banking rules and other financial regulations, including the transparency of credit ratings, could be improved to ease access to finance for SMEs;
- urges the creation at Community level of a harmonised time limit for payments, possibly shortened for payments to SMEs, and penalties for exceeding this limit.

MEPs welcome the recent initiative for a Joint Action to Support Micro-finance Institutions in Europe (JASMINE). They call on the Member States to take a proactive role in providing information on access to and application for microcredits and alternative forms of finance. They also emphasise the important role of the EIB and the European Investment Fund (EIF) in improving financing available to SMEs.

(3) Improving market access: the report stresses that standardisation can lead to innovation and competitiveness by facilitating access to markets and by enabling operability. The Commission is called upon to improve access to standards for SMEs and their participation in the standardisation process, as well as to further promote Community standards internationally. In this context, MEPs stress the need:

- to strengthen SME access to and participation in public procurement by making more use of e-procurement, adapting the size of contracts and alleviating the administrative and financial burden in tendering;
- for a system consultancy service that would assist the everyday operation of SMEs during their whole lifecycle with the aim of optimising their investments;
- to improve information on market access and export opportunities within the Single Market and to strengthen information and advisory services, in particular the SOLVIT problem-solving network;
- to promote the implementation of interoperable electronic signatures and authentication certificates;
- to help SMEs defend themselves against unfair commercial practices, such as those of misleading directory companies, which should strengthen SMEs' confidence to operate cross-border.

Stressing that only 8% of all SMEs are involved in cross-border activities, MEPs call on the Member States to cooperate in harmonising administrative requirements that affect intra-Community activities and to swiftly transpose and implement the Services Directive.

MEPs also encourage the swift adoption of the statute for a European Private Company, the establishment of a common consolidated basis for company taxation, as well as the establishment of a 'one-stop-shop' for VAT in order to make it possible for entrepreneurs to fulfil their responsibilities in the business country of origin.

(4) Fighting bureaucracy and red-tape: MEPs believe that there is an imperative need to cut red tape and to put in place a modern administration adapted to the needs of SMEs. They therefore encourage the promotion of ICT knowledge among SMEs. The Commission and the Member States are called upon to take initiatives in order to exchange and promote best practices, set benchmarks, and elaborate and promote guidelines and standards for SME-friendly administrative practices.

MEPs believe that SMEs, and in particular micro-enterprises, should be taxed in a way that reduces administrative efforts as far as possible. In this context, the Commission is called upon to apply the SME test to all new proposals for EU legislation affecting business including simplification of existing legislation. In particular, the report:

- stresses the need for proper and timely involvement of SMEs in policy making: the Commission's consultation period should be extended from 8 to at least 12 weeks from the date on which the consultation is available in all Community languages;
- calls on the Commission to stimulate simplification and harmonisation of company law and, in particular, accounting rules within the internal market;
- stresses the need for the introduction of common commencement dates for new Community legislation affecting SMEs and for SMEs to be informed concisely and comprehensibly of changes to legislation affecting them;
- considers it necessary to establish a unified system for setting up businesses in which the process is carried out step-by-step and it is possible for a business to be created in 48 hours;
- calls for a special EU website for SMEs which shall contain information and application forms for EU projects, national telephone numbers, links to partners, trade information, information on research projects as well as internet consultation, briefings and information about new regulation.

(5) Turning sustainability into business: recognising that efforts to improve sustainability could become an important source of (eco-) innovation and a key asset for industry's competitiveness, MEPs call on the Commission to investigate how the Community could help SMEs to become more resource and energy efficient.

The report welcomes recent initiatives to assist SMEs in coping with environmental legislation by, inter alia, granting them reduced agency fees, ensuring their access to information on environmental standards or introducing specific exemptions from Community legislation.