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Report on the implementation of the SBA

1. INTRODUCTION

The well-being of SMEs is key to future employment and prosperity in the EU. Therefore the Commission launched in June 2008 an ambitious new policy initiative, a **Small Business Act for Europe (SBA)**, to put SMEs at the forefront of decision-making, to strengthen their potential to create jobs in the EU and to promote their competitiveness both within the Single Market and in the global markets. As a key element, the SBA aims at making the 'Think Small First' principle a reality in policies and decision making at all levels in the EU.

The financial and economic crisis has further accentuated the need for far-reaching and comprehensive policy measures in favour of SMEs. When adopting the SBA, the Competitiveness Council also agreed in December 2008 on **an Action Plan** of measures to be implemented as a matter of priority to better address the needs of SMEs in the global crisis concentrating on improving access to finance, access to markets and the regulatory environment. This was subsequently endorsed by the December 2008 European Council. The European Parliament has supported the SBA and invited the Member States to implement the SBA in its entirety. Last but not least, the Committee of the Regions has also given strong support to the need to fully unlock SMEs' potential through the SBA.

This report summarises the progress achieved in 2009, which has been the first full year of implementation of the SBA, focussing mainly on the measures contained in the **SBA Action Plan** and in the **European Economic Recovery Plan**.

Both the Commission and the Member States have taken substantial action to improve SMEs' access to finance, to facilitate their access to EU and third country markets and to improve framework conditions for SMEs in particular by removing unnecessary administrative burdens.

2. THE IMPLEMENTATION OF THE SBA IN 2009

The Commission has delivered on major actions announced in the SBA. It has **adopted all five legislative proposals** linked to the SBA. A **general 'block exemption' regulation** (GBER) adopted in July 2008 made it easier for governments to support SMEs through aid measures exempted from the notification obligation. The proposal on **reduced VAT rates** entered into force on 1 June 2009 and offers the Member States ample possibilities to boost economic activity notably in labour-intensive services. The three other legislative proposals are still pending and the Council and European Parliament have a key role to play in ensuring a swift adoption of the proposals with a view to offering further relief and support to SMEs. The **proposed recast of the late payments Directive** and the **proposal on a European Private Company Statute** are both vitally important for the competitiveness of SMEs. The proposal on **VAT invoicing**, adopted by the Commission in January 2009, aims at ensuring equal treatment of paper and electronic invoices and is estimated to have a maximum mid-term reduction potential of € 18.4 billion if all businesses would send all their invoices electronically.

Member States have also shown strong political commitment to implement the SBA, but vary as regards both the approach taken and the results achieved. Several Member States have 'transposed' the SBA as a whole into their national policy programmes. **Belgium** launched its **'Plan PME'** in October 2008, which includes 40 measures covering the main objectives of the SBA. In **Italy**, the government created a working group to monitor the implementation of the SBA, with actions proposed in ten areas. The **Irish Government** has adopted a similar approach.

In their 2009 National Progress Reports in the context of the Lisbon Partnership for growth and jobs, **Finland, France, the Netherlands, Romania** and **the United Kingdom** have explicitly reported on how they are implementing the SBA. **France** has taken action in the three priorities of the SBA Action Plan. The **United Kingdom** has presented in a very detailed annex the measures taken for each of the ten principles of the SBA. Moreover, some regions, such as **Catalonia (Spain)** or **North Rhine-Westphalia (Germany)**, have also adopted the SBA. However, most frequently, Member States have adopted concrete measures identified as priorities in the SBA Action Plan.

2.1. Implementing the "Think Small First" principle

From January 2009, the Commission has systematically applied an **"SME Test"** to assess the impact on SMEs of all its major legislative and policy proposals. This test has become part of the Commission's revised Impact Assessment Guidelines and its application is closely monitored. Based on an SME test, the Commission proposed in February 2009 to give Member States the possibility to **exempt micro-enterprises from accounting rules**. Member States would be free to devise accounting regimes best suited to their micro-enterprises. As a result, up to 5.4 million micro-enterprises could profit from regimes better tailored to their needs, amounting to € 6.3 billion of potential savings for the EU economy. A number of Member States such as **Belgium**, **Denmark**, **Finland** and **Germany** have also integrated an "SME test" into their national decision-making approach.

The Commission has taken major steps to reach the EU target of a **25% reduction in administrative burdens** set in March 2007, which in particular benefits SMEs. Reduction measures already adopted by the legislator are expected to lead to reduced costs of € 7.6 billion. Measures pending adoption by the Council and Parliament could add € 30.7 billion to that amount. All in all, the administrative burdens reduction proposed or currently under preparation by the Commission could exceed the initial target and reach 33% of the total of € 123.8 billion estimated burdens of EU origin. Furthermore, the Commission is committed to continue to reduce unnecessary administrative burdens as outlined in its Communication "Action Programme for Reducing Administrative Burdens in the EU: sectoral Reduction Plan and 2009 Actions" - COM(2009) 544.

Examples for potential further actions beneficial to SMEs include the announced exemption for non-professional drivers from work and rest times and consequently from the obligation to use tachographs for a distance of up to 100 km, and improved guidance on risk assessment in the field of health and safety, which would mainly benefit small companies.

The Commission welcomes the fact that all Member States have by now adopted **national targets for reducing administrative burdens** and that they are continuing to simplify the administrative environment for SMEs. For example, the **average time and cost to start-up a private limited company** is now **8 days** (compared to 9 days in 2008) and the cost is **€ 417** (compared to € 463 in 2008). Eighteen countries have provided **an operational one-stop-shop** that is able to serve the creation of private limited companies and has developed at least a number of pre-defined procedures (company registration, tax registration, etc). **Bulgaria** has consolidated the streamlining of start-up procedures, initiated in 2008 in which nine start-up procedures have been merged and simplified into just one. **Germany** has successfully amended the legislation for private limited companies, which not only simplifies the procedure but may also be instrumental in fostering the creation of more enterprises. Streamlining of processes in **Hungary**, **Malta and Slovakia** has also contributed to time reductions in these countries. In **Slovenia**, the electronic one-stop-shop system can register all forms of companies in 3 days or less and has resulted in savings of €10.2 million a year for Slovenian SMEs.

The SBA also invited the Member States to make it possible to complete all legal procedures to wind up a business in case of **non-fraudulent bankruptcy** within a year (or less). So far five countries, **Belgium, Finland**, **Ireland, Spain** and the **United Kingdom**, have followed this invitation.

Finally, the Commission has also decided to extend the pilot action on **common commencement dates**, initially planned for one year, to two years: 2010-2011. The first annual statement indicating future acts to be adopted on fixed dates should be published in 2010 together with the Better Regulation Strategic Review. The sectors participating in the exercise include the automotive industry, explosives, detergents, and drug precursors.

2.2. Access to finance

The Commission has simplified **state aid rules** and has pointed clearly to the need to better take into account SMEs' needs at Member State level. The new **General Block Exemption Regulation** (GBER) adopted as part of the SBA consolidates into one text and harmonises the rules previously set out in five separate regulations, and enlarges the categories of state aid covered by the exemption. The GBER introduced new rules on aid intensities for SMEs (i.e. 20% higher aid proportion allowed for small enterprises and 10% higher for medium-sized enterprises) as well as on incentives for the creation of start-ups and support for women entrepreneurs. Block exempted aid for SMEs amounted to € 2.8 billion in 2008, an increase of €0.3 billion compared to 2007. The Commission also adopted a **Handbook on State Aid rules** which gives a concise overview of the aid possibilities for SMEs permitted under Community state aid rules.

In addition, the Commission adopted a **temporary framework on state aid** 2009/2010 providing Member States with increased possibilities to tackle the effects of the credit squeeze on the real economy. In particular, Member States are able to grant subsidised loans, loan guarantees at a reduced premium, risk capital for SMEs and direct state aid of up to € 500 000 without notification of individual cases.

The European Investment Bank (EIB) group has played a crucial role in easing SMEs' access to finance in 2009. It has **substantially increased its lending activity** dedicated to SMEs from € 8.1 billion in 2008 to around € 11.5 billion in 2009. Moreover, the Commission has also worked in close partnership with the EIF. Besides the continuous implementation of the SME instruments foreseen under the **Competitiveness and Innovation Framework Programme** (€ 1.13 billion earmarked for 2007-2013), € 200 million has been allocated by the EIB for **mezzanine finance** for 2009.

In September 2009, the first investment (of € 1.85 million) was made in the framework of the **JASMINE** initiative, launched in 2008 by the Commission to promote the development of **micro-finance** institutions in Europe. The EIF anticipates that another two investments will be made in 2009 of an additional € 2-3 million each. Furthermore, the Commission has stepped up its efforts to provide Member States and other stakeholders with information on SMEs' access to finance through **regular surveys**.

The **JEREMIE** initiative has also progressed very well**.** The Cohesion Policy programming for the period 2007-2013 has resulted in 85 operational programmes, either national or regional, which foresee the possibility for the European Regional Development Fund (ERDF) to co-finance JEREMIE-type instruments in support of SMEs and start-ups. By October 2009, JEREMIE had been implemented in 13 Member States either at national or at regional level. A total amount of € 3.069 billion has been committed by ERDF operational programmes to JEREMIE holding funds.

As a response to the financial and economic crisis, and often using the temporary framework on state aid, most Member States have also adopted policy measures to enhance SMEs' access to liquidity, especially to bank lending, through the creation and extension of loan and guarantee schemes for SMEs (**Austria**, **Belgium**, the **Czech Republic**, **Denmark**, **Estonia**, **Finland**, **France**, **Germany**, **Greece**, **Hungary**, **Italy**, **Lithuania**, **Luxembourg**, the **Netherlands**, **Spain and** the **United Kingdom**). The EIB package of € 30 billion for loans to SMEs also allows some member countries to use a second level guarantee scheme. In addition, Belgium and France have set up a "credit mediator" acting as a contact point for SMEs and entrepreneurs that have problems with their bank.

Several Member States have taken action to **reduce late payments**, anticipating the recast of the late payments Directive and in some cases, going beyond its scope. In **Bulgaria**, the Finance Minister announced that he would increase the statutory interest for late payment by 10 or 20 points as a preventative measure. In **France**, the law to modernise the economy adopted in August 2008 requires that the term for public payments is reduced to 30 days by 1 July 2010 at the latest. In **Germany** a new law in force since 1 January 2009 improves the position of the creditor for 'business to consumer' contracts (e.g. advance payments, refusal of service if no guarantee, collateral to be provided). In **Portugal,** the Government has approved the programme "Pagar a Tempo e Horas" to reduce payment delays, establishing a long-term target of 30 to 40 days. In the **United Kingdom**, the central government has committed to pay all bills within **10 days**. The shortening of payment terms and delays remains of particular importance for SMEs active in **Greece, Italy, Portugal and Spain**. These Member States have the largest scope for improvement in terms of payment period by public authorities (around 150 days on average).

The Commission has also simplified the **Cohesion Policy** management rules to facilitate the implementation of the 455 Cohesion Policy programmes planned for 2007-2013, representing a total investment of € 347 billion, and hence accelerating investment flows directed particularly towards project promoters such as SMEs. Investments in sectors linked to energy efficiency and the use of renewable energies in housing are also being encouraged, given their considerable potential to provide growth and jobs.

Simplification of the **7th Framework Programme for Research and Technological Development** (FP7) has also been progressing and before the end of 2009 the Commission will adopt a proposal making it possible for a growing SME taking part in an FP7 project to keep the benefit of SME treatment for that project even if it exceeds the SME ceilings during the duration of the project.

Finally, the Commission has decided on **internal measures to improve budget implementation** that could help economic recovery. In particular, the target deadlines for approving reports and making payments have been reduced, with a rule that payments should be made within 30 days (20 days for pre-financing).

2.3. Access to markets

To stimulate cross-border operations with the Single Market, the Commission and the Member States jointly decided to further lower the fees for **EU-wide trade mark rights** by 40% and to simplify the registration procedure from 1 May 2009.

Stressing the importance of ensuring a level playing field for all economic players in accessing public tenders, the Commission invited Member States to make the most of the "European Code of Best practices" in order to facilitate SMEs' access to public procurement contracts ('**the SME Code**') adopted as a part of the SBA in June 2008.

Several Member States have taken measures further to the publication of the Code. In **France**, the legislator clarified in the general public procurement Act ('Code des Marchés Publics') that setting minimum capacity levels for tenders is optional. In **Hungary**, the Act on public procurement was modified in April 2009 and includes some new elements such as the subdivision of contracts into lots when appropriate. In **Ireland**, the national authorities are preparing broad guidance in order to assist public authorities in determining the appropriate levels of financial capacity of tenderers in the light of particular requirements. In **Poland**, the authorities have promoted the SME Code through a website and by distributing it to representatives of contracting authorities who participate in training. In **Sweden**, the Legal, Financial and Administrative Services Agency is, as from January 2009, responsible for providing practical help and guidance both to procurers and tenderers nationwide. Finally, in 2010 the Commission will launch **a campaign to promote the use of the SME Code** and a study to update the figures on SMEs' access to public tenders.

To promote SMEs' use of **standards** and following a Commission request**,** CENELEC is now publishing on its website free of charge the scopes of European standards in order to help SMEs identify those standards that impact their business. Increasing numbers of CEN's members, in line with the CEN Strategy 2010, are publishing the scopes in their national catalogues. The Commission also increased **EU financial support** to € 2.1 million in 2009 to promote SMEs participation in and defence of their interests in the standardisation process and to improve SMEs information about and use of European standards.

The Commission has also highlighted the importance of a full and timely **transposition of the Services Directive** which will significantly facilitate the establishment of businesses and the cross-border provision of services. In particular, it leads to a facilitation of administrative procedures in Member States and makes it possible for companies and individuals to complete all necessary formalities, such as authorizations, notifications, environmental licenses, by electronic means through points of single contact. The Commission has devoted significant resources to monitor and coordinate, together with the Member States, the implementation of the Directive which will end on 28 December, 2009. The main strands of work have included setting-up points of single contact and developing practical solutions to facilitate the cross-border use of electronic signatures. This activity will continue in the future, inter alia with a large scale pilot project (SPOCs) intended to further enhance the points of single contact beyond 2010.

As regards the external dimension, **Market Access Teams** have been established in 30 key export markets. Consequently, EU Delegations, Member States and EU business organisations are coordinating their efforts closely to inform each other about trade barriers and to tackle them. Moreover, to assist SMEs' to access fast-growing markets outside the EU, the Commission is setting-up **business centres** in a selected number of these markets. These

Centres will help EU SMEs wishing to set up and trade in these countries by providing business support services including market access assistance, finding commercial partners, logistical support and advice on issues such as protection of intellectual property rights (IPR) and standardisation.

The activities of the **European Business Centre** in India started in November 2008. In China, the centre will open in 2010. The setting up of centres in other countries is under consideration. In addition, a significant number of countries (**Austria**, the **Czech Republic**, **Denmark**, **Germany**, **Italy**, **Luxembourg**, the **Netherlands**, **Slovenia** and **Spain**) have strengthened public support for the promotion and financing of exports.

Finally, the **Enterprise Europe Network** is operational as a business support network with 567 partner organisations active in 44 countries. Services are being provided by about 3 000 professional staff addressing about 3 million SMEs. During the first 18 months of operation, the Network organised more than 10 000 events in which around 400 000 SMEs participated and concluded more than 1 400 business and technology partnership agreements.

2.4. Promoting Entrepreneurship

Two major events in 2009, the **First European SME Week** which took place in 36 European countries and the **Conference on the SBA/European Charter for small enterprises** have contributed to promoting entrepreneurship among the general public, giving voice to entrepreneurs to present their career paths and providing opportunities for networking. It is worth noting that both Candidate Countries as well as countries from the European neighbourhood are showing increasing interest in developing SME-friendly policies and in joining the mutual learning exercise. The exchange of good practices, and the process of learning from each other, is working well beyond the borders of the EU. For example, **Norway** established an Action Plan to promote women's entrepreneurship with the objective of having women represent 40% of all entrepreneurs by 2013. Overall, more than **600 good practices** have been proposed by the participating countries over the past ten years.

The **European Enterprise Awards** have mobilised public authorities in Member States to design SME-friendly policies. In the autumn of 2009 the European Committee of the Regions launched a new "The European Entrepreneurial Region" initiative.

A **European Network of Female Entrepreneurship Ambassadors** was launched in collaboration with the Swedish Presidency in Stockholm in October 2009 with the aim of "bridging the gender gap" and increasing the number of women starting businesses in Europe. The network consists of 100 ambassadors, currently covering ten countries.

As part of the push to encourage small businesses to embrace the Internal Market, the Commission initiative **ERASMUS for Young Entrepreneurs** encourages young business people to spend time shadowing an experienced entrepreneur in another EU Member State. The first 100 relationships between new entrepreneurs and host entrepreneurs have been approved and 1200 new and host entrepreneurs are registered to take part in the programme.

Finally, a number of countries have anchored entrepreneurship education in their curricula **(Spain, Finland, Ireland, Cyprus, Poland, and United Kingdom)** or have decided to do so in future. **Entrepreneurship education** is currently the object of a new national strategy or action plan in **Austria, Denmark** and **Sweden** or of an ongoing or planned curricular reform in the **Czech Republic, Estonia, Germany** and **Malta**. It is important to note that as a general trend national curricula are shifting from contents to competences: this strengthens the implementation of entrepreneurship as a key competence. The challenge is to go beyond the knowledge component and to combine curricular changes with innovative learning methods. Finally, the cooperation between different departments and with relevant stakeholders, including with the SME community still needs to be improved in most Member States.

3. NEXT STEPS

Good progress has been achieved in 2009. However, it remains of utmost importance to **continue to vigorously implement** the SBA Action Plan at all levels and **not to lose sight of the longer-term perspective** to create a world-class environment for SMEs as an important element of delivering on the forthcoming EU 2020 strategy.