



European Economic and Social Committee

INT/755
SBA experiences in the
USA and EU

Brussels, 16 September 2015

OPINION

of the
European Economic and Social Committee
on the
SBA experiences in the USA and EU: "best practices" for innovative SME actions
(own-initiative opinion)

Rapporteur: **Ullrich Schröder**

On 10 July 2014, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on:

SBA experiences in the USA and EU: "best practices" for innovative SME actions
(own-initiative opinion).

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 14 July 2015.

At its 510th plenary session, held on 16 and 17 September 2015 (meeting of 16 September), the European Economic and Social Committee adopted the following opinion with 207 votes in favour and six abstentions.

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1. **Conclusions and recommendations**

There are about 21 million SMEs in the EU, employing almost 90 million people and generating more than EUR 3 600 trillion in added value. Expressed another way, 99% of all businesses are SMEs, employing two in every three people and generating 58% of added value. Therefore, a powerful Small Business Act is needed.

The EESC wishes to make the following recommendations on some important headlines regarding the revision of the SBA (Small Business Act) in the EU, based on the experiences of the Small Business Administration in the USA (which has the same acronym, but a completely different approach).

1.1 The review of the SBA is necessary

The European Commission had indicated that it intended to publish a review in the first half of 2015, but has now postponed it. As there are important areas of possible improvement (see below), the SME community expects a review after the hearings; because of the vital importance of SMEs, the review should be published as soon as possible.

1.2 Legal position and enforcement

The SBA has to be upgraded to a more binding form, with a more ambitious approach. This was also requested by the EESC in 2008 and 2011, but was not implemented by the European Commission.

It should introduce more legal mechanisms if appropriate, for example concerning procurement, "*Think Small First*", impact assessments and SME tests. This should be applied at both EU and Member State level, and will involve a more substantial role for the European and national parliaments. The "*Think Small First*" and "*Only Once*" principles need to be included in the EU institutions' interinstitutional agreement on better regulation.

1.3 Political position

In the EU, the SBA has a lower political position than in the USA. With a view to strengthening the position in the EU, the EESC recommends that:

- a special annual Competitiveness Council for SMEs and the SBA be organised at EU level, as the EESC advised in its 2011 opinion¹;
- the Council's *High Level Group for Competitiveness and Growth* should review progress on national actions for implementing SBA priorities and reflect on additional measures at EU level. Results should be forwarded to the annual Competitiveness Council for SMEs and the SBA;
- the European SME Envoy Network be upgraded by raising the level of participants to the directors-general of the Ministries of the Economy. This would ensure stronger and better coordination between the EU and the Member States.

1.4 Governance and efficiency

1.4.1 An EU's yearly report on SBA implementation must be introduced and also include a data-based report on the Commission's management of it and of the functioning of individual programmes.

1.4.2 The European Court of Auditors should be encouraged to publish regular reports on the functioning of relevant SME programmes and measures, as the external Governmental Accountability Office does in the USA concerning the US SBA. An independent office within the Commission should deal with internal governance, along the lines of the "Office of the Inspector General" within the USA's Small Business Administration.

1.4.3 The SBA will not succeed unless a multi-stakeholder governance partnership is established (with social partners and public and private stakeholders). Therefore, the SBA Advisory Group (see 4.3.4) planned to be set up in 2011, but never established, needs to be made operational and to be consulted in the pre-decision stage.

1.4.4 The system of national and local SBA implementation plans (see 4.3.3) has to be improved and complemented by systematic use of scoreboards.

¹ [OJ C 376, 22.12.2011, p.51.](#)

1.5 Use of targets

It is advised that more use be made of indicative targets in order to increase SME involvement in public procurement, and of binding targets regarding R&D programmes (at both EU and national level). Using this target mechanism, the levels should be increased over the years.

1.6 Yearly Conference of Small Business Stakeholders

In the USA and the EU, there is considerable know-how and experience regarding SME policies and programmes, but no structural and regular discussions including stakeholders are organised. A yearly conference for this, alternating between the USA and the EU, based on best examples, would be useful. It should include relevant stakeholders on both sides of the Atlantic: politicians and administrations, the SME Envoy Network and small business organisations. Because of the limited budgets of small business organisations, their participation costs should be compensated. Every year, alongside the general discussions, a special topic could be discussed: finance, innovation, trade (including the TTIP), female entrepreneurship, etc.

2. **Introduction and objectives of the opinion**

2.1 Objective: to compare the broad approaches and actions for SMEs regarding the two SBAs: Small Business Administration in the USA and the EU's Small Business Act.

The political and business environment in the USA and the EU are very different and in both regions there are many SME measures at national and local level in addition to the SBA measures².

2.2 The conclusions of this opinion (see chapter 1) therefore do not compare the specific programmes of the two SBAs but focus on possible improvements concerning the legal and political position, governance and use of targets of the EU's SBA.

3. **Small Business Administration in the USA (SBA)**

3.1 The Small Business Administration in the USA is an independent government agency that provides federal support to small businesses. It was created by President Eisenhower in 1953, after the adoption of the Small Business Act. Its mission is to counsel, assist and protect the interests of small business. Its budget in 2013 was around USD 1 billion (excluding budget for non-enterprise activities). Some measures are legally binding. The SBA has offices in every US state and 1 000 local centres. President Obama has elevated the Director-General of the SBA into his Cabinet.

² A broader comparison of SME measures would be too complex for this opinion.

3.2 The SBA has a complex definition of a small business as one that is basically independently owned, operated and organised for profit. Depending on the industry, product or service, the size standard is based on the number of employees or on sales volume. When considering the number of employees, the maximum number ranges from roughly 100 to 1 500.

3.3 Overview of US SBA activities and programmes³

3.3.1 Finance: loans and venture capital

3.3.1.1 The SBA provides guarantees for small businesses that cannot obtain credit elsewhere. In general these loans are made by SBA partners (banks and other financial institutions) and guaranteed by the SBA.

The Microloan Programme targets new and early-stage businesses in underserved markets. Express loans aim to respond within 36 hours. The Disaster Loan Programme provides loans to small enterprises affected by general disasters within 45 days.

3.3.1.2 The Small Business Investment Company (SBIC) enhances small business access to venture capital.

3.3.2 Small Business Contracting Programmes

3.3.2.1 Several contracting programmes allow small businesses (owned by disadvantaged people or in underutilised areas) to compete only with similar firms for important government contracts.

Annual overall government participation goals are established for federal procurement contracts awarded to small businesses with differentiated subgoals for individual departments and agencies. The overall target is now at least 23% of the total value of federal prime contracts. In the EU, it is higher at 29%, but this also covers contracts by regional and local authorities. The USA goal may be raised in future.

3.3.3 R&D programmes: strategy to increase SME participation by raising targets

3.3.3.1 The Small Business Innovation Research (SBIR) programme increases the participation of small high-tech firms in federal R&D in federal departments with an R&D budget of at least USD 100 million. A percentage of its R&D budget must be used to involve small businesses: this started at 0.2% in 1983 and was steadily raised to 2.7% by 2013 (new target of 3.2% in 2017).

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This is a broad overview of interesting activities. For more details see www.sba.gov or US Congress's 2013 report "Small Business Administration, A Primer on Programmes" on www.crs.gov. An overview of SBA programmes gives the Governmental Accountability Office in GAO-12-819 report "Entrepreneurial Assistance" on www.gao.gov.

3.3.3.2 The Small Business Technology Transfer (STTR) programme provides funding for federal research shared between a small firm and a non-profit research organisation: 0.35% in 2013, rising to 0.45% in 2016.

3.3.4 Entrepreneurial Development Programmes

These provide training to small businesses in 1 000 centres. SCORE unites 50 independent non-profit organisations with 13 000 volunteers.

3.3.5 Office of International Trade

This provides export assistance and its activities include express loans (within 36 hours) and grants for participation in trade fairs abroad, documentation and audio-visual materials.

3.3.6 Special Offices

The Office of the Inspector General: its mission is to improve the SBA's management and effectiveness, to fight fraud in the programmes and to review existing or proposed legislation. It is an independent office within the SBA headed by the Inspector General.

The Office of Advocacy: it serves as an independent voice for small business within the federal government. Its mission is to encourage policies that support small businesses by intervening in federal agencies' regulatory processes and researching the impact of federal regulations.

4. **EU development – from Charter for Small Enterprises to Small Business Act⁴**

4.1 European Charter for Small Enterprises – 2000

This Charter was adopted by EU leaders in 2000. It was a self-commitment from the Member States to improve the business environment for small enterprises in the Member States and at EU level, with no legal force. The Charter was specifically intended for small enterprises with fewer than 50 employees.

4.2 EU "Small Business Act" (SBA-EU) – 2008

4.2.1 The Commission studied the SBA approach in the USA, and published its Communication "Think Small First, a Small Business Act for Europe" in 2008⁵, with a broader target group (SMEs with fewer than 250 employees).

⁴ An abstract is set out below concerning the developments in the SBA. For a more detailed overview, see the background document available on the EESC's website.

⁵ [COM\(2008\) 394 final](#).

Only a limited number of new legislative proposals were proposed.

The bulk of the SBA concerns a new policy framework, integrating existing enterprise policies and building on the Charter for Small Enterprises.

4.2.2 Ten principles for designing and implementing SME policies at EU and national level were introduced relating to: business environment, entrepreneurship, "*Think Small First*", public procurement, shorter payment periods, a better Single Market, skills and innovation.

4.2.3 In 2008 the EESC⁶ proposed a more ambitious SBA. It refers to the American SBA.

4.2.4 Key Committee recommendations included:

- a binding legal instrument governing "*Think Small First*";
- establish an SBA Committee, involving Member States and European representative business associations;
- appoint a national SME envoy in each Member State.

Regrettably, the first two recommendations were not implemented by the European Commission.

4.3 Review of the EU Small Business Act (2011)

4.3.1 In 2011 the Commission published its communication "*Review of the SBA for Europe*"⁷. The Commission concludes that there is progress, but more needs to be done.

4.3.2 Regarding developments in the Member States, the Commission is less positive on:

- reducing the administrative burden and implementing national SME tests;
- promoting the European Code of Best Practices;
- simplifying bankruptcy procedures.

4.3.3 The SBA Review proposed actions responding to the economic crisis in the following areas: regulations, financing, market access, entrepreneurship, job creation and inclusive growth (including female entrepreneurship and a Social Business Initiative).

⁶ [OJ C 182, 4.8.2009, p. 30.](#)

⁷ [COM\(2011\) 78 final.](#)

4.3.4 Strategic improvements involve strengthening governance:

- The Commission will continue to issue general annual reports on the individual Member States in line with the EU2020 strategy; SBA progress is included in this exercise.
- The SBA Advisory Group planned to be set up in 2011, but never established, needs to be made operational and to be consulted in the pre-decision stage.
- The SME Envoy Network was introduced, comprising the Commission's and national SME envoys. This should establish a direct link between the Commission, national administrations and national business organisations.
- Setting up national SBA implementation plans, backed up by a strong monitoring mechanism and in coordination with Member States and business organisations. (However, the EESC regrets that this is not being implemented as efficiently as possible).

4.3.5 In 2011 the EESC⁸ recognised that greater attention has been given to SMEs.

Key Committee conclusions included:

- The Committee believes that the SBA should take a more binding form.
- The SBA will not succeed unless a multi-stakeholder governance partnership is established (with social partners and public and private stakeholders).
- The essential role of intermediary organisations from the public and private sector by providing tailored services is neglected.
- The EESC calls on the Council to establish a special annual Competitiveness Council for SMEs, microenterprises and the SBA.

The EESC regrets that these recommendations were not implemented by the European Commission.

4.4 Public consultation on the SBA – 2014

4.4.1 In September 2014 the Commission opened a consultation how the SBA should be revised, called "A strong policy to support SMEs and entrepreneurs 2015-2020".

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[OJ C 376, 22.12.2011, p. 51.](#)

4.4.2 The Commission concludes that the SBA has not been fully implemented in many Member States.

The proposed priority areas are:

- reducing the administrative burden;
- access to finance and markets;
- entrepreneurial and innovation potential;
- reinforcing skills development (new).

4.4.3 In April 2015 the Commission published a report on the results. A proposal for a revised SBA was originally planned for the first half of 2015, but has now been postponed until 2016. European business organisations have indicated their disappointment about this postponement and called for action to be taken in 2015.

Brussels, 16 September 2015.

The President
of the
European Economic and Social Committee

Henri Malosse
