

EUROPEAN UNION



Committee of the Regions

ECOS-IV-002

Brussels, 22 June 2006

OPINION

of the

Committee of the Regions

of 15 June 2006

on the

Communication from the Commission to the Council, The European Parliament, the European

Economic and Social Committee and the Committee of the Regions

Implementing the Community Lisbon Programme

Modern SME Policy for growth and employment

COM(2005) 551 final

THE COMMITTEE OF THE REGIONS,

Having regard to the Communication from the Commission to the Council, The European Parliament, the European Economic and Social Committee and the Committee of the Regions *Implementing the Community Lisbon Programme - Modern SME Policy for growth and employment*, COM(2005) 551 final;

Having regard to the decision of the European Commission of 15 November 2005 to consult it on the subject, under the first paragraph of Article 265 of the Treaty establishing the European Community;

Having regard to the decision of its president of 24 January 2006 to instruct its Commission for Economic and Social Policy to draw up an opinion on this subject;

Having regard to its Opinion on the Competitiveness and Innovation Programme (COM(2005) 121 final CdR 150/2005 fin)¹;

Having regard to its Opinion on the Integrated Guidelines for Growth and Jobs (2005-2008) (COM(2005) 141 final CdR 147/2005 fin)²;

Having regard to its Own-initiative opinion of the Committee of the Regions on Competitiveness and Decentralisation (CdR 23/2005 fin)³;

Having regard to its Draft Opinion CdR 40/2006 rev. 2 adopted on 6 April 2006 by its Commission for Economic and Social Policy (Rapporteur: **Mrs Constance Hanniffy**, Member of Offaly County Council, Cathaoirleach of the Midland Regional Authority and Member of the Border Midland and Western Regional Assembly, IE/EPP).

adopted the following opinion at its 65th plenary session, held on 14 and 15 June 2006 (meeting of 15 June 2006)

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¹ Not yet published in the Official Journal of the EC.

² Not yet published in the Official Journal of the EC.

³ Not yet published in the Official Journal of the EC.

1. The Committee of the Regions' comments

Giving fresh impetus to SME policy

- 1.1 **welcomes** the Commission's communication on a Modern SME Policy for Growth and Employment as a means to give fresh impetus to SME policy, to re-focus policy on the most essential elements and to streamline Community action with a view to greater effectiveness;
- 1.2 **supports** the promotion of an inclusive SME policy that recognises the diversity of SMEs in terms of size, ownership structure and sector, that provides a range of tailored supports and a sensitive legislative environment to meet the diverse needs of the EU's SMEs;
- 1.3 **acknowledges** the reference to the role of local and regional authorities in the communication but considers that it could have been more explicit regarding the crucial role that local and regional authorities have in supporting SMEs, in providing an enabling environment for their development and transfer, and as large customers for the goods and services provided by SMEs;
- 1.4 **recognises** that the main competence in ensuring that SME policy is truly effective rests primarily with the Member States and encourages Member States to ensure that their National Reform Programmes deliver concrete measures to support the creation and development of SMEs;
- 1.5 **draws attention** to the analysis undertaken by the Committee on the preparation of the National Reform Programmes (NRPs) and in particular on the lack of consultation with local and regional authorities and in this regard **welcomes** the encouragement from the European Council in March 2006 to continue its work on the NRPs;
- 1.6 **considers** that implementation, and commitment to implementation, by all stakeholders is obviously vital to a successful SME policy and feels that in this regard the Commission should have set out in the communication some specific targets and deadlines to help measure delivery;
- 1.7 **acknowledges** the priority that the Austrian Presidency has given to SMEs and **welcomes** the decision of the European Council in March 2006 to include 'unlocking business potential, especially for SMEs' as one of the specific areas for priority action. The Committee would furthermore insist on a wide-ranging and open assessment of the implementation of the National Reform Programmes in future by the European Council and in particular a clear assessment on the delivery of the benefits of these programmes to SMEs;
- 1.8 **supports** the provision of an adequate budget for the Competitiveness and Innovation Programme (CIP), as it will be a vital instrument for Community SME policy;

Promoting entrepreneurship and skills

- 1.9 **believes** that any entrepreneurship should be encouraged and supported; **welcomes** the fact that the communication recognises that the needs of women entrepreneurs, young people, minorities, migrants and older entrepreneurs are not being sufficiently met; **points out** that the groups mentioned cannot be treated as a single entity, and **emphasises** that each individual group requires its own measures – needs may vary in different countries and even within groups; also **feels** that the proposals outlined are limited to support for networking and that more concrete proposals are needed if entrepreneurship levels are to be raised among these diverse target groups, drawing from the European pact for gender Equality, adopted by the European Council on 23/24 March 2006, and extending it to the other groups;
- 1.10 **highlights** the value of local and regional initiatives in fostering entrepreneurial mindsets and promoting and delivering entrepreneur-friendly education at all levels within the school system, but **considers** that many education and training initiatives are not sufficiently responsive or flexible to meet SME needs;
- 1.11 **welcomes** the introduction of the European Enterprise Award competition as a means of promoting entrepreneurship, showcasing best practice at regional and local levels and encouraging potential entrepreneurs;
- 1.12 **draws** attention to the requirement for more positive attitudes to calculated and well based business risk and tolerance of business failure by society generally, but more specifically the banking and public sectors and calls on Member States to ensure that a more entrepreneurial culture is created throughout the EU and that greater value is attached to whatever previous business experience an entrepreneur may possess;

Improving SMEs access to markets

- 1.13 **welcomes** the proposed review of the Euro Info Centres (EIC) by the Commission as it **considers** that the performance of the EICs has been inconsistent across the Member States, together with their capacity to provide comprehensive supports and advice on internationalisation to the SMEs; likewise, it **emphasises** that the functions and responsibilities of the network's member bodies should be clearly defined, and that mechanisms should be put in place for coordination with other players, such as Europe Direct, in order to prevent duplication in the provision of information and advice services, and to facilitate efficient use of resources;
- 1.14 would **welcome** proposals to strengthen programmes to improve SMEs' access to information technologies (ICT), which will help them to be more competitive and access new markets;
- 1.15 **notes** the Commission's proposals in relation to improving access to public procurement for SMEs;

- 1.16 **considers** that efforts aimed at standardisation should not introduce any further bureaucracy that would impact negatively on SMEs;

Cutting red tape

- 1.17 **welcomes** the commitments of the Commission to simplify the rules and regulations to make it easier for SMEs to access Community programmes, but **would welcome** greater clarity on how this will be achieved and what the implications may be for organisations disbursing Community funds;
- 1.18 **supports** the commitment to the screening of forthcoming legislation and **encourages** the Commission to engage with SME representative groups in order to ensure that new legislation will not inhibit SME growth and innovation potential;
- 1.19 **notes** the important role accorded to the SME Envoy in ensuring that EU policy is SME friendly, but is **concerned** that sufficient resources be provided and more importantly that sufficient status and political leverage be given to the Envoy to ensure that the aims of the office are achieved;
- 1.20 **welcomes** the proposed integration of the "Think Small First" principle across all EU policies and would like to see SMEs given enhanced priority within the impact assessment procedure for Community proposals;
- 1.21 would also **support** other initiatives for making SME policy development more coherent and predictable so that SMEs can anticipate consequences and be better prepared;
- 1.22 **notes** the success of the one stop shop model which has proven very effective in supporting and stimulating SME growth in several regions across the EU, **recognises** their potential as information sites for public procurement information and assistance in explaining the process of awarding public service contracts and **calls** for greater emphasis on this approach generally; this could take the form of holding conferences and seminars on best practice, which would help to disseminate the best regional initiatives in this area;

Improving SMEs' growth potential

- 1.23 **welcomes** the commitment to increase SME participation in EU programmes and initiatives but **considers** that specific programme commitments would need to be closely monitored to ensure that these commitments are indeed being met;
- 1.24 **would welcome** a more explicit account of the role and level of assistance from the EU Structural Funds for assisting SMEs and the contribution of the other Community Instruments

and would like to see a more coherent approach to the delivery of these programmes supporting SMEs;

- 1.25 **recognises** the importance of linking SMEs to research and technological initiatives and the difficulties encountered by SMEs in accessing and exploiting research, innovation and Intellectual Property, but **calls** for a differentiated approach to be adopted for smaller and non-technological SMEs in relation to supporting the successful adaptation of new ideas;
- 1.26 **supports** cooperation initiatives between local and regional authorities, enterprises and their associations, academies, universities and research centres, as an instrument of territorial industrial policy by establishing support networks to help SMEs to overcome barriers to improved competitiveness, better training and exploitation of innovation.
- 1.27 **supports** the proposed reform of the State Aids rules to absorb, in part, SME risks, simplify procedures and adopt a more flexible approach to aid for SMEs;
- 1.28 **acknowledges** the role that the 7th Framework Programme for Research and Development can play in supporting SME research activity, but **calls** for greater emphasis on innovation, development and technology transfer for smaller SMEs, given the limited research capacity of a majority of SMEs;
- 1.29 **suggests** strengthening programmes to boost networking between SMEs, as well as measures that help to establish networks between them. Boosting networks of "business angels" in particular could be extremely useful in solving the problems faced by SMEs in accessing alternative sources of funding;

Strengthening dialogue and consultation with SME stakeholders

- 1.30 **recognises** the need to take SME concerns into account at an early stage in drafting of EU legislation and in the standardisation process, but calls for more explicit mechanisms and arrangements by which consultation with SME stakeholders can be enhanced;
- 1.31 **acknowledges** the creation of the SME Panels as a mechanism for responsive consultation on Commission proposals and for developing a communication between SMEs and the European Institution, but would have some questions regarding the representative nature of such panels;
- 1.32 **highlights** the importance of consultation with regional and local interests and calls for greater clarity on how the Commission intends to do this and on whether a more decentralised approach in assisting SMEs will be encouraged by the European Commission;
- 1.33 **underlines** the unique position that local and regional authorities have as key implementation agencies but also as partners to communicate with stakeholder groups and promote entrepreneurship;

2. **The Committee of the Regions' recommendations**

- 2.1 **urges** Member States to consult the local and regional authorities on the National Reform Programmes and to see to it that these programmes deliver concrete measures to support the creation and development of SMEs and **calls** for a clear and explicit assessment of the benefits to SMEs arising from the implementation of the National Reform Programmes by Member States;
- 2.2 **proposes** that, as part of its on-going analysis of the implementation of the Lisbon Strategy and the National Reform Programmes, existing experiences of local and regional policies for assisting SME development with a particular attention to industrial clusters and small firms network, will be identified with a view to drawing-up a guide to good practice;
- 2.3 **calls** on the European Commission to give more explicit recognition to the role that local and regional authorities can fulfil in supporting SMEs, providing an enabling environment for their development and continued survival by means of transfer, and as large customers for the goods and services that SMEs provide through procurement, and in this regard calls for more effective consultation with regional and local bodies on SME policy initiatives;
- 2.4 **recommends** that specific targets and deadlines be set for the implementation of the new measures contained in the communication, to help assess implementation, assist in dissemination of best practice and to ensure commitment to delivery;
- 2.5 **recommends** that greater recognition be given to the diversity of SMEs and calls for more tailored supports, including flexible training and education provision and sensitive legislation to meet these diverse needs and **calls** for a more differentiated approach to be adopted in Community Programmes for micro, smaller and non-technological SMEs in relation to supporting the successful application of new ideas;

Promoting entrepreneurship and skills

- 2.6 **calls** on the European Commission, and the Member States, to work with local and regional authorities that have developed and are implementing innovative measures to support the entrepreneurial potential of women entrepreneurs, young people, minorities, migrants and older entrepreneurs, in order to inform the future development of Community policy in this regard and **recommends** that consideration be given to ring-fencing specific measures and allocations for these groups;

Improving SMEs access to markets

- 2.7 **recommends** that the review of the Euro Info Centres (EIC) proposed by the European Commission should address the adequacy of the financial provision to the EICs and also their

capacity to provide comprehensive supports and advice on internationalisation to the SMEs in their catchment areas;

- 2.8 **requests** that local and regional authorities give greater consideration as to how they can better assist SMEs in their areas, and enable them to access market opportunities especially in the provision of goods and services through public procurement;

Cutting red tape

- 2.9 **calls** for greater efforts at reducing the impact of regulation on the EU's SMEs and in ensuring that efforts aimed at standardisation should not introduce any further bureaucracy that would impact negatively on SMEs and urges engagement with SME representative groups in order to ensure that new legislation will not inhibit SME growth and innovation potential;
- 2.10 **recommends** that sufficient resources, profile and political leverage be given to the SME Envoy so that the objectives of the position and expectation of SMEs are met;
- 2.11 **calls** for better coordination of SME policies and support programmes through the further development of the One Stop Shop model, such as e-government portals and procurement one-stop shops;
- 2.12 **calls** on the European Commission and the Member States to consider initiatives for making SME policy development more coherent and predictable, such as the suggestion to have two fixed dates per year where all new regulations would come into force, so that SMEs can anticipate consequences and be better prepared;

Brussels, 15 June 2006.

The President
of the
Committee of the Regions

The Secretary-General
of the
Committee of the Regions

Michel Delebarre

Gerhard Stahl