

COM-6/031

Brussels, 10 December 2001

OPINION

of the

Committee of the Regions

of 14 November 2001

on the

Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions entitled *Creating an entrepreneurial Europe:*

The activities of the European Union for small and medium-sized enterprises (SMEs)

(COM(20001) 98 final)

The Committee of the Regions

HAVING REGARD TO the Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on "Creating an entrepreneurial Europe - The activities of the European Union for small and medium-sized enterprises (SMEs)" (COM(2001) 98 final);

HAVING REGARD TO the Decision of the Commission on 1 March 2001, under the first paragraph of Article 265 of the Treaty establishing the European Community, to consult it on this matter;

HAVING REGARD TO the Decision of the President of the Committee of the Regions on 28 March 2001 to instruct Commission 6 (Employment, Economic Policy, Single Market, Industry and SMEs) to draw up an opinion on this subject;

HAVING REGARD TO the Conclusions of the Lisbon and Stockholm European Councils concerning further policy actions with a view to making the EU the most competitive and dynamic knowledge-based economy in the world;

HAVING REGARD TO its Opinion on a Report of the Business Environment Simplification Task Force (BEST) and the Commission Communication promoting entrepreneurship and competitiveness - The Commission's response to the BEST Task Force report (CdR 387/98 fin)¹;

HAVING REGARD TO its Opinion on the Communication from the Commission - The

competitiveness of European enterprises in the face of globalisation: How can it be encouraged? (CdR 134/99 fin)²;

HAVING REGARD TO its Opinion on the Communication from the Commission - Challenges for enterprise policy in the knowledge-driven economy and the proposal for a Council Decision on a multiannual programme for enterprise and entrepreneurship (2001-2005) (CdR 185/2000fin)³;

HAVING REGARD TO its Opinion on the Communication from the Commission to the Council and European Parliament on "Innovation in a knowledge-driven economy" (CdR 468/2000fin)⁴;

HAVING REGARD TO the Draft Opinion (CdR199/2001 rev. 2) adopted unanimously by Commission 6 on 28 September 2001 (rapporteur: **Mr Van den Brande**, B-EPP, Senator, member of the Flemish Parliament);

WHEREAS SMEs are vitally important to economic growth and employment in the EU and the applicant countries; and whereas it is therefore essential to examine the impact on SMEs of various policymaking areas;

adopted the following opinion unanimously at its 41st plenary session held on 14/15 November 2001 (meeting of 14 November):

1. **Views of the Committee of the Regions**

1. The CoR appreciates the Commission's efforts to provide an overview of the measures to help SMEs. The Commission report provides a good and indeed a detailed overview of all the measures taken at EU level to support SMEs. The CoR wishes to take this opportunity to put forward recommendations in respect of not only the Commission report but also the general context of EU policy on SMEs.
2. EU policy on SMEs has economic, social, regional and other aspects. It cannot therefore be viewed separately from other policymaking areas, particularly enterprise policy in the broader sense. Both policies are complementary. SMEs should thus, for example, be given prominence in the policy on developing the knowledge-based economy and providing support for high-tech sectors.
3. It is, however, not always clear from the report whether the measures listed are designed to bring about a general improvement in the business environment or whether we are dealing with a policy to develop and promote SMEs. The report does not always provide the necessary indications as to the impact on SMEs of the policy being pursued, perhaps because the specific nature of SMEs is not always adequately recognised in EU enterprise policy.
4. The Commission rightly highlights the fact that many SMEs are a source of innovation for the EU economy. However, SMEs' importance for the EU economy goes further than that. Even enterprises in the more "traditional" sectors have the capacity to create jobs, particularly for less skilled workers who cannot find work in the high-tech sector. Such jobs can be created in a variety of different ways, for example in the social economy.
5. For anyone wishing to make a thorough and, at the same time, critical appraisal of EU enterprise and SME policy, and to propose adjustments, where necessary, the Commission report is a valuable tool. In its opinion, the CoR has, of necessity, confined its observations to just a few subjects, but it also wishes nonetheless to

address the Commission's future strategy for the business world as a whole (as amended in the light of the Lisbon Summit) and the impact of EU enlargement. The CoR wishes to set out its recommendations under four headings: simplicity and transparency, consultation and dialogue with the SME sector; SMEs and EU enlargement; and SMEs and the regional economy.

6. It should be pointed out in this context that the report would be a better report if it were to be more explicit in its conclusions with regard to the policy options for the SME sector. The CoR expects that the communication due to be issued on the consequences for enterprise policy of the new economy will shed light on this subject.

2. Recommendations made by the Committee of the Regions

1. Simplicity and transparency

1. The development of SMEs is often hampered by the fact that they do not have a specific - business-friendly and decentralised - contact point (one-stop shop). Whether the Euro Info Centres (EIC) offer the appropriate facilities in this respect is a matter which could be examined. Small businessmen certainly have other worries than having to find their way through the labyrinth of EU legislation and support measures. The CoR also points out that the efficiency of one-stop shops can be increased by promoting the use of advanced - but customer-friendly - communication technologies. Use of these technologies should also make it possible to monitor the progress of dossiers, so that enterprises always know which administrative body is dealing with a particular dossier.
2. Regional and local authorities have an excellent knowledge of the SME sector on the ground because of their proximity. They can provide an appropriate framework for passing on information concerning administrative obligations and support measures. The CoR calls on the Commission to study ways of involving local and regional authorities more effectively in the operation of the EIC and other EU initiatives.
3. A large number of initiatives and measures set out in the report clearly have a beneficial effect on the general business environment in the EU, but one may well ask whether there is a risk of overlap and whether the measures always reach the right target group. The CoR calls upon the European Commission to examine the measures from the point of view of entrepreneurs, who have to handle information from many sources and have to be able to take decisions at short notice everyday. This implies that the Commission should set about making the dozens of support measures simpler and more transparent and lowering the thresholds for SME access to the financial instruments. These measures will also undoubtedly bring about a sharp improvement in the efficiency and effectiveness of SME policy.
4. The European Commission should urgently ask itself whether the various support initiatives should not be better coordinated and whether consideration should not be given reducing the number of initiatives. Such an approach must be feasible, since all aspects of enterprise policy are handled and coordinated by one directorate-general.
5. If the measures are simpler and more transparent and if they are reduced in number, their appraisal may also be simpler and more transparent. The CoR calls

on the Commission to attach considerable importance to the effectiveness of SMEs when carrying out this appraisal.

6. SMEs frequently contact the authorities via intermediary bodies that provide advice and support. In order to reach the ultimate target group of SME entrepreneurs, the Commission should therefore provide these intermediary bodies with clear, updated information on SME policy. These bodies can then ensure that the information that they provide to individual entrepreneurs is both appropriate and current.
7. The Commission should ensure that SMEs do not suffer competitive disadvantage as a result of the fact that they generally have a limited administrative capacity. This applies, in particular, in the case of calls for tender. In this context the CoR urges the Commission to simplify EU procedures.

2. Consultation and dialogue with the SME sector

1. The SME sector is very heterogeneous, both as regards the industries it covers and the size of the enterprises. Each sub-category has specific characteristics which need to be taken into account by policymakers. By way of example, it appears that most of the measures designed to promote innovation and high-technology applications are geared primarily to medium-sized enterprises. Small enterprises should, however, also have a say in EU enterprise policy. These enterprises, too, are sources of innovation and new jobs.
2. The European Commission has traditionally engaged in consultations with EU-level organisations representing SMEs. These organisations are consulted on new legislative initiatives in the SME sector. The CoR believes that this tradition needs to be strengthened and to become a part of the EU's enterprise culture. However, not only employers and self-employed persons, but also SME workers must be involved in these consultations on an ongoing basis.
3. It is frequently the case that proposals and measures in other policy areas have an impact on SMEs, in particular by increasing the burden of administrative obligations on these enterprises. This applies, for example, in the case of environmental policy. The CoR calls on the Commission to make a prior appraisal of the impact which all measures may have on SMEs and, where necessary, to consult the SME sector.
4. SMEs are well represented on some sectoral dialogue committees (European social dialogue). Consideration could be given to setting up a specific social dialogue for SMEs that extends beyond sectoral boundaries, in view of the specific problems facing small businesses.
5. When preparing new policy measures for SMEs, the European Commission could give due consideration to new forms of consultation. Possibilities include written procedures for consulting networks and the organisation of hearings. The aim must be to involve in the consultations the parties most directly affected and to collect a wide variety of views, especially in such a heterogeneous sector.

3. SMEs and EU enlargement

1. As EU policy is also to apply to the applicant countries, it would be particularly beneficial to harmonise the collection of policy data. The CoR advises the

Commission to ensure that the same methodology is applied in the applicant countries as in the EU Member States for the collection of structured data on businesses. The CoR also recommends that, wherever possible, the use of this methodology even be extended to other states.

2. Since the third multiannual programme for SMEs has been opened up to participants from nine applicant countries, the possibilities which may be available to SMEs from these countries should be studied more thoroughly and the need for additional initiatives should be examined. By way of example, it may well be necessary to extend the SMEs sector's access to funding in these countries and to take measures to promote cross-border initiatives.
3. EU enlargement will have consequences not only for the applicant countries and for existing Member States, but also for other countries, particularly in central and eastern Europe. The CoR recommends that the EU measures in respect of these countries pay greater attention to SMEs in order to ensure that greater priority is given to entrepreneurship within the socio-economic fabric and society in general in these countries.
4. The Stockholm European Council agreed that steps should be taken to involve the applicant countries more actively in the goals and procedures of the Lisbon strategy. In this connection, whenever SME initiatives are taken by the European Commission in future, they should include an assessment of their impact on the applicant countries and, more especially, on their SME sectors.
5. The Commission places special emphasis on innovation and high technology in its SME policy (creation of high-quality jobs). This is the right approach but there are grounds for wondering whether the applicant countries, because of the nature of their SME sectors, have the potential and capacity to tap the European funding available. The thresholds in respect of these countries must be kept at a sufficiently low level. In this context it could be borne in mind that even sectors of a more traditional nature can make a considerable contribution to economic renewal.
6. As part of the enlargement process, enterprises in the applicant countries and organisations representing these enterprises must be provided with instruments for strengthening the consultative process and social dialogue.

4. **SMEs and regional economies**

1. Since enterprises are often established in geographical clusters, the knowledge-based economy has implications for the regional distribution of economic activity and employment. The Commission should therefore ensure that all regions can benefit from the enterprise policy in terms of innovation and the new economy. This also applies in the case of the policy for promoting e-commerce. The CoR calls on the Commission to make use of the Structural Funds, where necessary, as an instrument for helping backward regions to renew their economies.
2. Local and regional authorities have an excellent local knowledge and are therefore the ideal partners for helping to implement EU enterprise and SME policy. The CoR calls on the Commission to examine EU policy (e.g. the SME Action Plan 2000-2006) in terms of the policy priorities of local and regional authorities and, where appropriate, to hold seminars on this issue.

3. The strength and effectiveness of the open method of coordination will increase if all interested parties are involved in drawing up indicators. This applies in particular to local and regional authorities. It is highly important to involve these authorities in the establishment of evaluation instruments, indicators and benchmarking instruments.
4. Education and training should encompass entrepreneurship as a valid alternative source of employment for young people and advice for young independent businessmen, with due regard to regional subcultures.

Brussels, 14 November 2001.

The President

The Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

Jos Chabert

Vincenzo Falcone

¹ OJ C 293, 13.10.1999, p. 48

² OJ C 57, 29.2.2000 p. 23

³ OJ C 22, 24.1.2001, p. 10

⁴ OJ C 253, 12.9.2001, p. 20

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