



European Economic and Social Committee

European policy in support of SMEs

"Entrepreneurial policy must stimulate the creation of all forms of enterprise. The emergence of freelance and craft businesses, the professions, family businesses and cooperatives or social enterprises should also be encouraged."

Gonçalo Lobo Xavier, rapporteur on "Reigniting the entrepreneurial spirit in Europe"

Introduction

The crucial contribution of small and medium-sized enterprises to securing Europe's economic recovery is already well acknowledged. SMEs form the backbone of the EU economy, with some 21 million small firms making up 98% of EU businesses, and employing 87 million people.

The European Economic and Social Committee is actively pushing the EU institutions and Member States to give more support to this potentially lively and innovative sector.

Recent European Commission initiatives, such as the Entrepreneurship 2020 Action Plan, have been moving in the right direction. But in two opinions on 'Reigniting the entrepreneurial spirit in Europe' and on the new Programme for the Competitiveness of enterprises and SMEs (COSME), the EESC argues that Europe must do more to back innovative small businesses of all kinds, and lift the barriers that impede some groups in society – such as women and young people – from exploiting their entrepreneurial potential.

European Union policy

In both its key programmes to promote sustainable growth and more and better jobs – the Lisbon strategy and its successor Europe 2020 – the EU emphasised the important role of SMEs in achieving the Union's economic objectives. In 2008, the Commission launched the Small Business Act for Europe (SBA), urging Member States to 'Think Small First', and establishing a European policy framework for nurturing SMEs. A review of the SBA took place in February 2011, in response to the economic crisis, taking on board many EESC proposals.

In its September 2012 annual report on SMEs, the Commission underlined that small businesses are still struggling to recover their pre-crisis performance, with some wide variations between Member States.

The Entrepreneurship 2020 Action Plan, adopted in 2013, set out to spark a revolution in small-business thinking, boosting entrepreneurial activity through:

- Education and training;
- Creating an environment where SMEs can flourish;
- Developing role models, and reaching out to under-represented groups in society.

The EESC's position

The EESC has adopted a number of opinions on SMEs. Recently, these have covered social entrepreneurship and social enterprise, the SBA review (2011), access to finance, the COSME programme, SMEs and global opportunities (2012), as well as smart regulation (2013).

The revised SBA marked "a decisive new stage in the political recognition of SMEs and above all of micro-enterprises", noted rapporteur Ronny Lannoo. But the EESC criticised both Member States and the EU itself for still failing to implement the 'Think Small First' principle in legislation and decision-making.

Creating a better environment for SMEs

1. Smart regulation

Red tape has a disproportionate impact on small, and especially micro-enterprises. "The EESC supports the Commission's objective of placing **smart regulation** high on its agenda," said co-rapporteur Brendan Burns.

The accumulation of individual rules may add up to an unmanageable administrative burden. The "only once" principle should mean that enterprises are not asked repeatedly to supply the same data.

The EESC wants to prolong the existence of the Commission's high-level Stoiber Group, established in 2007 to advise on reducing administrative burdens for business, and due to finish work in 2014.

"The EESC is calling for a new mandate until 2020 for the Stoiber Group, to monitor and implement policies especially relating to micro and small businesses."

Anna Maria Darmanin,
rapporteur on "Smart regulation"

The Committee welcomes the annual SME scoreboard and information to stakeholders about forthcoming initiatives, but it urges broader consultation and a structured "SME dialogue". It also backs the new regulatory fitness check: the REFIT programme. The EESC invites the Commission to launch new fitness checks as soon as possible, prioritising the 'top ten' most burdensome regulations presented in its Communication on Smart Regulation for SMEs.

Member States should also undertake simplification measures. The Committee therefore urges them to exchange best practices in smart regulation in order to stimulate entrepreneurship and make SMEs' lives easier.

2. Promoting a culture of entrepreneurship

Ultimately, Europe needs to develop a new **innovative spirit** that nurtures the next generation of young entrepreneurs. This should start at school level, involving teachers in encouraging children to be creative. A team of 'entrepreneurship ambassadors' could also help to transform society's understanding. The EESC deplores the stigma surrounding so-called business "failure".

It calls on the Commission to designate a future "European Year of Entrepreneurship", as well as holding an EU Entrepreneurship Day.

The Committee emphasises that the EU and Member States have to work together in a coherent way in collaboration with business organisations, and calls for sharing of best practice, coaching and mentoring, and training for national legislators.

3. Access to finance

SMEs need money to grow. With banks in many EU countries reluctant to offer vital credit, other forms of **innovative financing** are needed. These include cooperative and social banking, and hybrid capital sources involving new systems like crowd funding.

The EESC also stresses the need to allocate EU resources to implement the 2020 Action Plan, including the Structural Funds. In its opinion on access to finance, it welcomed proposals for harmonising cross-border venture capital operations, and urged the Commission to develop new financial instruments, like mezzanine finance, to meet SMEs' needs.

4. Supporting new forms of enterprise

SMEs come in a vast range of shapes and sizes, and for that reason no "one-size-fits-all" approach is appropriate. From self-employed practitioners to cooperatives and social enterprises, all can play a role in revitalising the EU economy.

The EESC welcomes this **diversity**, and calls for measures to encourage groups like job-seekers, women, young and older people, migrants and disabled people to become entrepreneurs or self-employed. This could help to cut the alarmingly high EU youth unemployment rate of almost 25%.

Entrepreneurship is not a "cure-all", admits the Committee. But it can help to change behaviour, moving towards a culture of innovation and fostering the search for knowledge and business opportunities, in the pursuit of sustainable growth and social well-being.

Further information

- **EESC:** www.eesc.europa.eu/?i=portal.en.enterprises-and-industry-sme
- **Small Business Act for Europe:** http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm
- **Entrepreneurship 2020 Action Plan:** http://ec.europa.eu/enterprise/policies/sme/entrepreneurship-2020/index_en.htm
- **Annual report on SMEs in the EU:** http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2012/annual-report_en.pdf
- **REFIT programme:** http://ec.europa.eu/governance/better_regulation/documents/com_2013_en.pdf