

# The Small Business Act for Europe – New ideas to boost SMEs

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# Aim and focus of the study

- Study aims to present new ideas, food for thought and critical perspective on the Small Business Act for Europe
- Focus on three policy areas:
  - Cutting red tape and bureaucracy for SMEs
  - Improving access to finance for SMEs
  - SME participation in EU programmes

# Cutting red tape and bureaucracy for SMEs

- Administrative burdens/red tape number one problem for many SMEs
- Reduction of red tape and bureaucracy is thoroughly addressed by Commission initiatives already
  - SBA
  - on-going Commission programme for measuring the current administrative burdens and proposing measures to alleviate them
- Few areas presenting significant potential that are not already being addressed

# Cutting red tape – Perspectives and recommendations

- **Statistics requirements:**

- SBA proposes measures which are assessed as reasonable
- crucial that information which has already been submitted to one administration is made available to other relevant administration levels.

- **Environmental legislation:**

- introduce more risk-based regulatory approaches in relevant areas:
- allow SMEs to simply notify authorities of environmental risks and measures taken to address these (replacing permit procedures).

- **EU agency fees:**

- SMEs are disproportionately affected by fees
- But: most fee-based agencies do not provide SME discounts (except ECHA)
- Simple fee structures with flat rates for different kinds of services - discounts for SMEs could be introduced
- But: many agencies are self-financed through fees - lower fees for some enterprises would mean increasing fees for others

# Cutting red tape – Perspectives and recommendations II

- Revise Guidelines for **Impact Assessment**:
  - Make assessment of administrative burdens for SMEs, esp small and micro enterprises, mandatory in *all* IAs.
  - Include requirement to present concrete proposals for simplification and reduction of administrative burdens for SMEs/micro enterprises whenever relevant.
  - Commission should be encouraged to promote this to Member States, e.g. by providing good practice examples.

# Improving access to finance for SMEs

- SBA aims to introduce and support measures which give credit institutions an incentive to offer loans to SMEs that would otherwise be too great a risk
- Many issues are within the **domain of the Member States** - EU may not be in a position to regulate directly, but will have to work with/influence Member States
- Important to consider not only supply of finance, but also **demand** – many SMEs, esp start-ups and micro-enterprises lack knowledge of financing alternatives

# Improving access to finance for SMEs – Supply side perspectives and recommendations

- **Lower tax rates for SMEs** is proposed in the SBA.
  - Should only be applicable for a certain period of time to not promote sub-optimal behaviour
- **Lending by institutions that are not banks** should be increased to increase availability of finance for SMEs.
- **Micro credits** should be available from banks
  - Member States: cap interest rates at an appropriate level to maintain incentive for banks to supply micro credits.
  - EU: investigate the differences between Member State systems, and whether there is basis for action at Community level.
- **Credit guarantee schemes or funds** could be established by Member States and used to secure banks' high risk loans/micro credits to SMEs. EU could support exchange of best practices.
- Important to promote **a single market for risk capital** in order to increase the access to venture capital for SMEs, as put forward by SBA
- **Loss carry-forward** (transferring losses on future tax years) should be applicable for SMEs in all Member States

# Improving access to finance for SMEs – Demand side

- Increase SMEs **awareness/knowledge** of financing tools
  - Arrange **training** courses for SMEs on alternative financing tools and how to attract alternative financing
  - Make SMEs aware of the value of their intellectual property and how to utilise it to attract financing
  - Who: Banking associations and industry organisations (esp SME organisations)
  - The EU could support this with grant schemes or providing a forum for knowledge sharing
- Increase SME transparency and open exchange of information with venture capitalists
  - Industry organisations could play a role in helping SMEs adjust.



# SME participation in EU programmes and public procurement

- Some success in Commission efforts to increase **SME participation** (FP6, FP7, CIP, etc) - but still major barriers for SME participation, esp the most innovative and growth-oriented SMEs
  - Focus on the types of SMEs participating
  - Develop more trust-based approach towards participants, fast-track processes for SMEs
  - Promote SME participation in consortia
- Commission should monitor and push for utilisation of **new financial instruments** facilitated by EIB/EIF, e.g. JEREMIE
- **Public procurement**
  - current legal framework provides room for Member States to create better opportunities for SMEs to gain access to public procurement - but not sufficiently exploited.
  - No immediate need for revision of the legal framework

# Overall assessment

- SBA not a legally binding instrument
- Many of the problem areas addressed in the SBA are the domain of the Member States
- => limit to how much the SBA can achieve + risk that the objectives may not be fully realised
- Need to work with Member States to commit to improving SME climate
- Need for EU supporting MS initiatives through:
  - information and awareness-raising
  - grant schemes etc.
  - studies of current practices and issues, benchmarking, exchange of good practices, etc