



Call of the SME Envoy Network

for a vigorous and forward-looking
EU policy for small businesses

SME Envoy Network

July 2019

IT IS TIME ...

Small businesses¹ constitute 99% of all companies in the EU. They are a key driver for innovation, employment, sustainable and inclusive growth and social cohesion in our societies.

For more than a decade, the Small Business Act for Europe (COM(2008) 394 dated 25 June 2008, COM(2011) 78 dated 23 February 2011 - **SBA**) has been the cornerstone of the EU policy for small businesses. This policy initiative and its guiding principle “think small first” have proved to be a successful means to improve the framework conditions for these enterprises.

However, having regard to new developments and challenges (e.g., digitalisation, growing skills gap, data economy, global political changes, climate change) and in view of the new institutional cycle:

It is now time to clearly put policy for small businesses on the agenda of the EU institutions again and to improve the business environment for these enterprises.

It is now time for a new, up-to-date policy framework for small businesses in the EU.

It is now time for an integrated, coherent and future-oriented approach and a systematic and consistent implementation of the “think small first” principle.

... TO ACT

We ask all EU institutions to strengthen the EU policy for small businesses in the upcoming institutional cycle and to create a fresh momentum by the following means:

1. Establish a New Enabling Policy Framework for Small Businesses in the EU

by building upon the SBA as well as experiences made and knowledge gained in the last decade and by stocktaking the work of the SME Envoy Network and relevant initiatives for small businesses.

The new enabling policy framework should

- focus on a **systematic and consistent implementation of the “think small first” principle**,
- constitute **an integrated, coherent and future-oriented approach**,
- understand EU policy for small businesses as a **cross-cutting issue and task for all policy areas and all policy-makers** – from, *inter alia*, the single market policy to industrial policy, to research and innovation policy, labour policy, financial policy, energy policy, environmental policy, state aid policy and trade policy – and
- fully comply with the principles of **subsidiarity and proportionality**.

Building on our work, experiences and dialogue about current and future challenges for small businesses, we see the following **five areas (“five pillars”)** at the core of the new policy framework:

¹ In this Call, “small businesses” means micro enterprises, small and medium-sized enterprises and small midcaps (where appropriate) and includes start-ups and scale-ups.

Pillar 1: “Think small first” principle and better regulation

Small businesses are faced with increasing complexity in a fast-moving, globalised world. They yearn for simple, clear, consistent and predictable legislation as well as a decrease of bureaucratic burdens wherever possible. Good framework conditions for small businesses are essential for them to be able to thrive and generate – as well as preserve – jobs.

Thus, we call for, *inter alia*:

- systematically and consistently applying and implementing the guiding principle “think small first” and adhering to the principles of better regulation;
- examination of the current EU legislation with a view to identifying unnecessary regulatory burdens;
- concrete commitments and targets for reducing unnecessary regulatory burdens at European and national level;
- the thorough and mandatory application of the SME Test in impact assessments at European and national level whenever SMEs are affected by legislative proposals;
- a focus on quality rather than on speed in the legislative process;
- enabling small businesses to make use of political instruments, such as public procurement and state aid;
- an efficient and effective regulatory environment fit for the digital reality;
- legislation that is digital by default, made with the addressee in mind and promoting environmentally sustainable business models including the circular economy;
- a level playing field for small businesses which properly balances the interests of small businesses with other stakeholders and other policy goals.

Pillar 2: Entrepreneurship and innovation

Innovation, competitiveness and sustainable and inclusive growth of the EU economy depend on people that solve problems, innovate, employ other people and take risks. Many European citizens are already entrepreneurs and thereby contribute to innovation, job creation and growth of the European economy. Society’s recognition of entrepreneurs and their willingness to take risks as well as entrepreneurial education and training are important in order to create an entrepreneurial environment and to attract even more people to start their own business.

Thus, we call for, *inter alia*:

- promoting an entrepreneurial culture;
- improving the uptake of entrepreneurship education in curricula of all forms of education and training;
- giving entrepreneurs a “second chance”;
- enabling and facilitating business successions and transfers by further improving the framework conditions;
- unlocking the full entrepreneurial potential of EU citizens (no matter their gender, age, origin, location);
- promoting an innovation-friendly ecosystem that facilitates the creation and growth of businesses;
- a good (support) infrastructure for small businesses by better connecting entrepreneurial and innovative ecosystems and facilitating cooperation of stakeholders (academia/science, research institutions, small enterprises, big enterprises, start-ups, rural and urban areas).

Pillar 3: Skills and digitalisation

One of the main challenges of small businesses is to find employees. Intelligent and efficient solutions are required to counter the growing skills gap and skills mismatch.

The digital transformation is a challenge for policy-makers, businesses and citizens alike. Small businesses require continued support with unlocking the potential of digitalisation. Particular attention should be paid to best practice exchange, digital skills education and training.

Thus, we call for, *inter alia*:

- promoting the equal value of vocational education and training (VET, apprenticeship) and academic education as well as greater permeability and synergy between the two;
- making further efforts to enhance the quality and attractiveness of VET;
- promoting internships for pupils and students from early on in their education;
- encouraging life-long learning;
- establishing a common methodology for a long-term outlook for jobs and skills helping to identify the training and labour needs of small businesses;
- offering support/ help for digital skills education and training;
- inspiring young people to train and study in the STEM fields (science, technology, engineering and mathematics);
- improving EU financial instruments to support the digitalisation of small businesses;
- ensuring that small businesses benefit and take advantage of the data-economy by establishing a level playing field, securing interoperability and access to data and dealing with challenges and opportunities with respect to data-sharing, data security and cyber-security.

Pillar 4: Access to finance for small businesses

Notable progress has been made over the last few years on access to finance. However, raising the right type of finance can still be a challenge for small businesses. There is room for further improvement, and this issue should be regarded as a permanent task.

Thus, we call for, *inter alia*:

- reducing regulatory barriers to stimulate alternative and innovative forms of financing across borders;
- strengthening guarantee institutions to facilitate access to finance for small businesses;
- facilitating access to traditional bank financing over the entire life-cycle of small businesses considering trusting relationships between companies and local saving banks and co-operative banks when designing new regulatory requirements (e.g. Basel IV);
- improving access to venture capital / venture debt for start-ups and increasing private venture capital;
- helping businesses to strengthen their equity capital and establishing an optimum tax treatment of equity and debt.

Pillar 5: Access to markets – Single Market and internationalisation

Access to markets is a pre-requisite for business sustainability, economic success and growth. Markets may be local, regional, national, the Single Market, international or a combination thereof.

Thus, we call for, *inter alia*:

- continued efforts of the EU and its Member States to further deepen and strengthen the Single Market by removing remaining unjustified barriers, avoiding creating new ones and better implementing and enforcing existing legislation;
- an enabling environment that allows small businesses to fully benefit from the advantages and opportunities of the Single Market and that ensures a level playing field both inside and outside the EU;
- promoting the integration of small businesses in European and international value chains;
- fostering the “Think Small First Principle” across EU trade agreements by an SME chapter in FTAs, where appropriate.

2. Reflect policy for small businesses in the organisation and structure of the new Commission and improve the communication of EU policy for small businesses

We very much encourage the Commission to reflect policy for small businesses in the organisation and structure of the new Commission and to have a Commissioner dedicated to improving the business environment for small businesses. The Commission ought to ensure that an integrated, coherent and future-oriented approach and the systematic and consistent implementation of the “think small first” principle for the benefit of small businesses and EU citizens are realized.

Further, we encourage the EU institutions, particularly the Commission, to

- use and advance existing formats, such as the SME Assembly and the SME Envoy Network, to actively promote and discuss EU policy with stakeholders at an early stage of legislative processes and initiatives;
- review and evaluate existing measures, actions, formats and platforms and, as a consequence of such review and evaluation, (1) to use and advance those that provide a European added value and are effective, efficient and (prospectively) successful and (2) to abolish those which are not;
- improve the communication of EU policy for small businesses;
- pool all relevant information on EU policy for small businesses on the website of the Commission or in a public database, including for example all (service) offers and all measures for the benefit of small businesses at EU level, information on recent (legislative) procedures and consultations with relevance for small businesses and calls for proposals under EU programmes;
- further improve consultation and involvement of small businesses (e.g. via their organisations) and ensure their representation in relevant advisory bodies or expert groups where appropriate.

3. Renew and strengthen the mandate of the SME Envoy Network

Finally, we strongly encourage the Commission to renew and strengthen the mandate of the SME Envoy Network and to make full use of the network as a high-level expert advisory group during the upcoming institutional cycle. We offer our advice and full support for drawing up the new enabling policy framework for small businesses in the EU.

The **SME Envoy Network** (https://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-envoys_en) is a high-level expert advisory group established in 2012 (C(2012) 4386 final dated 4.7.2012). It is composed of the EU SME Envoy (a European Commissioner), SME Envoys of the Member States (one envoy per Member State nominated by the national government) and representatives of European SME organisations as observers. The network advises the Commission, discusses EU SME policy and best practices in the Member States and promotes SME-friendly regulation and policy making in the EU and its Member States. The current mandate of the network terminates at the end of 2020.

In summer 2017, the SME Envoy Network published a **European SME Action Programme** which sets forth directions and opportunities for action at European and Member State level and may serve as a basis for developing a future EU policy for small businesses. The SME Action Programme is available at <https://ec.europa.eu/docsroom/documents/36142>; a summary of the recommendations at EU level can be found in the annex to this Call. Additionally, the SME Envoys present reports on various SBA principles, which may also help in identifying measures to be pursued in the future. The most recent report is “Barriers for SMEs on the Single Market”, dated 20 November 2018, available at: https://danishbusinessauthority.dk/sites/default/files/barriers_for_smes_on_the_single_market.pdf. A report on “How to facilitate public procurement for SMEs?” and a report on “SME access to finance situation in EU Member States” will be published soon.

General information on current EU policy for small businesses, especially the SBA, is available at: <http://ec.europa.eu/growth/smes/>.

European SME Action Programme Summary of recommendations at EU level

1 Better Regulation

- Maximise opportunities available through REFIT
- Foster greater transparency and partnership for the SME Envoy Network with the Regulatory Scrutiny Board
- Identify particularly burdensome areas for SMEs and encourage national contribution to Commission consultations
- Establish reduction targets in particularly burdensome areas
- Pursue a continuous monitoring of progress in identified reduction areas
- Support the cross-border implementation of the “Only Once” principle

2 Access to Markets

- Enshrine the “Think Small First” principle across EU trade agreements
- Create institutional mechanisms for effective participation of the SME community in European trade policy
- Create single access points for information on applicable rules and regulations in foreign markets
- Increase synergies between relevant stakeholders on EU and Member State level to boost SME internationalization
- Evaluate barriers for scaling within the „SME Test“ and better regulation guidelines
- Target EU funding programmes more specifically towards scale-up support

3 Access to Finance

- Maintain the SME-Supporting-Factor for bank loans on EU and Member State level
- Make European state aid policy law less restrictive for innovative forms of SME financing
- Strengthen guarantee institutions to facilitate SMEs’ access to finance
- Reduce regulatory barriers to stimulate alternative financing across borders
- Establish Fund-of-Funds for alternative equity and debt financing
- Create an expert group on alternative finance to offer inspiration and guidance
- Improve and enhance the activities of the European Microfinance Network
- Increase the knowledge on the impact of microfinance activities and analyse the need for target group-specific microfinancing
- Offer long-term, stable and affordable funding patterns for microfinance providers while implementing closer monitoring of their financial and socio-economic performance

4 Entrepreneurship

- Support the establishment of a European Centre for Entrepreneurial Learning
- Create an Entrepreneurial Learning group within the EU SME Envoy Network
- Create a legacy of high quality research, instruments and tools by improving knowledge sharing on entrepreneurship education between Member States
- Boost cross-border cooperation of start-up ecosystems in the EU
- Provide finance for new projects of rebounding entrepreneurs
- Raise awareness for the importance of business transfers and improve the dissemination of good practices among Member States
- Monitor and review the legal, administrative, and fiscal environment of business transfers
- Encourage Eurostat to compile accurate yearly data on the situation of business transfers in the EU
- Continue to closely monitor new developments in the area of the sharing economy

5 Skills and Training

- Consider financial support for SMEs which engage in vocational education and training (VET)
- Promote the equal value of VET and academic education and raise awareness for the good employment outcomes among young people
- Establish a common methodology for a long-term outlook for jobs and skills in each industry in order to forecast the training and labor needs of SMEs
- Use the European Social Fund to finance digital skills training for SMEs
- Use best practice sharing to identify innovative ways to provide and adapt digital skills for elderly business owners
- Ensure adequate and easily accessible funding for cross-border training
- Establish an EU-wide electronic qualifications platform to support the exchange of information
- Help to develop reliable instruments to recognise individual skills and qualifications of refugees

6 Digitisation of SMEs

- Support the establishment of broad band infrastructure
- Develop an international regulatory framework
- Produce a beginner's guide for SME-digitisation
- Offer help for SMEs on digital regulation
- Use SME Envoy Network to share experiences and discuss policy-making
- Provide good practice sharing opportunities for project managers across Member States, e. g. for developers of digital learning tools