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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
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COMMITTEE AND THE COMMITTEE OF THE REGIONS**

“Think Small First”

A "Small Business Act" for Europe

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1. Introduction

Managing the transition towards a knowledge-based economy is the key challenge for the EU today. Success will ensure a competitive and dynamic economy with more and better jobs and a higher level of social cohesion.

Dynamic entrepreneurs are particularly well placed to reap opportunities from globalisation and from the acceleration of technological change. Our capacity to build on the growth and innovation potential of small and medium-sized enterprises (SMEs) will therefore be decisive for the future prosperity of the EU. In a globally changing landscape characterised by continuous structural changes and enhanced competitive pressures, the role of SMEs in our society has become even more important as providers of employment opportunities and key players for the wellbeing of local and regional communities. Vibrant SMEs will make Europe more robust to stand against the uncertainty thrown up in the globalised world of today.

The EU has thus firmly placed the needs of SMEs at the heart of the Lisbon Growth and Jobs Strategy, notably since 2005 with the use of the partnership approach¹, which has achieved tangible results. Now it is time once and for all to cement the needs of SMEs in the forefront of the EU’s policy and to translate the vision of the EU Heads of State and Government of 2000 into reality — making the EU a world-class environment for SMEs².

The national and local environments in which SMEs operate are very different and so is the nature of SMEs themselves (including crafts, micro-enterprises, family owned or social economy enterprises). Policies addressing the needs of SMEs therefore need to fully recognise this diversity and fully respect the principle of subsidiarity.

2. Time for a breakthrough in EU SME policy

The mid-term review of the EU’s Modern SME policy³ from 2005 to 2007 showed that both the Member States and the EU have made progress in creating an SME-friendlier business environment. The Commission has made real efforts to cut red tape for SMEs and has significantly increased the SME focus in major EU support programmes for 2007-2013. Member States have substantially improved the business environment for SMEs, taking inspiration from best practice exchanged in the context of the European Charter for Small Enterprises endorsed in Feira in 2000 and by implementing the 2006 Spring European Council conclusions, e.g. by introducing one-stop shops for company registration and reducing the time and costs required to start a business.

¹ “Implementing the Community Lisbon Programme – Modern SME policy for Growth and Employment”, COM(2005) 551 final, 10.11.2005.

² http://ec.europa.eu/enterprise/enterprise_policy/charter/docs/charter_en.pdf

³ “Small and medium-sized enterprises - Key for delivering more growth and jobs. - A mid-term review of Modern SME policy”, COM(2007) 592 final, 4.10.2007.

In addition, the EU's strategy for better regulation⁴ is crucial for SMEs, which will greatly benefit from the modernisation and simplification of existing EU legislation and from the ambitious programme to reduce administrative burdens arising from EU legislation by 25% by 2012.

Despite this encouraging progress, the EU still needs to take further significant measures to release the full potential of SMEs⁵. In general, EU SMEs still have lower productivity and grow more slowly than their counterparts in the United States. In the US, surviving firms on average increase their employment by 60% by their seventh year, while employment gains among surviving firms in Europe are in the order of 10% to 20%. SMEs still face market failures undermining the conditions in which they operate and compete with other players in areas like finance (especially venture capital), research, innovation and the environment. For example, about 21% of SMEs indicate that accessing finance is a problem,⁶ and in many Member States the percentage is much higher for micro-enterprises. Also, fewer European SMEs innovate successfully when compared to large businesses. The situation is worsened by structural difficulties such as the lack of management and technical skills, and remaining rigidities in labour markets at national level.

The role of SMEs in the European economy has been repeatedly acknowledged at the highest political level. The March 2008 European Council expressed strong support for an initiative to further strengthen SMEs' sustainable growth and competitiveness, named the "Small Business Act" (SBA) for Europe and requested its swift adoption. The Single Market Review⁷ also set out the need for further initiatives to better tailor the Single Market to the needs of today's SMEs, in order to bring better results and more benefits. Last but not least, the public hearing and the online consultation conducted to prepare the SBA⁸ confirmed the need for a major political initiative to fully unlock the potential of European SMEs. This is why the Commission has taken this decisive step forward in presenting an "Small Business Act" (SBA) for Europe.

3. Driving an ambitious policy agenda for SMEs: a "Small Business Act" (SBA) for Europe

At the heart of the European SBA is the conviction that achieving the best possible framework conditions for SMEs depends first and foremost on society's recognition of entrepreneurs. The general climate in society should lead individuals to consider the option of starting their own business as attractive, and acknowledge that SMEs contribute substantially to employment growth and economic prosperity. As a key contribution to achieving an SME-friendly environment, the perception of the role of entrepreneurs and risk-taking in the EU will therefore have to change: entrepreneurship and the associated willingness to take risks should be applauded by political leaders and the media, and supported by administrations. Being SME-friendly should become mainstream policy, based on the conviction that rules must respect the majority of those who will use them: the "Think Small First" principle.

This is why the "Small Business Act" aims to improve the overall policy approach to entrepreneurship, to irreversibly anchor the "Think Small First" principle in policy-

⁴ http://ec.europa.eu/enterprise/admin-burdens-reduction/home_en.htm

⁵ "Impact Assessment on the SBA", SEC(2008) 2101.

⁶ 2007 Observatory of EU SMEs.

⁷ http://ec.europa.eu/enterprise/enterprise_policy/analysis/observatory_en.htm

⁸ "A single market for 21st century Europe", COM(2007) 724 final, 20.11.2007.

⁸ http://ec.europa.eu/enterprise/entrepreneurship/docs/sba_consultation_report_final.pdf

making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development.

The SBA builds on the Commission's and Member States' policy achievements, creates a new policy framework which integrates the existing enterprise policy instruments, and builds in particular on the European Charter for Small Enterprises and the Modern SME policy. To implement this ambitious policy agenda, the Commission is proposing a genuine political partnership between the EU and Member States that respects the principles of subsidiarity and proportionality.

The symbolic name of an "Act" given to this initiative underlines the political will to recognise the central role of SMEs in the EU economy and to put in place for the first time a comprehensive policy framework for the EU and its Member States through:

- **a set of 10 principles to guide the conception and implementation of policies both at EU and Member State level. These principles outlined in detail in chapter 4 are essential to bring added value at EU level, create a level playing field for SMEs and improve the legal and administrative environment throughout the EU:**

I	Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
II	Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
III	Design rules according to the "Think Small First" principle
IV	Make public administrations responsive to SMEs' needs
V	Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs
VI	Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
VII	Help SMEs to benefit more from the opportunities offered by the Single Market
VIII	Promote the upgrading of skills in SMEs and all forms of innovation
IX	Enable SMEs to turn environmental challenges into opportunities
X	Encourage and support SMEs to benefit from the growth of markets

- **a set of new legislative proposals which are guided by the "Think Small First" principle:**

- General Block Exemption Regulation on State Aids (GBER)

This Regulation, to be adopted shortly, will exempt from prior notification categories of State Aid already covered by existing regulations in the field of aid to SMEs, for training, employment, R&D and regional aid and possibly also for new categories of aid. The new Regulation will simplify and harmonise existing rules for SMEs and increase investment aid intensities for SMEs.

- Regulation providing for a Statute for a European Private Company (SPE)

This Regulation provides for a Statute for an SPE that could be created and operate according to the same uniform principles in all Member States. The Commission will also come forward with the necessary amending proposals to ensure that this new company form can benefit from the existing corporate tax directives.

- Directive on reduced VAT rates

This Directive, which will be proposed shortly, will offer Member States the option of applying reduced VAT rates principally for locally supplied services, which are mainly provided by SMEs.

Moreover, as part of the SBA the following proposals will be prepared:

- A legislative proposal to further modernise, simplify and harmonise the existing rules on VAT invoicing to alleviate the burden on businesses.
- An amendment to the Directive 2000/35/EC on late payments with a view to ensuring that SMEs are paid on time for any commercial transaction.
- **a set of new policy measures which implement these 10 principles according to the needs of SMEs both at Community and at Member State level.**

4. Turning principles into policy action

I *The EU and Member States should create an environment within which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.*

They need to care for future entrepreneurs better, in particular by fostering entrepreneurial interest and talent, particularly among young people and women, and by simplifying the conditions for business transfers.

The 2007 *Flash Eurobarometer*⁹ on entrepreneurial mindsets shows that 45% of Europeans would prefer to be self-employed, compared to 61% in the US. This has not changed for many years. People in Europe need to be made more aware that self-employment is a potentially attractive career option and be provided with the necessary skills to turn their ambitions into successful ventures.

The education system, and in particular the school curricula, do not focus enough on entrepreneurship and do not provide the basic skills which entrepreneurs need. Children can learn to appreciate entrepreneurship from the beginning of their education.

As an estimated 6 million small business owners will retire over the next ten years, Europe cannot afford to risk losing these businesses due simply to difficulties in business transfers and to a lack of appreciation of the traditional role of family business. A greater number of transfers of business would have an immediate positive effect on the European economy: successful transfer of business preserves more jobs on average than those created by new start-ups. Transfer of business should therefore be given the same support as setting up a new business. Recognition of the special role of SMEs and in particular family-based enterprises, their typically local base, socially responsible attitudes and capacity to combine tradition with innovation, underpins the importance of simplifying the transfer of businesses and the skills associated with them.

Entrepreneurship potential needs to be better exploited. There is a continuing gender gap in terms of entrepreneurship, which translates into fewer women entrepreneurs. This adds to an unexploited potential for entrepreneurship among immigrants¹⁰.

⁹ http://ec.europa.eu/enterprise/enterprise_policy/survey/eurobarometer_intro.htm

¹⁰ "A Common Immigration Policy for Europe: Principles and tools", COM(2008)359 final, 17.6.2008.

Finally, the SBA should also be seen as an opportunity for entrepreneurs themselves to contribute to a better business environment by stepping up their cooperation and networking, by exploiting more fully the potential of SMEs, and especially family enterprises, as important training grounds for entrepreneurship and by acting in a socially responsible way.

To translate this principle into practice:

the Commission:

- is promoting entrepreneurial culture and facilitating exchanges of best practice in enterprise education
- will launch a “European SME Week” in 2009 — an umbrella for many campaign-type events that will take place throughout Europe
- is launching the “Erasmus for Young Entrepreneurs” initiative in 2008, which aims to promote exchanges of experience and training by giving nascent entrepreneurs the possibility to learn from experienced host entrepreneurs and improve their language skills
- will establish an EU network of female entrepreneur ambassadors, promote mentoring schemes to inspire women to set up their own businesses and promote entrepreneurship among women graduates.

the Member States are invited to:

- stimulate innovative and entrepreneurial mindsets among young people by introducing entrepreneurship as a key competence in school curricula, particularly in general secondary education, and ensure that it is correctly reflected in teaching material
- ensure that the importance of entrepreneurship is correctly reflected in teacher training
- step up cooperation with the business community in order to develop systematic strategies for entrepreneurship education at all levels
- ensure that taxation (in particular gift tax, taxation of dividends and wealth tax) does not unduly hamper the transfer of businesses
- put in place schemes for matching transferable businesses with potential new owners
- provide mentoring and support for business transfers
- provide mentoring and support for female entrepreneurs
- provide mentoring and support for immigrants who wish to become entrepreneurs.

II *The Member States should ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.*

Bankruptcies account for some 15% of all company closures. Some 700 000 SMEs are affected on average every year, and some 2.8 million jobs are involved throughout Europe on an annual basis¹¹. In the EU, the stigma of failure is still present and society underestimates the business potential of re-starters. Today, 47% of Europeans would be reluctant to order from a previously failed business. At the same time, making a new start is complicated by lengthy bankruptcy proceedings. The average time to complete a bankruptcy in the EU varies between 4 months and 9 years.

To translate this principle into practice:

the Commission:

- will continue to promote a second chance policy by facilitating exchanges of best practice between Member States

the Member States are invited to:

- promote a positive attitude in society towards giving entrepreneurs a fresh start, for example through public information campaigns
- aim to complete all legal procedures to wind up the business in the case of non-fraudulent bankruptcy within a year
- ensure that re-starters are treated on an equal footing with new start-ups, including in support schemes.

III *The EU and Member States should design rules according to the “Think Small First” principle by taking into account SMEs’ characteristics when designing legislation, and simplify the existing regulatory environment.*

The most burdensome constraint reported by SMEs is compliance with administrative regulations. Indeed, SMEs bear a disproportionate regulatory and administrative burden in comparison to larger businesses. It has been estimated that where a big company spends one euro per employee because of a regulatory duty, a small business might have to spend on average up to 10 euros¹². 36% of EU SMEs report that red tape has constrained their business activities over the past two years.

To translate this principle into practice:

To make future regulation fit with the “Think Small First” principle,

the Commission:

- is strengthening the assessment of the respect of the Protocol on the application of the principles of subsidiarity and proportionality in forthcoming legislative and administrative

¹¹ “Overcoming the stigma of business failure – for a second chance policy - Implementing the Lisbon Partnership for Growth and Jobs”, COM(2007) 584 final, 5.10.2007.

¹² Report from the Expert Group on “Models to Reduce the Disproportionate Regulatory burden on SMEs”, May 2007.

initiatives

- will, wherever practical, use common commencement dates for regulations and decisions affecting business and publish an annual statement of such legislation entering into force

the Commission will, and the Member States are invited to:

- ensure that policy results are delivered while minimising costs and burdens for business, including by using a smart mix of tools such as mutual recognition and self- or co-regulation, to achieve policy outcomes
- rigorously assess the impact of forthcoming legislative and administrative initiatives on SMEs (“SME test”) and take relevant results into account when designing proposals
- consult stakeholders, including SME organisations for at least 8 weeks prior to making any legislative or administrative proposal that has an impact on businesses
- use specific measures for small and micro-enterprises, such as derogations, transition periods and exemptions, in particular from information or reporting requirements, and other tailor-made approaches, wherever appropriate, and

the Member States are invited to:

- consider the usefulness of introducing common commencement dates and annual statements of legislation entering into force
- make use of flexibility provisions aimed at SMEs when implementing EU legislation and avoid “gold-plating”

To improve the regulatory environment in view of the “Think Small First” principle, the Commission:

- will come forward with all the proposals to reduce the administrative burden on business which are necessary to achieve the EU reduction target of 25% by 2012
- will complete by the end of 2008 a complete screening of the *acquis* and include the results in the updated simplification rolling programme to be presented in early 2009. Particular attention will be paid to identifying proposals where legislation could be simplified for the benefit of SMEs, including in particular company law, and

the Member States are invited to:

- adopt targets of comparable ambition to the commitment to cut administrative burdens by 25% by 2012 at EU level, where this has not yet been done, and implement them
- ensure swift adoption of the proposals relating to the reduction of the administrative burden in Community legislation
- adopt the Commission proposal which would permit Member States to increase the threshold for VAT registration to €100 000.

IV *The EU and Member States should make public administrations responsive to SME needs, making life as simple as possible for SMEs, notably by promoting e-government and one-stop-shop solutions.*

Modern and responsive public administrations can make a major contribution to the success and growth of SMEs by saving them time and money and hence freeing resources for innovation and job creation. E-government and one-stop shops, in particular, have the potential to help improve service and reduce costs.

The ongoing implementation process of the Services Directive will contribute to making life easier for SMEs and requires Member States to set up points of single contact, to reduce in number and lighten authorisation schemes, and to eliminate regulatory barriers to the development of service activities. It also offers opportunities to go beyond its requirements in accelerating the start up of business operations.

To translate this principle into practice:

the Member States are invited to:

- reduce the level of fees requested by the Member States' administrations for registering a business, taking inspiration from EU best performers
- continue to work to reduce the time required to set up a business to less than one week, where this has not yet been achieved
- accelerate the start of SMEs' commercial operations by reducing and simplifying business licences and permits. More specifically, Member States could set a maximum deadline of 1 month for granting these licences and permits, except in cases justified by serious risks to people or the environment
- refrain from asking SMEs for information which is already available within the administration, unless it needs to be updated
- make sure that a micro-business is not asked to participate in a statistical survey under the responsibility of the state, regional or local statistical office more than once every three years, provided that the needs for statistical and other types of information do not require otherwise
- establish a contact point to which stakeholders can communicate rules or procedures which are considered to be disproportionate and/or unnecessarily hinder SME activities
- ensure full and timely implementation of the Services Directive, including the setting up of points of single contact, through which businesses can obtain all relevant information and complete all necessary procedures and formalities by electronic means.

V *The EU and the Member States should adapt public policy tools to SME needs.*

They should make use of the Code of Best Practice providing guidance to contracting authorities on how they may apply the EC public procurement framework in a way that facilitates SMEs' participation in public procurement procedures.

To address the market failures that SMEs face throughout their lifecycle they should make better use of the possibilities offered by Community State Aid rules to support start-ups and provide incentives for SMEs.

SMEs face obstacles when participating in public procurement markets, which account for 16% of the EU GDP, often simply because smaller businesses are not aware of opportunities and/or are discouraged by procedures and because public authorities may find it more comfortable to award certain contracts to large enterprises with a track record rather than to young innovative companies. In spite of this, 42% of the value of public procurement above the EU thresholds was awarded to SMEs in 2005¹³. Further significant efforts are, however, needed to reduce the remaining obstacles to SMEs accessing procurement markets, especially by alleviating requirements imposed by contracting authorities in award procedures.

State aids can help SMEs throughout their life cycle. At present, SMEs only marginally benefit from the State Aid available as the support options offered are often not fully taken up. There are a number of reasons for this: firstly, public authorities do not always put in place all the support mechanisms for the benefit of SMEs allowed under Community rules; secondly, processes are often too lengthy and complicated for SMEs; and thirdly, SMEs often lack information on the schemes available to them.

To translate this principle into practice:

the Commission:

- will present a voluntary Code of Best Practice for contracting authorities, to trigger further change in the purchasing culture. It will provide guidance on how to reduce bureaucracy, improve transparency and information and ensure a level playing field for SMEs
- is further facilitating access to information on procurement opportunities by complementing the existing EU websites dedicated to public procurement with a series of initiatives such as optional publication of contract notices for below-threshold procurement, an online tool to find business partners, and increased transparency of public procurement requirements
- will publish a Vademecum on State Aid for SMEs to increase awareness of the existing support options

the Member States are invited to:

- set up electronic portals to widen access to information on public procurement opportunities below the EU thresholds
- encourage their contracting authorities to subdivide contracts into lots where it is

¹³ http://ec.europa.eu/enterprise/entrepreneurship/docs/SME_public_procurement_Summary.pdf

appropriate and to make sub-contracting opportunities more visible

- remind their contracting authorities of their obligation to avoid disproportionate qualification and financial requirements
- encourage constructive dialogue and mutual understanding between SMEs and large buyers through activities such as information, training, monitoring and exchange of good practice
- refocus State Aid policy to better address SMEs' needs, including the design of better targeted measures.

VI *The EU and Member States should facilitate SMEs' access to finance, in particular to risk capital, micro-credit and mezzanine finance and develop a legal and business environment supportive to timely payment in commercial transactions.*

Raising the right kind of finance can be a major difficulty for entrepreneurs and SMEs, and comes second after the administrative burden on the list of their concerns. This is in spite of EU public support such as the Competitiveness and Innovation Framework Programme (CIP), which provides over €1 billion to support SMEs' access to finance, a substantial amount of it channelled via the EIB Group. By 2013, Cohesion Policy will provide some €27 billion explicitly dedicated to the support of SMEs. Around €10 billion will be contributed through financial engineering measures, including JEREMIE and some €3.1 billion through venture capital. The European Agricultural Fund for Rural Development also benefits SMEs as it promotes, among other things, entrepreneurship and encourages the economic diversification of rural areas.

Risk aversion often makes investors and banks shy away from financing firms in their start-up and early expansion stages. Possible market failures in SME finance provision must be identified and corrected to further develop the European risk capital markets, to improve SMEs' access to micro-credit and mezzanine finance and to develop new products and services. Furthermore, many entrepreneurs need guidance and education on the advantages and disadvantages of different forms of finance and on how to best present their investment projects to potential financiers.

In addition, SMEs often have a weak equity position, which is further undermined by the late payment culture in Europe. In fact, depending on the country, SMEs have to wait between 20 and over 100 days on average to get their invoices paid. One out of four insolvencies is due to late payment. This leads to the loss of 450 000 jobs and of €25 billion every year.

The Commission shares the assessment of the European Investment Bank Group (the EIB and the EIF) that there is a need to further improve SMEs' access to finance and therefore welcomes the efforts of the Group to modernise its existing products, simplify their use and broaden their scope of application starting in 2008. The Commission warmly welcomes the establishment by the EIB Group of a new "Microfund" with an initial capital of around €40 million (of which €16 million will be from the EIB) to support non-bank micro-finance institutions in the framework of the new micro-credit initiative of the Commission. The Commission also applauds the EIB for its plan to establish a dedicated mezzanine financing envelope for the smaller end of the SME sector and specific risk-sharing financial instruments with commercial banks adapted to the needs of fast growing innovative SMEs and mid-cap companies, which should target identified market failures.

To translate this principle into practice:

the Commission:

- will evaluate options for introducing a private placement regime destined to facilitate cross-border investment in order to strengthen European venture capital markets
- is offering assistance to Member States to develop high quality investment readiness programmes

the Member States are invited to:

- develop financing programmes that address the funding gap between €100 000 and €1 million, in particular with instruments combining features of debt and equity, while respecting State Aid rules
- tackle the regulatory and tax obstacles that prevent venture capital funds operating in the Single Market from investing on the same terms as domestic funds
- ensure that the taxation of corporate profits encourages investment
- make full use of funding available in cohesion policy programmes and the European Agricultural Fund for Rural Development, in support of SMEs.

VII *The EU and Member States should encourage SMEs to benefit more from the opportunities offered by the Single Market, in particular through improving the governance of and information on Single Market policy, enabling SMEs' interests to be better represented in the development of standards and facilitating SMEs' access to patents and trade marks.*

The Single Market should guarantee access for enterprises to a wide common market of over 500 million consumers operating according to a common set of rules. The simplification implied by a replacement of 27 sets of different national rules by one set of EU Internal Market rules is of particular benefit to SMEs. A well-functioning Single Market will create a competitive environment to equip SMEs to take better advantage of globalisation, opening new opportunities for knowledge and innovation. Currently, however, SMEs do not fully benefit from the opportunities provided by the Single Market largely because of the lack of information on business opportunities and applicable rules in other Member States, as well as insufficient language skills. The costs and risks involved in having to deal with several different national legal systems often prevent companies from expanding their activities abroad.

SMEs can also strongly benefit from public support in the form of advisory or networking services, including assistance for SMEs to defend themselves against unfair commercial practices. In particular, the Enterprise Europe Network¹⁴ recently launched by the Commission can, among other things, assist SMEs by providing information and advice regarding the opportunities offered by the Single Market.

¹⁴ <http://www.enterprise-europe-network.ec.europa.eu/>

Furthermore, SMEs need to be able to take part fully in the development of standards and have adequate access to them, including the certification process.

Finally, to highlight the importance of Intellectual Property Rights (IPR) for SMEs, the Commission continues to work on an efficient, cost-effective, high-quality and legally secure patent system at European level, including a Community Patent and an EU-wide Patent Jurisdiction.

To translate this principle into practice:

the Commission:

- will ensure that SMEs benefit from existing market opening policies by gathering information on the operation of the Single Market through greater use of market and sector monitoring so that market failures are identified and can be addressed where the economic benefits are greatest
- is presenting an action plan in 2008 to promote the use of interoperable electronic signatures and electronic authentication and will launch actions involving all relevant stakeholders in the second quarter of 2009 to help SMEs participate in global supply chains
- is increasing EU financial support (to €1 million in 2008 and €2.1 million from 2009) to promote SMEs' participation and defence of their interests in standardisation and to improve SMEs' information on, and use of, European standards
- will make the Community Trade Mark system more accessible, in particular by significantly reducing Community Trade Mark fees as part of a comprehensive solution to the financial perspectives of the Office of Harmonization for the Internal Market (OHIM)
- will work towards removing the fragmentation of consumer protection rules to make cross border trade easier for SMEs, including through minimizing administrative burdens.

the European standards bodies are invited to:

- reconsider, in close cooperation with the Member States and the Commission, their business model in order to reduce the cost of access to standards, starting with standards developed in support of EU legislation and policies
- set up one or more "SME Helpdesks", coordinated with representatives of SME associations
- systematically publish abstracts of European standards, including lists of normative references, with unrestricted access and in different languages.

the Member States are invited to:

- ensure correct application of the mutual recognition principle
- reinforce the SOLVIT¹⁵ problem-solving system to ensure that problems with the exercise of Single Market rights can be resolved informally, speedily and pragmatically
- encourage National Standards Bodies to reconsider their business model in order to reduce the cost of access to standards

¹⁵ http://ec.europa.eu/solvit/site/index_en.htm

- ensure that the composition of the standardisation committees is fair
- invite National Standards Bodies, together with European Standards Organisations, to carry out promotion and information campaigns to encourage SMEs to make better use of standards and provide feedback on their content
- provide SMEs with advisory services including support to defend themselves against unfair commercial practices.

VIII The EU and Member States should promote the upgrading of skills in SMEs and all forms of innovation.

They should encourage investment in research by SMEs and their participation in R&D support programmes, transnational research, clustering and active intellectual property management by SMEs.

More than 60% of companies responding to the consultation consider that schools do not provide the competences needed by entrepreneurs and their staff. This result highlights the societal need to always provide young people with essential skills, such as reading, writing, natural sciences, management, technical, ICT and language skills and enable them to be creative. SMEs suffer in particular from the lack of skilled labour in the field of new technologies. In this context, the European Reference Framework on key competences for lifelong learning¹⁶, which aims at offering the necessary basic skills to all young people, needs to be implemented.

The European Cohesion Policy supports actions to promote the adaptability of workers, entrepreneurs and enterprises with some €13.5 billion over the period 2007-2013. A significant part of this amount is directly targeted at SMEs. In addition, it is estimated that support for self-employment and business start-ups will total €2.8 billion. Last but not least, the Commission is working on an overview of future skills needs in the EU.

Linked to the skills shortage is the unexploited potential for research and innovation. Only around 3 out of 10 SMEs in the EU indicated in 2007 that they have new products or have income from new products. Therefore it is important to better integrate SMEs into the research community and foster the links between universities and SMEs.

It is also necessary to encourage active intellectual property management by SMEs, for instance by enabling e-invoicing and e-government transactions.

To translate this principle into practice:

the Commission:

- will further extend a scheme to promote the mobility of apprentices as part of the Leonardo Da Vinci Programme for 2010
- is supporting the development by stakeholders of an online e-Skills and Career Portal in 2008 that will enable firms to self-assess their e-skills needs and find out how to develop the careers and qualifications of their staff and will publish in 2008 an online e-Business Guide, which will help SMEs to self-diagnose their e-business needs
- will continue efforts through simplification, better information and higher financing rates

¹⁶ Commission Recommendation on Key Competences for Lifelong Learning, 18.12.2006.

to optimise SME-participation in the 7th RTD Framework Programme (FP7).

- is encouraging the growth of SMEs, by ensuring that an SME participating in a FP7 project can keep the benefit of SME treatment for the whole duration of that project, even if it exceeds the SME ceilings during that period
- will simplify State Aid rules for Member States to support research, development and innovation, notably through the General Block Exemption Regulation
- is boosting the emergence of high growth enterprises by supporting the research and innovation capacity of SMEs, mainly through increased coordination of national programmes and initiatives
- will, in consultation with Member States, develop a cluster strategy including initiatives to encourage transnational cluster cooperation, facilitating clusters' access to new markets and taking measures to encourage greater participation of SMEs in innovative clusters
- will seek to support SME participation in knowledge transfer, partly through the launching of a pilot project to help fund the commercialisation of intellectual property
- will encourage an active participation of SMEs in the framework of the activities carried out by the European Institute of Innovation and Technology (EIT), to enable them to benefit from the knowledge transfers fostered by the EIT.

the Member States are invited to:

- encourage the efforts of SMEs to internationalise and become high growth enterprises including through participation in innovative clusters
- promote the development of SMEs' competences in the research and innovation field by means of, e.g. simplified access to public research infrastructure, use of R&D services, recruitment of skilled employees and training, as allowed for in the new Community Framework for State Aid for research, development and innovation
- open up national research programmes where this is of mutual benefit to SMEs from other Member States and contribute to SMEs' access to trans-national research activities, e.g. through joint programming
- ensure in their implementation of the Cohesion Policy programme an easy access of SMEs to funding related to entrepreneurship, innovation and knowledge
- support the development of an electronic identity for businesses, to enable e-invoicing and e-government transactions
- encourage business, in particular SMEs and other stakeholders, including procurement authorities, to participate in actions contributing to the speedy implementation of the Lead Market Initiative.

IX *The EU and Member States should enable SMEs to turn environmental challenges into opportunities.*

They should provide more information, expertise and financial incentives for full exploitation of the opportunities for new “green” markets and increased energy efficiency, partly through the implementation of environmental management systems in SMEs.

Climate change, scarcity of energy supplies and sustainable development are key challenges for SMEs, which have to adopt more sustainable production and business models. The demand for environmentally friendly products and services also opens the way for new business opportunities.

Only 29% of SMEs have introduced any measures for saving energy or raw materials (compared with 46% of large enterprises). Only 4% of EU SMEs have a comprehensive energy efficiency system in place compared with 19% for large enterprises. SMEs are particularly vulnerable to the current trend of rising prices for energy and raw materials, and to forecast climate changes, and need to increase their efficiency and their capacity to adapt to these challenges, in order to turn them into opportunities.

To translate this principle into practice:

the Commission:

- is facilitating SMEs' access to the Eco-Audit and Management Scheme (EMAS) through lighter environmental procedures, reduced fees, and the option of cluster registration
- will finance a network of environment and energy efficiency experts in the Enterprise Europe Network providing advice on eco-efficient operations, markets potential and funding opportunities for more efficient operations in particular for SMEs
- is developing new forms of support for innovative start-ups and SMEs in the field of eco-innovation, with a view to facilitating market access, technology transfer, use of standards and access to finance, in line with existing State Aid provisions

the Member States are invited to:

- provide incentives for eco-efficient businesses and products (e.g. tax incentive schemes and prioritising subsidies for funding sustainable business) in line with the Community Guidelines on State Aid for Environmental Protection and make use of the simplified approach to environmental aid for SMEs developed in the GBER
- make full use of the around €2.5 billion allocated in Cohesion Policy programmes for the support of eco-friendly products and processes in SMEs.

X *The EU and Member States should support and encourage SMEs to benefit from the growth of markets outside the EU, in particular through market-specific support and business training activities.*

Only 8% of European SMEs report turnover from exports (7% of micro-enterprises reported exports), which is significantly lower than the figure for large enterprises (28%). Moreover, only 12% of the inputs of an average SME are purchased abroad.

Fast-growing markets present untapped potential for many European SMEs. In particular, recent EU enlargements have created important new business opportunities for companies from both “old” and “new” Member States. This demonstrates the importance of fully exploiting the potential of market opportunities in the EU candidate and neighbourhood countries.

Trade barriers impact more on SMEs than on larger companies because of their limited resources and lower capacity to absorb risks, especially when operating in intensely competitive markets. To be able to access these markets, SMEs therefore need assistance in getting information on potential partners and openings in their markets. They also need to be

helped to overcome cultural barriers to business and differences in regulatory or legal environments.

In order to help SMEs benefit fully from the opportunities offered by globalisation, particular attention has to be paid to improving access to procurement markets and enforcement of intellectual property rights, ensuring fair competition, as well as facilitating market access.

To translate this principle into practice:

the Commission:

- has established Market Access Teams in key export markets bringing together Member States' trade councillors and EU business organisations, which will help to improve SMEs' information on trade barriers markets outside the EU
- will actively seek the opening up of third countries markets, in particular in developed and advanced developing economies, through WTO negotiations and bilateral agreements
- will in particular seek the opening up of non-EU countries' procurement markets, which should lead to mutual and reciprocal benefits, through its bilateral and multilateral negotiations (WTO Government Procurement Agreement), in particular with fast-growing countries
- will promote trade facilitation both in the context of the WTO and in bilateral negotiations
- will continue to facilitate EU SMEs' access to the markets of candidate and other neighbourhood countries, in particular through the *Enterprise Europe Network* and by promoting the "Think Small First" principle in these countries, including through exchanges of good practice based on the European Charter for Small Enterprises and the SBA
- intends to establish European Business Centres in 2009 in selected markets, starting with the fast-growing economies of India and China
- intends to launch a 'Gateway to China' scheme, focusing on establishing an Executive Training Programme in China to enable European SMEs to be more competitive in the Chinese market by 2010.

the Member States are invited to:

- encourage coaching of SMEs by large companies in order to bring them to international markets.

5. Implementation of the SBA and Governance

Since its launch by the Commission in October 2007, the idea of a “Small Business Act” for Europe has raised many expectations. While it is widely supported at government level, by the European Parliament and by the SME community, it is important to implement it thoroughly. This requires the full political commitment of both the Commission and the Member States. Therefore, as a basis for a renewed commitment to SMEs, the Commission invites the European Council to welcome and support the “Small Business Act” for Europe, adopt the 10 principles and commit to the implementation of the actions proposed. Moreover, the Commission invites the Council and Parliament to swiftly adopt the related legislative proposals.

The SBA should be fully embedded in the Growth and Jobs Strategy to ensure its efficient implementation and to allow for a regular update on its deliverables. Member States are therefore invited to take advantage of the update of the Lisbon cycle planned for the end of 2008 to take account of the SBA in their National Reform Programmes and in their annual implementation reports. Member States can take inspiration from the enclosed overview of good practice in the EU, and the Commission will continue to provide a platform for best practice exchange.

The Commission will assess the progress made in implementing the SBA and report on it regularly in the framework of the Growth and Jobs Strategy, starting in 2008. This will allow the European Council to review progress made in the field of SME policy both at Community and Member State level and to draw the necessary conclusions.

Annex: Exchanging good practice in SME policy

Exchanging good practice in SME policy has proven to be a successful tool to implement the Lisbon Strategy for Growth and Jobs. Since 2000, the Commission has collected examples of good practice in various areas. Those collected under the **European Charter for Small Enterprises** are available in the Charter online catalogue at:

http://ec.europa.eu/enterprise/enterprise_policy/charter/gp.

The **European Enterprise Awards** recognise excellence in promoting regional entrepreneurship and reward outstanding initiatives. A collection of good practice in promoting business is available at:

http://ec.europa.eu/enterprise/entrepreneurship/smes/awards/download/compendium_2007_en_lowres.pdf.

This annex provides some examples of good practice from Member States, serving as inspiration for implementing the SBA.

Principle 1:	Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
	Saxony-Anhalt Impulse Network, Germany
	Website: www.impuls-netzwerk.de
	Youth Enterprise and Entrepreneurship Strategy in Wales, United Kingdom
	Website: http://www.projectdynamo.co.uk ; www.becauseyoucan.com .
	Cap'Ten, be captain of your project, Belgium
	Website: www.ichec-pme.be
	Emax - the Nordic training camp for young entrepreneurs, Sweden
	Website: www.emaxevent.com , www.startcentrum.se
	Kinder Business Week, Austria
	Website: www.kinderbusinessweek.at
	Entrepreneurship Days: Emprendemos Juntos – We are all entrepreneurs, Spain
	Website: www.emprendemosjuntos.es
	Developing entrepreneurial culture among women, Romania
	Website: www.animmc.ro
Principle 2:	Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
	Development programme preparing for SMEs' controlled succession of generation, Finland
	Website: www.te-keskus.fi , www.yrityssuomi.fi
	Faster start-up after bankruptcy, Denmark
	Website: www.naec.dk
	Help for the self-employed and business owners in difficulty, Belgium
	Website: www.beci.be
Principle 3:	Design rules according to the “Think Small First” Principle
	Public consultation website “Teeme koos”, Estonia
	Website: www.osale.ee ; www.riigikantselei.ee ; www.valitsus.ee
	Implementation of support services for SMEs on local level through One-stop-shops, Slovenia
	Website: www.japti.si
	Regulation checklist, United Kingdom
	Website: www.businesslink.gov.uk

	Y4 Committee ,Finland
	Website: www.y4.fi
Principle 4:	Make public administrations responsive to SME needs
	The e-government programme of the Belgian Social sector for SMEs, Belgium
	Website: www.ksz-bcss.fgov.be
	Single registration points for entrepreneurs, Czech Republic
	Website: www.mpo.cz
	One-Stop-Shop for Entrepreneurs, Germany
	Website: www.one-stop-shop-trier.de
	Micro-business management centre for economic and financial reporting, France
	Website: www.artifrance.eu
	Public information web portal for small businesses, France
	Website: pme.service-public.fr
	CORE - Companies Online Registration Environment, Ireland
	Website: www.cro.ie
	Kick-start project, Malta
	Website: www.mcmpgov.mt
	Online company counter, Netherlands
	Website: www.bedrijvenloket.nl
	KSU - National services network for SMEs, Poland
	Website: www.euroinfo.org.pl , www.ksu.parp.gov.pl
	Enterprise online, Portugal
	Website: www.portaldaempresa.pt
	One-stop-Shops for SMEs (VEM), Slovenia
	Website: www.japti.si
	Central public administration portal, Slovakia
	Website: www.telecom.gov.sk
	Salary-on-web service for small employers, Finland
	Website: www.palkka.fi
Principle 5:	Adapt public policy tools to SMEs' needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs
	eProcurement portal, Luxembourg
	Website: http://www.marches.public.lu , http://www.mtp.public.lu
Principle 6:	Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payment in commercial transactions
	Seed and venture capital programme, Ireland
	Website: www.enterprise-ireland.com
	Loan to small businesses with interest refund, Cyprus
	Website: www.bankofcyprus.com
	Public venture capital fund of funds, Latvia
	Website: www.lga.lv
	Micro-loan programme for women entrepreneurs and business owners, Spain
	Website: www.ipyme.org
Principle 7:	Help SMEs to benefit more from opportunities offered by the Single Market
	Portal for business and export, Czech Republic
	Website: Businessinfo.cz

	Competence network Netherlands/North Rhine Westphalia INTER-NED, Germany
	Website: www.inter-ned.info
	Public awareness-raising on standardisation, Lithuania
	Website: www.lsd.lt
	CETMOS — The Central European Trade Mark Observation Service, Austria
	Website: www.cetmos.eu
Principle 8:	Promote the upgrading of skills in SMEs and all forms of innovation
	National e-business strategy, Ireland
	Website: www.entemp.ie
	Innovation management, Hungary
	Website: www.chic.hu
	National Innovation Fund, Bulgaria
	Website: www.sme.government.bg
	The Hellenic Technology Clusters Initiative, Greece
	Website: www.htci.gr
Principle 9:	Enable SMEs to turn the environmental challenges into opportunities
	A new process of micro finishing surfaces in the ceramics industry, decreasing the environmental impact, Italy
	Website: http://www.fondovalle.it
	Ecological tax reform, Estonia
	Website: www.fin.ee
	EDM - Electronic Data Management in Environment and Waste Management, Austria
	Website: www.lebensministerium.at
Principle 10:	Encourage and support SMEs to benefit from growth of markets
	Internet Fair, Poland
	Website: www.euroinfo.org.pl
	Pipe - introduction plan to foreign promotion, Spain
	Website: www.portalpipe.com
	Sprint - Joining together to compete on world markets, Italy
	Website: www.sprint-er.it