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SME WEEK CLOSING EVENT 13-14 MAY 2009 IN PRAGUE

SPEAKING NOTES FOR HUGH MORGAN-WILLAMS VICE-CHAIRMAN, BUSINESSEUROPE'S ENTREPRENEURSHIP & SME COMMITTEE

THE SMALL BUSINESS ACT FOR EUROPE – BUSINESS WITHOUT BARRIERS HOW DOES THE SBA REDUCE THE BARRIERS TO BUSINESS?

SBA enshrines 10 guiding principles and 4 legislative proposals

10 guiding principles:

- 1) Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is awarded
- 2) Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
- 3) Design rules according to the "Think Small First" principle
- 4) Make public administrations responsive to SMEs' needs
- 5) Adapt public policy tools for SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs
- 6) Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
- 7) Help SMEs to benefit more from the opportunities offered by the Single Market
- 8) Promote the upgrading of skills in SMEs and all forms of innovation
- 9) Enable SMEs to turn environmental challenges into opportunities
- 10) Encourage and support SMEs to benefit from the growth of markets

4 legislative proposals:

- 1) General Block Exemption Regulation on State Aids, exempting SMEs for training, employment, R&D and regional aid
- 2) Statute for a European Private Company
- 3) Directive on reduced VAT rates, principally for locally supplied services, mainly provided by SMEs
- 4) Amendment to the Late Payments Directive ensuring that SMEs are paid on time for any commercial transaction



Everybody agrees that introducing these principles into policy making across Europe is absolutely essential to make SMEs thrive. BUSINESSEUROPE is therefore pleased that all initiatives are bundled and put together in one single document, the Small Business Act.

The importance of a rapid implementation of all these SBA principles has been emphasised strongly during our SME event on 7 May in Brussels – at the very beginning of the First European SME Week.

Europe still lacks the right incentives for entrepreneurship. Education is often inadequate and society's perception of entrepreneurs is hardly encouraging to take the bold step to start one's own business. But we desperately need new entrepreneurs, especially in the current crisis. As one of the panellists at the BUSINESSEUROPE event put it: "we need 6 million entrepreneurs if Europe wants to survive".

In addition, important barriers within the single market still impede SMEs rapid cross-border expansion. "Business without barriers" remains a dream for many. Not only language problems prevent SMEs to benefit from the internal market, but also different tax systems, red tape and financing aspects are serious obstacles.

So to respond to the question "how does the SBA reduce barriers to business", it is clear that just publishing a document is not sufficient:

BUSINESSEUROPE's message is straight forward: EU institutions and member states must honour their commitment to the SBA.

The guiding principles, the "Think Small First" Principle, must be implemented rapidly and effectively. This must happen at the European, national, regional and local level. Otherwise the SBA just remains another "empty shell".

Rapid implementation of the guiding principles is even more important in the current crisis. With companies' access to finance severely restricted, policy makers must do everything they can to liberate SMEs' scarce resources. Cutting administrative burdens, ensuring rapid payment delays for invoices, allowing for electronic invoicing or exempting micro-enterprises from certain accounting obligations might be important, easy and above all effective steps!

But so far the results are not extremely encouraging. Progress on legal proposals is slow.

- Discussions on the European Private Company Statute are still stuck between European Parliament and the Council. So we will have to wait until after the elections for any hypothetical progress.
- The Commission has adopted the Late Payments Directive with some delay, but adoption is on hold due to the institutional calendar. If we are lucky, the directive could be implemented across the EU in early 2010. This is rather late. Numerous otherwise viable businesses will have gone bust by then.



Therefore I am glad that the Commission has asked an expert group to prepare a report on the implementation of the “Think Small First” principle in member states. This report provides a good overview of good practices that can be exchanged easily among member states and regions.

The fields of the report cover:

- Listening to SMEs
How can public authorities better consult SMEs (one example: the UK’s “Small Firms Consultation Database”)
- SME tests for new legislation
Impact assessments should include a specific evaluation of the impacts on SMEs (one example: the UK’s “Small Firms Impact test” (SFIT))
- One-stop-shops for SMEs at public administrations
Improve the information flow from authorities to SMEs (one example: the UK’s “Osmotherly Guarantee”)
- More legal certainty via “common commencement dates”
One example is again the UK

Equally important is the Commission’s “**SME Performance Review**”, with SBA Fact sheets for every member state. These fact sheets allow for comparison across countries and hopefully give rise to a true benchmarking culture regarding national SBA implementation.

Of course, reporting on the SBA is supposed to happen as well in the framework of the Lisbon Strategy. Yet, political pressures have often prevented direct benchmarking and peer pressure. By the way, this is one of the reasons why BUSINESSEUROPE publishes its own Reform Barometer with clear indications of national reform progress.

BUSINESSEUROPE is convinced that strong **peer pressure and benchmarking are in fact essential to move ahead with the implementation of the SBA’s guiding principles**. Only then can the SBA achieve real results for European SMEs.

The groundwork has been done. The SBA has been adopted by all member states last December. This was great news. But now business must be able to count on their political will to actually implement it! And time to do so is not unlimited.
