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EUROPEAN PARLIAMENT SME INTERGROUP CONFERENCE

DOES THE NEXT GENERATION OF EU PROGRAMMES MEET THE NEEDS OF SMEs?

Panel 1: European Regional Development Fund 2014-2020

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Ladies and Gentlemen,

I would like to start with the title of the Conference, which refers to the needs of SMEs. In the context of the Structural Funds, for which relatively high budgets are being considered, it is important to have clear views about the wide spectrum of SME needs, and to address them properly. So, what are the needs of SMEs? Allow me to give a very simple answer to that: "the needs of SMEs are many".

If you look at SMEs very closely, focusing on the balance sheet for example, you will become aware of the need felt by SMEs for specific financial instruments or specific regulatory provisions, in state aid law for instance.

But if you stand back and if you look at how SMEs fit into the general economic fabric, you will see that many SMEs want something more than just being the recipient of special and customised treatment.

There is a large fringe of SMEs which consider that the best growth strategy for them consists in positioning themselves in international value chains which enable them to participate in very large markets and to keep their knowledge capital constantly at the cutting edge.

Now if you stand even farther back and if you listen carefully to the deep expectations of SMEs, you will find that there is one thing they want more than anything else, and that is a return to growth at macroeconomic level. This is really the thing that is haunting the mind of SME managers. So it is absolutely vital that EU money is spent along strategic lines that maximise growth in the short, medium and long term. Growth can and must be encouraged using a wide range of policies. One of them, which has delivered proven results, is to attract investments by large and intermediate businesses



to a particular region, because such investments can inject dynamism into the region as a whole.

So, as you can see, SMEs have various types of needs. They need direct and personalised attention, but they also need support of a more indirect nature, resulting from positive action on the economic structures that surround them.

Coming back to the conference title and to this panel, the issue for BUSINESSEUROPE is whether the regulation laying down common provisions for the structural policies (COM 2011-615/2) and whether the regulation dealing with the ERDF (European Regional Development Fund) (policies (COM 2011-614) are conducive to meeting all the needs of SMEs as I have just described them.

Let me be very clear about the position of BUSINESSEUROPE. We consider that the Commission proposals contain quite a number of positive elements for addressing SME needs. These elements might need some fine-tuning here and there. I will not dwell on them as I would like to concentrate on an important shortcoming, namely the fact that large and intermediate companies are not eligible for access to support for productive investment. Intermediate companies are companies employing more than 250 persons.

In the current proposals, support for productive investment is earmarked exclusively for SMEs. Large and intermediate companies have access to support instruments essentially in the areas of infrastructures, energy and environment, but under a rather restrictive ceiling system put in place by the “thematic concentration” provisions of article 4. This means that there is both a qualitative and quantitative restriction on support for productive investments that large and intermediate companies can make to the benefit of whole regions, including to the benefit of SMEs.

Let me illustrate the economic impact that large enterprises can have on the business communities around them. The Federation of Austrian Industries has observed that the top 150 Austrian “leading competence units” are large enterprises accounting for 23% of industrial production, 18% of total added value and 37% of total R&D investments in Austria. Around 122,000 SMEs operate in networks with these 150 “leading competence units”. This shows the strong stimulative effect that productive investments by large enterprises can have on the activity and the growth prospects of SMEs.

The restrictive approach that the proposed ERDF regulation displays regarding support to investment by large enterprises has led to a very narrow definition of the investment priorities in the area of ICT, with potential negative consequences for SMEs. At the moment, point 5.2 in the draft regulation focuses on deployment of high-speed networks, development of ICT products and services, and of wider application of ICT services of general interest. The possibility of supporting productive investment by large enterprises in ICT is very limited, despite the fact that the Union is developing an ambitious digital agenda.



This overlooks the fact that the ICT sector contributes 50% to productivity growth in the EU. The ICT sector belongs to the most innovative sectors of the developed economies. ICTs are also strongly supporting innovations in products and services of other sectors (for example, ICTs play a role in 76% of transport and logistics innovations, and in 86% of automotive industry process innovations).

It is important to be aware of some fast developments that can be seen at regional level in the context of ICT. For example, in the Czech Republic, the region of Brno is becoming a world hub of high value added ICT services that are provided to customers all over the world. This boosts R&D and innovation in the region, and results in the creation of networks between public sector, academia and businesses of all sizes. Such development would have been unthinkable if half a dozen large enterprises had not decided to make productive investments in the Brno area. So this shows what could happen in other regions if the ERDF were to maintain attractive elements for productive investments by large and intermediate enterprises.

Accordingly, BUSINESSEUROPE is calling for creating balanced room, in ERDF funding, for:

- projects directly geared to SMEs or organisations providing support to SMEs,
- and for projects of intermediate or large enterprises, because of the dynamic effect they can have on a region as a whole.

We have heard that discussions are going on at institutional level, examining solution approaches like:

- specifying that ERDF shall support productive investment primarily in SMEs
- or adapting the text of article 3 (scope of support of ERDF) and of article 5 (investment priorities).

BUSINESSEUROPE welcomes this realisation that the regulation needs to be drafted in a way which maximises its positive impact for SMEs in the short, medium and long term.
