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EUROPEAN SME ASSEMBLY (NAPLES, 2-3 OCTOBER 2014)

DEBATE ON A REVISED SMALL BUSINESS ACT (SBA), SUPPORTING GROWTH THROUGH ENTERPRISE

ADDRESS BY MRS MARTA MARTÍ CARRERA, CHAIR OF THE BUSINESSEUROPE ENTREPRENEURSHIP AND SME COMMITTEE

Ladies and Gentlemen,

I would like to thank the Commission for inviting me in this discussion on revisiting the SBA for delivering more growth. This is a subject of utmost importance for BUSINESSEUROPE.

In relation to the current Commission internet consultation on the SBA, we very much support the intention to prioritise within the SBA policy areas, and I will comment in a moment on some of the priorities retained. But I think we should talk not only about policy measures, but also about governance.

Starting with the **reduction of administrative burdens**, we support the Commission idea to work with quantitative targets. Thus BUSINESSEUROPE welcomes the idea of introducing an EU regulation ensuring that companies can obtain, within one month, the technical licences they need to operate.

Today, we are far from there. If we take the example of SMEs manufacturing steel products, we see that the time needed for getting licenses varies between one week in certain countries and more than two months in many others.

Sometimes we will have to work with national targets instead of EU targets, in order to take full account of national circumstances.

Regarding the governance of the SBA, we believe that the national SME Envoys should be involved much more closely in the definition and implementation of EU or national targets. They should consult SME stakeholders in an active way about target setting and about national roadmaps for implementing the targets.

Moving to **SME access to finance**, access to credit is becoming more and more challenging for small businesses everywhere in Europe. And in the South of Europe, medium-sized firms live also difficult times, having to pay interest rates that are substantially higher than in the North.



Systemic weaknesses in the financial system partly explain the restrictions and tightened conditions observed in credit supply.

In front of this situation, BUSINESSEUROPE calls for action in 3 directions :

- enhancing the lending capacity of banks
- expanding the non-lending financing routes
- taking full advantage of the strong leverage effect of the EU financial instruments .

To enhance the lending capacity of banks, the first thing to do is to implement effectively the European Banking Union. Facilitating a careful revival of the securitization market will also help.

But this will not be sufficient. We also need a resolute European strategy for expanding the non-lending financing routes.

Alternatives to credit exist, but they often don't have the scale or the attractiveness required.

European venture capital funds, for example, experience difficulties in finding sources of long-term funding. Commission actions are therefore needed to create a true European venture capital market.

SME access to the capital market is very limited in most countries. The situation has improved in some countries (Germany, Italy, Denmark, The Netherlands) with the creation of markets for "minibonds" or SME bonds. It is important that the Commission promotes the dissemination of the most advanced models for non-lending finance.

In order to facilitate expansion of the non-lending financing routes, the Commission needs to be careful with some regulatory initiatives.

The appetite of banks and insurance companies for investing in finance products like:

- SME bonds
- SME equity
- venture capital
- portfolios of securitised SME loans

will indeed strongly depend on the future EU rules regarding their balance sheet structure.

The Commission should design these rules with care. We should not have a situation where banks and insurance companies are discouraged to invest in assets that are essential for SME growth because of wrongly-calibrated regulations. The upcoming EU rules on the capital requirements for banks and insurance companies should ensure that the riskiness of assets is correctly assessed.



The EU budget and EIB Group resources should be further used to develop SME-gearred EU financial instruments, in particular in the context of the Juncker investment plan in preparation.

Finally, let me underline that more and more SMEs experience problems of speed in access to finance. In many banks, a loss of SME expertise has occurred in the frontline, resulting in a lower reactivity to SME needs.

Digital technologies can help here. In three European countries, electronic matchmaking platforms have been launched, connecting SMEs to a community of lenders, including banks and specialized investors. This brings in more speed, more competition and more transparency. The pan-European deployment of electronic matchmaking platforms such as FINPOINT should thus be encouraged for accelerating SME financing.

As regards **promotion of market access for SMEs**, we fully support the objective of increasing by 20% the number of SMEs doing business outside the EU. Successful trade negotiations will be critical to get there. But we also need better services in the area of internationalization of SMEs.

Today, existing private and public support services (at regional, national and European level) represent in fact a sub-optimised toolbox for helping SMEs to internationalise.

A new division of labour should be found, based on win-win collaboration models, and maximizing synergies between players.

As a final word, on **boosting skills development**, the main challenge is that education and training systems should better reflect the labour market needs. In terms of training in companies, lifelong learning has become a widespread feature of human resource management. Nevertheless, such training actions need to be targeted in an appropriate way to meet companies' needs. The Commission should explore how to improve training schemes for skilled workers, and how to do this directly involving SMEs from sectors with a skills deficit.

Dual-learning in initial vocational training, particularly in the form of apprenticeships, can also help in tackling the skills challenge. A growing number of countries recognize the value of work-based learning and of dual-learning systems. The SBA agenda should promote dissemination of these elements across Europe.

I thank you for your attention.
