

Small and medium size enterprises (SMEs): competitiveness and business opportunities

2012/2042(INI) - 23/11/2011 - Document attached to the procedure

PURPOSE: to propose a framework to minimise the regulatory burden for SMEs.

BACKGROUND: small and medium-sized enterprises (SMEs) play a key role in shaping Europe's economy, accounting for 99 % of enterprises, of which 92 % are micro-enterprises. They provide more than two thirds of private sector employment and play a key role in economic growth. They have a crucial importance to the European economy as employers and sources of innovation.

The Commission is committed to support their development, notably through the "[Small Business Act](#)" with its "Think Small First" principle and by facilitating, amongst other things, access to EU funding. The Commission's [Smart Regulation](#) agenda also aims to help small businesses by minimising the regulatory burden of legislation that is deemed necessary at EU level.

The financial crisis is having a severe impact on many of the smallest companies in the EU economy. It is, therefore, essential to free up micro enterprises to allow them pursue their business goals without unnecessary regulation.

This paper outlines ways of taking the concept of "Think Small First" a step further to deliver rapid results. It sets out how the Commission will strengthen the use of exemptions or specific, lighter legislative regimes for SMEs or micro companies. It also explains how this will be followed up through the legislative process and implementation.

CONTENT: the Commission is taking action to produce SME friendly legislative proposals, like that exempting micro-entities from unnecessary legal requirements in accounting directives. It is fully committed to assessing the impacts of new or revised legislation on SMEs through its well developed impact assessment process; it also regularly evaluates whether legislation is delivering what it was intended to do. Through the [Small Business Act](#) (SBA) and [Single market Act](#) (SMA) it is taking steps to facilitate access to finance for SMEs, one of the biggest challenges they face in the current crisis. Extensive simplification measures are being applied to help SMEs take part in EU funded programmes. The latest Commission proposal on Cohesion Policy, for example, introduced a core set of common rules for the five funds concerned (the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFDR) and the European Maritime and Fisheries Fund (EMFF)), including simplified reimbursement methods, which will significantly simplify the conditions for access to EU funds for SMEs.

Simplification measures: the Commission has run two exercises to improve existing legislation. Simplification Programme to streamline, update and consolidate EU law: around 200 proposals have been adopted that bring substantial benefits for businesses. Second, the Administrative Burden Reduction Programme: Commission proposals representing a 33% reduction of the targeted burdens, well beyond the 25% objective, have been tabled. The colegislator has adopted proposals amounting to a 22% reduction. Member States have started to

implement some of these measures.

Beyond simplification: the "SME test": in order to strengthen the focus on exemptions and tailor-made legislation for microenterprises and SMEs, the Commission has started to work to reverse the burden of

proof. From January 2012 the Commission's preparation of all future legislative proposals will be based on the premise that in particular **micro-entities should be excluded from the scope of the proposed legislation unless the proportionality of their being covered can be demonstrated**. This demonstration is a new element to be included in the SME test. Thus modified, the test will de facto reverse the burden of proof and focus the preparation of EU law on the specific situation of SMEs and micro companies.

From the same date the Commission will also ensure that, in cases where micro enterprises must be covered by its legislative proposals for wider public policy reasons, its proposals will be substantiated via the introduction of a micro-entities dimension in the "SME test" which forms part of the regular Impact Assessment. To achieve this major shift in policy and to make sure that it is followed through to the implementation phase, the Commission will establish a **scoreboard**, updated on a yearly basis, which will show:

- all exemptions and lighter regimes for SMEs and micro companies proposed by the Commission as well as other proposals where the impact on smaller operators has been identified as a major factor;
- the way they change during the co-decision process and the final outcome of the legislation as adopted by the European Parliament and Council;
- the subsequent implementation by each Member State of these provisions, with a particular emphasis on highlighting "gold plating" where this is done at the national or regional level.

This will allow all interested parties to identify where progress is made – or where different stages in the EU legislative cycle backtrack on simplification, etc.

Involve SMEs in better law-making and in evaluating the progress made: the Commission will provide SMEs with better tailored opportunities to give their views and help to shape decisions targeting their needs. It will discuss with them their preferred way to mitigate the regulatory burden in different types of situations or domains. In the field of social policy the Commission will use the consultation process with the European social partners provided under Article 154 of the Treaty, before issuing a proposal.

In addition, the Commission is reviewing its consultation process as a follow-up to the Smart Regulation Communication and intends to make the following changes:

- the Commission will strengthen the involvement and consultation of small businesses in better law-making;
- specific SME Panel consultations, within the Enterprise Europe Network, will be used more often to provide direct input from SMEs to the Commission's impact assessment process and for a range of other purposes: for instance, an on-going consultation invites SMEs to report on the most burdensome obstacles they are facing in the Internal Market;
- dedicated conferences with SMEs and micro companies in the Member States, with the Commission listening and collecting problems presented by SMEs and micro companies, are currently being tested and will be rolled out on a larger scale in the framework of the Smart Regulation Agenda and the Small Business Act;
- the Small Business Act Review introduces a new governance structure to ensure that SMEs' views are considered in the uptake and effective implementation of the Act. In the newly established network of national SME Envoys and the SME Assembly, the European and national SME organisations will report on and evaluate the uptake of the Small Business Act and promote the exchange of good practices, typically on how to ensure SME-friendly legislation and to avoid unnecessary regulatory burden;
- the network of national SME Envoys will have the opportunity to provide their views on where exemptions or lighter regimes are most needed and how they should be framed. The Commission's SME Envoy will liaise with SME stakeholders and make sure SME interests are taken into account in the Commission's business-relevant proposals;

- a dedicated webpage, will be created to identify the top 10 EU legislative acts considered to place burdens on micro companies and SMEs. This will be used to make focused and tailor-made revisions of these legislative acts.

The financing of these actions and initiatives will be covered by existing or planned programmes consistently with the current Multi-Annual Financial Framework and the proposals for the new framework 2014-2020.

Role of the Member States: in order to minimise the regulatory burden on SMEs and micro-enterprises, the Commission calls upon the Member States to make sure that they apply the same principles set out above and, in particular, that they:

1. involve the small business community closely in law-making right from the start;
2. take the “Think Small First” principle a step further by applying it systematically in national law-making and considering lighter requirements and exemptions on a case-by-case basis where appropriate; and
3. apply the “SME Test” in impact assessments and strengthen the micro enterprise dimension of the Test.

The national SME Envoy should have a key role in his/her country to monitor the implementation of these actions in close cooperation with SME organisations.

Further steps: the Council and European Parliament are invited to support this approach and to use the Commission Scoreboard to track exemptions and lighter requirements for micro enterprises through the co-decision and implementation process.