Basic information

2005/2123(INI) INI - Own-initiative procedure	Procedure completed
Implementation of the European Charter for Small Enterprises **Subject** 3.45.02 Small and medium-sized enterprises (SME), craft industries	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ITRE Industry, Research and Energy	VLASTO Dominique (PPE-DE)	20/04/2005

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	BATZELI Katerina (PSE)	21/09/2005
EMPL Employment and Social Affairs	BUSHILL-MATTHEWS Philip (PPE-DE)	15/03/2005

Key events

Date	Event	Reference	Summary
08/02/2005	Non-legislative basic document published	COM(2005)0030	Summary
04/07/2005	Committee referral announced in Parliament		
29/11/2005	Vote in committee		Summary
13/12/2005	Committee report tabled for plenary	A6-0405/2005	
18/01/2006	Debate in Parliament		
19/01/2006	Decision by Parliament	T6-0022/2006	Summary
19/01/2006	Results of vote in Parliament		
19/01/2006	End of procedure in Parliament		

Technical information

Procedure reference	2005/2123(INI)

Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
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Stage reached in procedure	Procedure completed
Committee dossier	ITRE/6/27774

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Amendments tabled in committee		PE364.926	10/11/2005	
Committee opinion	ECON	PE362.856	22/11/2005	
Committee opinion	EMPL	PE360.337	24/11/2005	
Committee report tabled for plenary, single reading		A6-0405/2005	13/12/2005	
Text adopted by Parliament, single reading		T6-0022/2006	19/01/2006	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2005)0030	08/02/2005	Summary
Follow-up document	SEC(2006)0283	24/02/2006	Summary

Implementation of the European Charter for Small Enterprises

2005/2123(INI) - 08/02/2005 - Non-legislative basic document

PURPOSE: to present the fifth annual implementation report on the European Charter for Small Enterprises.

CONTENT: based on national reports from the participating countries. It presents a snapshot of the main developments from autumn 2003 to autumn 2004 but does not aim to provide a comprehensive overview of all existing measures. It identifies strengths and weaknesses across the EU and its neighbours, highlights promising national measures and issues recommendations for future action, thereby strengthening policy in support of small businesses and maintaining the efforts towards the Lisbon objective.

Following its endorsement by the candidate countries in 2002, the Charter has become the cornerstone of small business policy in the enlarged Europe. In 2003, the countries of the Western Balkans endorsed the Charter, followed by Moldova in 2004. 35 countries now participate in the Charter process.

This year's report examines in more detail progress made in three priority areas, selected from

the ten Charter areas:

- Education for entrepreneurship, especially secondary education: formal links need to be established between different sectors of the public administration, notably Ministries of Economy and Education, with the aim of setting up a global strategy (such cooperation already exists in France, the Netherlands, Finland, Norway and Lithuania); development of entrepreneurial skills and attitudes explicitly recognised as one objective in the national curriculum of comprehensive and vocational secondary schools (so far, the Czech Republic, Spain, Ireland, Poland, Finland and Norway);

- Better regulation, especially impact assessment and bankruptcy law: several countries have launched extensive programmes to improve the regulatory environment for businesses. In a significant number of Member States, impact assessments are already part and parcel of the preparation of

new legislation. The Netherlands and the UK are among the leaders in the use of regulatory impact assessment. Good progress has also been made in Poland. The introduction of egovernment procedures, e.g. in Estonia and Latvia, has helped stakeholder consultation in the early stages of drafting legislative proposals and carrying out impact assessments, and is recommendable. Whereas good progress has been made in the use of impact assessment in many countries, France, Portugal, Slovenia and Slovakia need to step up their efforts in this area. In some countries, e.g. Poland, the period for consultation of stakeholders is too short to arrive at a well-researched opinion on the impact on businesses. Bankruptcy law should be revised or give ground to new laws aimed at quick, low cost, accessible, streamlined and predictable procedures.

- Skills shortages, especially measures to overcome lack of skilled technicians and engineers: most countries monitor current and future skills needs in increasingly systematic processes and in collaboration with other stakeholders such as business, social partners, regional and sectoral organisations (Sweden, Austria, Italy and France); guidance and awareness-raising can help improve the image of certain professions and attract young people towards careers with potentially strong future prospects; interesting recent developments include initiatives by sectoral organisations in Germany and Ireland. Potential areas for improvement include skills monitoring at federal and regional level in Belgium to ensure greater mobility among the country' s regions. The Czech Republic, Greece and Slovakia need to develop links between universities and business while Italy could step up its efforts in supporting specialised training in enterprises.

The main challenge for the candidate countries is to improve the competitive performance of heir enterprises. For Bulgaria and Romania, part of the challenge is to improve the legal framework and favour the creation and growth of new enterprises. While business impact assessment needs to be further strengthened in Romania and Turkey, Bulgaria has made good progress in this area. The Charter process has landed on fertile ground in the countries of the Western Balkans and in Moldova. Further efforts are required in Bosnia-Herzegovina and Kosovo to reap the full benefits of the Charter. The Charter is also instrumental in the Commission's evaluation of the EU Membership applications of Croatia and the former Yugoslav Republic of Macedonia. Most progress has been made in the area of cheaper and faster start-up with several countries - in particular Serbia, Kosovo, Moldova and Bosnia-Herzegovina – speeding up the process and introducing the required legislation.

Lastly, the Commission believes that improvements are still needed in order to facilitate SME participation in EU programmes. The provision of information and support for SMEs, in particular through Commission networks such as the Euro Info Centres and the Innovation Relay Centres, also needs to be enhanced and the relevance of EU programmes for SMEs systematically evaluated.

Implementation of the European Charter for Small Enterprises

2005/2123(INI) - 19/01/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Dominique **VLASTO** (EPP-ED, FR) on implementing the European Charter for Small Enterprises. (Please refer to the summary of 29/11/2005.)

The European Charter for Small Enterprises: Parliament welcomed the application of the Charter beyond the EU to accession and candidate countries. The Charter is playing a positive role in the preparation of the accession and candidate countries, and the Charter's implementation should be encouraged in the pre-accession strategy. Parliament highlighted both the responsibility of the Member States and EURO-MED partner countries for more thorough implementation of the Charter and highlighted the importance of small enterprises in delivering the Lisbon objectives. Whilst the open method of coordination between the states is relevant, it should not exonerate the Commission from active participation in implementing the Charter. Parliament felt that, with due regard for the special purpose of the Charter, the latter's actions for small businesses should be incorporated in, and supplemented by, the general policy for SMEs based on binding measures not only at Community level but also within Member States. Sharing of best practice should be specifically encouraged. Parliament pointed out that the concept of 'small enterprise' includes businesses of different sizes, character and activity, whose situations and requirements vary. The Commission should use the mechanisms of the Charter and to cooperate with professional organisations representing small enterprises to overcome the lack of available information on such enterprises Bearing in mind the specific nature of craft enterprises, detailed economic and statistical analyses of such enterprises should be carried out and a fresh boost be given to work on craft enterprises.

The content of the Commission's report: Parliament noted that the report does not give a consistent overview of the situation in all Member States, and called on the Commission, in future reports, not only to analyse individual countries but to carry out a critical assessment of all Member States in order to make specific comparisons possible. It also noted that progress in the area of entrepreneurship is rather patchy and in many cases has little effect in terms of actual benefits for enterprises. Better coordination with the Entrepreneurship Action Plan is required. Parliament stressed, in particular, the need to enhance the opportunities of small and micro-businesses to make use of European programmes given the difficulties they encounter in gaining access to such programmes.

Parliament welcomes the progress made by the Member States in the area of legislation on bankruptcy. It pointed out that a number of financial obstacles are still hampering the development of small and micro-businesses, particularly their access to lending, and that measures to this end should therefore be taken at Community level. The European Investment Bank and European Investment Fund should be better used to support the growth of such businesses, especially those working in the field of innovation and technological development. Also, facilitating the transfer of businesses will significantly boost the viability of small businesses. Parliament went on to draw attention once again to persistent fiscal impediments, particularly as regards investment. This action area should be a priority, in order to give SMEs easier access to capital. It suggested, for instance, that European subsidies for small businesses should be exempt from corporation tax.

Tax and administration systems relating to the creation and the development of small businesses should be simplified. Parliament felt that tax obstacles to all forms of cross-border economic activity should be eliminated, for instance by a common system of value added tax, and that the fight against illegal state aid in the form of harmful tax competition should continue. It supported in particular the Commission proposals for a pilot scheme for home state taxation for SMEs, which provide a short-term solution for small businesses and supplement the principal measure in this area - the common consolidated corporate tax base. Member States must reform and simplify their tax systems relating to the creation and the development of small businesses, to provide incentives for innovative companies and to abolish disadvantages created by tax systems for equity financing.

Parliament also felt that the Member States and the Commission have failed to grasp the scale of the considerable challenge that the EU will face over the next ten years as millions of small and craft enterprises cease to operate because of the retirement of those who run them, with the danger that several million jobs will be lost. It is a major priority for the Union to ensure that such enterprises are handed on, and there must be a strategy for this.

Parliament emphasised the importance of training and felt that additional priorities should be introduced into the Charter, such as the promotion of entrepreneurship as a true value of society, a considerable reduction of the stigma attached to entrepreneurial failure, enhanced cooperation between small enterprises, education and research institutions and support for intensive cooperation between the aforementioned actors, financial institutions and capital markets.

Evaluating the Charter's implementation: Parliament stressed that if the Charter had force of law and were binding, as the European Parliament has regularly requested, the involvement of Member States would be greater, making it possible to carry out a fuller and more detailed analysis. Parliament was concerned at the excessive degree of latitude allowed to Member States as to whether or not to participate in the implementation of the Charter. It deplored the fact that some Member States are not properly implementing all the Charter's action lines and are refusing to undertake the structural reforms needed for small enterprises. It called on the Council to address this question so as to play a greater role in monitoring the implementation of the Charter.

Parliament called on the professional organisations of small businesses to deliver an opinion on the Charter's implementation at both national and European level. It wanted to see them more closely involved, both during the framing of policies and in all the decisions taken at Community level regarding small enterprises, by setting up standing working groups for this purpose.

The Charter's future: Parliament regretted the fact that there will be no more annual Charter reports in future, as Charter reporting will from now on be absorbed into Lisbon reporting. While this would make it possible to rationalise follow-up action for the two instruments, it is not acceptable for implementation of the Charter to become merely a subheading of the Action Plan. This solution would be acceptable only under certain prescribed conditions, inter alia, retaining the small and micro-businesses dimension of the Charter, with actions specifically intended for them; and setting up a specific follow-up and evaluation mechanism for the accession and candidate countries, and associated states that are not party to the Action Plan. Parliament stressed that including the follow-up to the implementation of the Charter as part of the Lisbon Strategy must not be an end in itself, and should not be at the expense of the content and substance of the annual reports forwarded by the states concerning follow-up to the Charter. These national reports must continue to focus on the introduction of best practice, experimentation, the presentation of concrete legislative measures and specific political commitments aimed at small and micro enterprises.

Implementation of the European Charter for Small Enterprises

2005/2123(INI) - 24/02/2006 - Follow-up document

The countries of the Western Balkans (Albania, Bosnia-Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Serbia and Montenegro including Kosovo) endorsed the European Charter for Small Enterprises at the European Union-Western Balkans summit of Thessaloniki on 21 June 2003. Moldova joined this process in 2004. The current report therefore concerns the third reporting cycle for the countries and entities of the Western Balkans and the second for Moldova.

This report analyses the progress made in the different areas of the Charter by the different participating countries/entities between September 2004 and September 2005, and takes stock of the general state of play in the ten Charter areas. The European report is based on eight national reports of the participating countries or entities (Kosovo and Montenegro have a separate input into this process).

The Commission states that the Charter process is well under way in all countries and a regional network of national co-ordinators has been established.

The report details some of the benefits of the Charter:

- it has allowed SME policy makers in the region to let the issue of SME policies climb up the local political agenda. This is evident by the number of SME related measures that have been adopted, the extensive press coverage on the bilateral meetings and a significant increase of projects supported by EC funds in the framework of the CARDS programme;

- the Charter process has instigated two types of dialogue on SME policy which were, before the Thessaloniki Summit, virtually absent in this policy field. First of all, there is the dialogue within the country with policy stakeholders, which is one of the requirements of the Charter process. Secondly, a regional dialogue mechanism has come to fruition through the process. Many of the countries and entities now have a forum to meet, exchange ideas and “compare notes” in a regular and organised way. This regional forum is one of the features most cherished by the group and one of the main motivations behind the signing of the Belgrade Declaration;

- the Charter substance i.e. the ten policy guidelines enshrined in the Charter, has allowed the development of a more systematic approach to policy making as opposed to a piece meal approach often encouraged by the project ideas of donors and experts. The greatest advantage of the Charter lies simply in its existence and its use throughout Europe. Many countries and entities in the region have copied the principles into legislation and SME strategy in an effort to stop the debate on “what to do” on SMEs and move into a phase of “doing it”. It has provided the stakeholders with a clear, broadly defined and accepted reference framework within which to design and deliver policies.

There are clear signs that the peer-pressure mechanism is working and that the success of one country spurs on the others to accomplish similar results. The Commission cites the example of Charter area 2. This has allowed, over a period of three years, almost the entire region to make headway and modernise the company registration system. The development of other tools, such as guarantee funds, entrepreneurship education and initiatives to boost competitiveness are other examples. Two current examples can be mentioned where a country or entity clearly falls behind and will be moved onward through the pressure of the regional group. In Albania, the company registration system has now fallen behind the group and the new Albanian

government is making the modernisation of company registration a prime target for 2006. Montenegro is behind the group where the development of sophisticated business support systems (incubators, clusters, technology parks) is concerned and has now put in place a strategy to address this;

- lastly, the Charter process provides all the partners in the region the opportunity to feel part of an overall European process.

The Commission goes on to state that countries in the region are increasingly interested in good practice, policy advice and technical assistance from EU Member States in the areas covered by the Charter. Both the CARDS and TACIS programmes can be useful instruments to provide support to implementation of the targets set under the Charter process, subject to the regular planning procedures of both programmes. The Taiex/Twinning instruments can also be useful instruments.

The national co-ordinators of the Charter often need to rely on ad-hoc contributions for the Charter report from other ministries and stakeholders. A true “mainstreaming” of the Charter within the whole of the national administration is not yet sufficiently accomplished. Some coordinators are attempting to set up permanent multi-stakeholder working groups for the Charter and all countries and entities are advised to follow such examples.

A similar partnership challenge is faced outside of the Government administrations, in particular with regard to the business community on the one hand, and the donor community on the other. Both should be more closely involved in the annual Charter cycles – the business community in spelling out the needs of the SME sector, and the donor community in the design of support programmes to address these. The European Charter for Small Enterprises presents a very good opportunity to engage in a broader consultation with stakeholders and to provide more coherence in policy formulation and donor programme delivery. This challenge is not yet fully met.

In general, one can carefully conclude that Croatia and Serbia are currently leading the regional group in addressing the broad sweep of Charter areas in a systematic way, putting both policy strategies in place, replacing and renewing legislation and regulation and developing specific technical support mechanisms. The quality of managing the process (bilateral meetings and national reports) is also very good in both countries, perhaps in Serbia systematically so and in Croatia increasingly so. One would have expected the former Yugoslav Republic of Macedonia to be in this lead group, but slow progress of reform over the last three years in areas such as company registration, regulatory impact assessments, guarantee funds and others, would justify a place just behind the two leaders. The quality of the reports and the bilateral meetings is systematically very good.

A middle group is led by Montenegro and includes Albania and Moldova, which are countries with, on the substance, clear strengths in some areas but also clear weaknesses in others. The quality of reports and the bilateral meetings has, from the start, been good. Bilateral meetings and the process of contributing to the reporting exercise has increasingly become more inclusive in Albania and Moldova. In Montenegro, the small size of the country means that a relative small group of principal stakeholders can be seen to contribute to the process, but a push to widen the circle of contributors may be warranted.

Kosovo and Bosnia and Herzegovina remain problematic in the Charter process. In Kosovo the financial and organisational possibilities remain limited due to the political situation in the area. At the same time, Kosovo is amongst the staunchest supporters of the process and the bilateral meeting is characterised as a very large and inclusive process. The disappointing progress in Bosnia and Herzegovina is explained by its specific political situation, where the two constitutional entities and Brčko are the prime movers in SME policies and the national co-ordinator acts as liaison officer to the

Commission, without any real policy instruments at his own disposal. The competencies of the national state in this field are insignificant and, to a large extent, frozen in the political process.

Overall, the process has been introduced and implemented in a very smooth manner and progress is clearly noted in a number of areas. By adopting the Belgrade Declaration in October 2005, the region has indicated a wish to continue this process. The European Commission has confirmed its intention to continue the process as the appropriate policy response to the Declaration and the success of the European Charter for Small Enterprises in the last three years.