



Position Paper

September 2013

Ideas for a new policy following the five-year anniversary of the SBA

1. What should be the key message and the structure of the new SME policy?

a. Should the focus be put on measures which help SMEs to grow and create employment?

The real issue that the EU is currently facing is very high unemployment – especially among the young people – and very low growth.

Statistics show that the EU is not short of SMEs since its number remained relatively high over the past five years (i.e. 20.7 million SMEs accounting for more than 98% of all enterprises). Yet, the EU accounts a majority of start-ups and micro-enterprises (92.2%) but sorely lacks companies that are likely to grow in the next ten to fifteen years after their creation, placing on the market new products, exporting and creating jobs. Not surprisingly, the total employment in the EU's SMEs dropped from 88,3 million to less than 86 million between 2008-2012 and the total output generated by SMEs declined from some €3,6 trillion to less than 3,4 trillion over the same period.

Against this background, it is imperative to put in place a coordinated action at EU and member states levels to stimulate SMEs' growth in Europe by notably strengthening innovation and facilitating access to new markets. For both of these areas, it is necessary to provide adequate funding (more or less long term), ensure access to skilled workers and have less and simplified procedures to facilitate economic activity.

While more needs to be done to create the conditions for businesses to develop and create jobs, the "time to market" for policy on SMEs should also be improved. The 21st century global economy is fast moving, so businesses have to reduce the "time to market" for their products and services in order to capitalise on opportunities. Policy making must keep pace with the economy: the 'time to market' of policy remains slow and there is often a huge gap between adopting and implementing policy. We have a Late Payment Directive that obliges public administrations to pay bills in 30 days, but in Italy it still takes 170 days. We have an objective to reduce business start-up time to three days, but in 2012 it was still taking 5.4 days. Until this delivery deficit is tackled, progress towards making Europe a more SME friendly place will remain slow. This is also true for the EU programmes. Providing funds is one thing but ensuring the efficient take-up of the money so that SMEs actually benefit from it is essential.

b. The SBA 2008 included 10 principles and actions to implement them. The review of 2011 selected four priority areas (access to finance, access to markets, smart regulation/cutting red tape and entrepreneurship) and introduced a new governance system. What should be the structure of the new SME policy?

The SBA with its 10 principles and actions should not be changed as it provides a comprehensive framework for SME Policy for the EU and the member states, covering the whole SME life-cycle and touching upon many, although not all (e.g. labour law), of the main problems identified by SMEs.

The four priority areas identified in 2011 should remain top on the agenda as SMEs continue to suffer from the financial and economic crisis and an upturn is still not in view. Considering the urgency to tackle the high - especially youth - unemployment rate, a fifth pillar should be added covering the issue of skills.

Even with escalating levels of unemployment, some companies find it impossible to recruit staff with the right skills set. Apprenticeship schemes have helped address this problem in some member states, the 'dual system' in Germany and Austria being a prime example. This framework in particular facilitates the participation of SMEs in apprenticeship schemes. EUROCHAMBRES calls for similar vocational education & training (VET) schemes to be established across the EU, based on a combination of classroom and work-based learning and on a strong partnership between education providers and businesses. This process can be accelerated through cross-border VET capacity building schemes between officials, teachers, trainers, Chambers and companies.

2. Should we continue and reinforce the existing priorities?

a. Communicating and disseminating information on SME policy

SMEs are most of the time not aware of the origin (EU or not) of the national measures that apply to them as illustrated by the consultation on the top 10 most burdensome legislative acts for SMEs. Furthermore, experience within the Chamber network shows that the most relevant and efficient promotion towards SMEs needs to be done locally and nationally. EUROCHAMBRES therefore believes that, rather than investing a portion of the EU budget in communication activities towards SMEs, which rarely reach their target, it would be more efficient to entrust the national SME Envoys with the task to communicate on the SBA each time a measure designed to improve the business environment is transposed into national law (e.g. Late Payment Directive or simplifying VAT rules) and to promote the European financial instruments dedicated to SMEs which are implemented nationally via the local financial intermediaries. The role of the Commission should be to support the national/local communication campaigns by providing standard material which can be adapted according to the country specificities and needs.

The exchange of good practices among the member states, notably during the SME Envoy Network meetings and through the European Enterprise Promotion Awards, is a valuable tool to inspire change and build on successful measures developed in other countries. The Commission should continue to facilitate the identification and sharing of experience as well as the promotion and reward of successful national, regional or local initiatives.

More benchmarking exercises among member states should also be undertaken to improve performance such as the comparison of national scoreboards or successful transposition of EU legislation.

b. Better Regulation and administrative burden reduction

- **Do you agree that the simplification, burden reduction and application of the SME Test remain priorities?**

EUROCHAMBRES believes that the "Think Small First" principle must remain the leitmotif of the SME policy and the SME test, its flagship measure for its implementation.

Great efforts were made by the Commission to lighten the burden on SMEs over the past five years and the Commission must be congratulated for that. Yet, there are too many examples of Impact Assessments (IA) that have not adequately assessed the impact of proposed changes on SMEs; this often results in new rules that bring disproportionate and unnecessary burdens on those very businesses that are seeking to grow and create new jobs. EUROCHAMBRES believes that the following could improve the process and lead to better quality SME tests:

- A more systematic process for gathering data on SMEs: quantification is key when the magnitude of the impact on SMEs is to be documented. There is, however, a clear lack of statistical data on SMEs, which does not allow for sophisticated assessment of the impact and is the most significant barrier to good quality and evidence-based evaluation. This is detrimental to the decision-making process, which as a consequence too often remains based on partial information. EUROCHAMBRES recommends the following actions to improve the gathering of data:
 - The Commission should propose a uniform methodology for gathering data on SMEs from national sources without generating too high administrative efforts.
 - Publishing draft impact assessments would encourage national government departments, statistical offices and relevant organisations to provide the data that is lacking or correct inaccurate data.
- More transparency by making it compulsory to present the results of the SME test through the use of a standard template to be annexed to the IA report to prove that it was performed. Reasons for not conducting a full SME test should be clearly stipulated and justified.
- Improved monitoring:
 - The powers of the Impact Assessment Board (IAB) should be enhanced to ensure that no proposal proceeds to inter service consultation unless the IA has been approved.
 - The IAB should not be able to approve an IA unless it includes an SME test. A full analysis of the potential impact on SMEs of draft proposals will provide officials with greater evidence when it comes to determining whether an exemption is appropriate or not.

The follow-up of the top 10 most burdensome legislation for SMEs is another priority area for action. SMEs and their representatives massively contributed to this consultation and expect to see noticeable and quick changes. The top 10 legislative measures identified by SMEs as hindering the most their activities should be treated as a matter of priority by the EU Institutions with changes adopted before the end of the Commission and Parliament mandates in 2014. This requires that the co-legislators and Member States join the efforts.

➤ **What can the Commission do to assist Member States to better integrate the "Think Small First" principle as part of national law and policy making procedures?**

The Commission should use its existing tools, notably its country-specific recommendations as part of the European Semester, to assist the member states to further drive their SME policy using the results of the SBA fact-sheets.

In order to move the implementation of the SME test forward across the EU, EUROCHAMBRES recommends the Commission to develop a uniform methodology to assess the impact of new legislation on SMEs. This would enable cross-country comparisons to be made, while leaving the freedom to the EU countries to apply their own method for the SME test. Still, the member states should keep the promise made in September 2011 at the SME Envoy Network meeting to introduce a specific SME test before any legislation is adopted.

Better integrating the "Think Small First" principle in public administrations requires educating civil servants to entrepreneurship. Public administrators have little or no knowledge about the functioning of a

company, its environment, needs and concerns. Raising their awareness of the business practices would certainly contribute to an overall improvement of policy-making and lead to efficient and innovative administrations. The Commission should encourage the member states to launch initiatives aimed at bringing closer civil servants and entrepreneurs. “Entrepreneurship education in public administration” could be the topic of a SME Envoy network meeting with the Commission taking the lead and presenting its “Enterprise Experience Programme”.

c. Facilitating access to finance

➤ Do you agree that access to finance should remain a priority?

In the light of the enduring nature of the economic downturn and the risk-averse attitude of banks and private investors, entrepreneurs struggle to build up their financing. Access to finance must remain a priority so as to help European start-ups to get off the ground and develop themselves into long-term profitable companies, to help SMEs continue to run their operations or invest in new projects (i.e. development/improvement of products and services, reaching out new markets, etc...) and also to attract non-EU companies to establish in Europe.

While substantial efforts are being made to increase the capital available for lending to SMEs, special attention should also be paid to increasing the efficiency of the allocation of public funds by:

- Investing public money into joint financial instruments such as the European Guarantee Platform promoted by EUROCHAMBRES or other risk sharing instruments¹. These financial resources would be combined with the European Investment Bank, European Investment Fund and EU funds allowing for better allocation of public money, higher leverage and multiplier effect and greater coverage of businesses that are claimed to be non-bankable under current conditions.
- Integrating better the European financial instruments into the national systems to streamline the whole process and ensure coherence and continuity between European funds and national financial intermediaries.

Furthermore, ensuring sufficient financial flows could be an alternative or a supplement to the provision of additional financing. By guaranteeing on-time payments and increasing the efficiency of public administrations, the member states could increase the efficiency of their spending instead of allocating public funds in sometimes unsustainable financial solutions. The European Commission and the member states should in this respect ensure proper transposition and swift implementation of the revised Late Payment Directive and the Directive on VAT invoicing.

Also, companies have to provide more and more information to the banks to get a loan due to the increasing risk management requirements banks have to deal with. The reduction of such administrative burden should be discussed.

Finally, more financial education and support for SMEs is needed. It is good to develop tools to facilitate SMEs' access to finance and to encourage the development of alternative sources of finance in Europe, but nothing will change if the SMEs are not aware of the various financial schemes and brilliant ideas may fall by the wayside or materialise in countries where the money is more readily available such as the US. Member states and the banking sector should work more closely with business organisations such as the Chambers of Commerce and Industry to inform SMEs and organise training sessions on the existing financial schemes. This should especially be the case for the availability of innovative financial instruments such as crowdfunding or peer-to-peer lending. The Enterprise Europe Network is also well placed to provide information, advice and support on European funding opportunities and financial instruments.

¹ EUROCHAMBRES advocates the establishment of a permanent European Guarantee Fund (EGF) for loans and equity. The new fund, which could be managed by the EIF combining public and private funding, would provide both counter-guarantees to existing guarantee institutions/funds at national level – thus enhancing leverage and multiplier effects - and also plug the gap in those countries where guarantee systems do not yet exist.

- **Do you agree that the Commission should explore ways of encouraging the development of alternative sources of SME finance, such as crowdfunding, peer-to-peer lending, supply chain financing or trade finance, by identifying and eliminating regulatory obstacles?**

EUROCHAMBRES believes that the Commission should continue to work on ways of encouraging new and innovative methods of financing by identifying and eliminating regulatory obstacles to their development. Especially crowdfunding has produced a great number of success stories over the past years but is difficult to implement in some countries due to regulatory constraints such as the requirement of special business licences or specific approval by the local financial market supervision authority. These obstacles make it difficult and costly to set up a crowdfunding website. Also issues related to investor protection have to be sufficiently addressed where necessary. The Prospectus Directive and possibly also the Banking Directives might be subject to a review given their impact on crowdfunding.

European companies should have the choice between different methods of finance. They should be encouraged to develop their financial knowledge and look for alternatives. Current financial intermediaries provide instruments of varied risk. It is crucial to make entrepreneurs aware of both the threats and opportunities of the different types of financing in a reliable and understandable way. The Commission should clearly encourage and even require that the different actors active in the alternative financing field comply with a strict code of ethics. It is the Commission's role to encourage best practice exchange amongst actors in the different alternative financing sectors. The pan-European federations are the ideal partner for these topics for the Commission. This will, in the long run, protect the entrepreneur, who very often is an expert in his field but not necessarily in business or finance.

d. Promoting SMEs' access to international markets

- **Do you agree that the Commission should continue disseminating and promoting information about the most effective measures supporting SMEs internationalisation based on its interaction with Member States?**

Sharing information on best practise is always useful. However what is more urgent is to develop a single and coherent internationalisation strategy at European level. This requires better governance – who is responsible for what? – and better communication between all the stakeholders concerned: both public and private sector, both EU and member state level, both inside the EU and in the target markets.

The SME Internationalisation Platform (not to confuse with the internationalisation portal), to be launched in 2014, could be the vehicle to develop and coordinate such a strategy.

- **Do you agree that the Commission should further strengthen services offered by third country EEN partners and their interaction with European based EEN members?**

The interests of third country EEN partners do not necessarily coincide with our EU interests. We therefore recommend to “embed” third country EEN members within existing European structures wherever possible. A recent good example is the European Business and Technology Centre (EBTC) in India, which has become EEN affiliate, in partnership with local Indian organisations. Otherwise, the risk exists of creating/supporting networks in parallel such as in China where the EEN members (largely with CCPIT) co-exist next to the SME Centre.

EUROCHAMBRES' recommendations:

Actions at EU level should obviously be complementary to national and regional initiatives, and demonstrate to have a clear EU value added.

Taking this as a prerequisite, different types of actions can be developed. EUROCHAMBRES recommends to develop an “FTA+” agenda: focus on the practical implementation of FTAs which are

being concluded – make sure SMEs understand the opportunities from these agreements, develop specific action lines to exploit the potential of FTAs, monitor barriers which seem to persist.

Activities or programmes should also be equally balanced between the home base of SMEs and the target markets. Too many initiatives tend to develop activities in the third country, ignoring the need for training/preparation of the SMEs before actually entering these markets.

Geographically, many markets offer interesting opportunities and yet are challenging for SMEs to enter: China, Russia, Ukraine, Brazil, India, the Gulf countries...but also the US can be complex to enter. In the medium run, also certain African countries offer interesting opportunities. Rather than making a list, it is therefore more a matter of analysing for each of those markets which specific sectors offer more potential for EU SMEs, what are the existing instruments and support structures available, and what are the main obstacles to enter that market.

e. Entrepreneurship

- **Can we set targets and monitor progress in the areas of bankruptcy, second chance and transfer of business (for example, aim at limiting the failure rate by 80% after five years)?**

A) Bankruptcy and second chance

In Europe, bankruptcy is usually subject to a strict legislation which has often dramatic consequences on the entrepreneurs and which is not more favourable to the creditors as they rarely get their money back at the end of the procedure. This has significant consequences on the economy, notably the loss of employment, but also on entrepreneurship as many entrepreneurs do not start a business because they fear the consequences of going bankrupt.

While setting up quantitative targets can ensure punctual and effective delivery in some areas as it has been witnessed to some extent with the “start-up time and cost” initiative, EUROCHAMBRES believes that limiting the failure rate by 80% after five years is not suitable for two main reasons:

- There will always be a percentage of companies closing down as success in business is never automatic and failure is a part of the dynamics of a healthy economy;
- This percentage can fluctuate according to the economic situation and other external or out of control circumstances.

EUROCHAMBRES recommends putting efforts in supporting entrepreneurs dealing with financial distress and insolvency problems, improving and modernising bankruptcy procedures and promoting a second chance.

1. Prevention

Prevention is an essential element in the fight against bankruptcy, and that, from the very beginning of the business creation. EUROCHAMBRES recommends the following measures:

- Develop a set of common indicators to facilitate early identification of companies in difficulty;
- Set up effective early-warning systems and support mechanisms to help financially distressed enterprises: a wide range of issues can lead a business to bankruptcy (e.g. conflicts between partners, business conflicts, cash-flow issues, legal problems, personal issues, etc...) and spotting early warning signs of trouble can help the company getting back on track. EUROCHAMBRES recommends in this respect the set-up of a European pilot project aimed at offering mentoring to entrepreneurs dealing with financial distress. A team of specialised advisers (accountants, lawyers, retired/experienced entrepreneurs, etc...) would help the entrepreneur facing problems to assess the situation, identify solutions and provide tailored coaching sessions to overcome the difficulties.

2. Improving and modernizing bankruptcy procedures

Differences in national insolvency laws create problems for companies operating in the Single Market and DG Justice recently opened a consultation “to determine in which areas of insolvency law there is a specific need for Union action and what would be the most suitable course of such action”. In this respect, EUROCHAMBRES supports among others the following measures:

- Promotion of the access to pre-insolvency or hybrid proceedings (e.g. appointment of a mediator, out-of-court agreement, reorganisation proceedings, etc...) and recognition of their effects throughout the EU;
- Agreement on common proceedings (i.e. judicial/out-of court/hybrid and pre-insolvency proceedings, fast track procedures) to avoid “forum shopping” and competitive disadvantages for companies settled in certain EU countries.
- Setting-up common timeframes and deadlines along with legal conditions under which debtors/creditors can commence/participate in out-of-courts/restructuring plans/pre-insolvency and insolvency proceedings.
- Ensuring that, especially with regard to cross-border cases, creditors can be informed about the commencement of the insolvency proceedings involving one or more of their debtors and about the terms for their full participation to the procedure (i.e. failure to meet provided national time limits, knowledge about procedural rules, no public information available about the opened insolvency proceeding, etc.)
- Development of uniform insolvency tests.

3. Promoting a second chance

More support should be provided to bankrupt entrepreneurs to help them to become re-starters whilst providing for effective mechanisms to prevent that all financial risks are transferred solely to the entrepreneurs’ creditors and to avoid that moral hazard is encouraged. To achieve progress in this area, EUROCHAMBRES recommends taking the following actions:

- Limitation of the time to discharge and length of insolvency proceedings
- Setup of effective mechanisms to identify and differentiate between honest and dishonest bankruptcies, with separate fast-track proceedings for the honest ones;
- Establishment of flexible out-of court fast procedures for honest entrepreneurs and SMEs (procedures should include the greatest number of creditors whilst preserving the public credibility of concerned entrepreneur).
- Ensure that entrepreneurs willing to restart a new business following a bankruptcy can easily access to finance with no restrictions on future trade.

B) Transfer of business

There is a strong case for accelerating progress in the area of business transfer with an estimated 690,000 businesses providing 2.8 million jobs which are facing the problem of transfer to a new owner each year. To do so, EUROCHAMBRES believes that the problem needs to be tackled from a larger and longer-term perspective covering not only the transfer phase but the business transition process as a whole.

To facilitate the transfer of businesses, European countries have put in place various measures, essentially geared towards providing support upstream of transactions (e.g. ensuring transfer-friendly tax systems, providing adequate financial conditions, raising awareness, developing markets for business transfers, etc...). That being said, the challenges involved in transfers and takeovers do not end with the signing of the sales deed, and a large number of such transactions still fail as illustrated by the 2011 Commission study on Business Dynamics, which concludes that “Europe is losing approximately 150,000 firms representing 600,000 jobs a year due exclusively to inefficiencies in business transfers”.

According to EUROCHAMBRES, ensuring the sustainability of the businesses transferred is key to make progress in this area. This requires taking actions throughout the business transition process, from the awareness planning until the post-transfer. More should be done in particular regarding the post takeover phase with a look at the competitiveness of the company in order to reduce the number of failed business transfers. EUROCHAMBRES recommends that the Commission Expert Group on Transfers of Businesses set up this year addresses the business transition challenge.

At the same time, the focus should be put on supporting ageing sectors or industry clusters which risk disappearing because of a lack of takeovers such as in the transport and construction sectors. Here again, the Commission Expert Group should look into the issue and EU funded pilot projects should be launched in this area.

C) Entrepreneurship education

An important element in fostering entrepreneurship is awareness raising and education towards it. Entrepreneurship education has to become a key skill taught at all level of education, with a special focus on practical elements and hands-on approaches such as developing business projects in schools. The policy guidance on entrepreneurship education to be published by the end of 2013 should focus on existing best practices and how to develop them across the EU. We strongly support the demand of the Entrepreneurship 2020 action plan to embed the competence 'entrepreneurship' into curricula of all education and training levels before the end of 2015. Monitoring on should take place on a regular basis, accompanied by awareness raising campaigns and training for teachers of all education levels.

f. Green action plan for SMEs

➤ Do you agree that green markets are an opportunity, not a threat for SMEs?

EUROCHAMBRES firmly believes that the transformation towards a more sustainable and greener economy can be turned into new opportunities for SMEs in Europe. However, while seeking ways for achieving ambitious resource efficiency targets, we have to take care not to adversely affect the competitiveness of the European economy and to overburden SMEs with new regulations and instruments. Therefore, in general, EUROCHAMBRES believes that a green economy has to be achieved by voluntary initiatives, rather than by mandatory requirements and market interventions, which would lead to new financial and administrative burdens.

Thus, the Commission should mainly concentrate on providing information and support for SMEs, but exercise caution when addressing price and market affecting measures.

➤ What measures could be proposed to help SMEs to reap the benefits of the green economy?

The EU still lacks a favourable environment for enhanced innovation activities and entrepreneurship. Joint efforts by businesses with research institutes and member states through innovation partnerships and technology initiatives are important elements to promote R&D activities on Resource Efficiency for aspects such as: waste management, profitable reuse of scarce resources, substitutability of key resources, product and services design etc. Apart from that, the access to funding programmes has to be facilitated. Bureaucracy is still one of the main obstacles which hampers innovation.

Furthermore, it is of crucial importance to move towards a fully functioning circular economy in which waste is promoted as a valuable key resource. Applying a life-cycle approach is considered useful in this respect. In particular, we have to secure and recycle critical raw materials which are not available in Europe. However, minimum thresholds for the recycling and recovery of materials for new products must be assessed very critically. In many cases recycled materials do not have the required quality and thus,

cannot serve as an adequate substitute. Therefore, businesses should be allowed to decide freely where the use of recycled materials is most meaningful.

As many SMEs face global competition, the EU should also make further efforts to promote concerted, global action to tackle issues of emissions and resource depletion. The aim must be to achieve a level-playing-field for EU businesses as soon as possible. The global competitiveness of all sectors affected also has to be taken into account in the context of phasing-out subsidies which negatively affect the environment. Thus, for those business sectors which are most heavily concerned, proper compensatory measures (e.g. tax breaks) should be developed.

Finally, resource Efficiency gains could be reduced or even outweighed by the rebound effect. If consumers buy new highly efficient products, but at the same time still keep using the old appliance, their behaviour does not lead to overall savings in resource consumption. This illustrates that efficiency gains cannot be achieved by merely imposing ever-stricter product standards, but require social acceptance, which can only be attained by consumer information and awareness raising.

Measures not to pursue:

EUROCHAMBRES strongly opposes any initiative which would integrate general sustainability policy targets in mandatory procurement rules, as they could lead to discrimination against small and medium enterprises. SMEs often cannot afford complex and costly external and internal audit systems or certification measures.

EUROCHAMBRES also firmly opposes new taxes on resources. Additional burdens induce the risk to slow down the economic recovery and to adversely affect the global competitiveness of all EU business sectors. Moreover, as confirmed by the Commission's taxation working paper 32-2012, in many cases environmental taxation, especially if imposed on energy products, tends to be regressive. Therefore, in particular energy-intensive SMEs would suffer from additional tax burdens.

As opposed to a reasonable voluntary approach, EUROCHAMBRES strongly rejects the introduction of a mandatory environmental footprint schemes. Especially small and micro-enterprises would be unable to bear the costs and handle the administrative burdens which arise from the implementation of mandatory PEF/OEF schemes.

In general, before creating new and/or strengthening current requirements, it is crucial to focus on the implementation of existing standards and to give priority to the unification of standards among member states. (e.g. harmonized implementation and enforcement of existing EU waste legislation; full achievement of the first two steps of the eco-design directive before launching the third step).

3. What new policy initiatives should we include?

a. Help SMEs to increase employment

- **The Commission could propose incentives to SMEs to create at least one new job which would be covered by a young or long-term unemployed person through better use of existing mechanisms (e.g. European Social Fund). Do you agree with such an initiative?**

EUROCHAMBRES strongly supports a better use of the existing European schemes (i.e. ESF, Globalisation Adjustment Fund, Youth Guarantee and Erasmus for Young Entrepreneurs, KICs) so as to ensure coherence, continuity and synergies between them and the national/local initiatives. For instance, the ESF and Youth Guarantee could be used to leverage additional resources apart from those allocated by COSME to the Erasmus for Young Entrepreneurs programme in the fight against youth unemployment. Similarly, the ESF could support national short-term measures providing administrative and financial

support for companies hiring young or long-term unemployed persons such as the “emplois d’avenir” and “contrats de generation” in France. The objective should be to create synergies and leverage additional resources for existing European, national or local actions.

Nevertheless, it is only a short-term solution and companies can hire new staff in times of growth, when the development of the enterprise permits expansion. Efforts should therefore focus on the roots of the high unemployment, notably ensuring simple and non-bureaucratic hiring procedures and equipping young people with the needed skills on the market.

Labour markets are often still too rigid. If national labour laws provide for high employment protection, SMEs are more reluctant to employ people on the basis of a permanent labour contract. Labour market reforms therefore need to be put on the agenda in order to stimulate employment creation. In addition, efforts in cutting red tape need to be continued, notably ensuring more flexibility for sole-traders to hire their first employee.

The skills mismatch in Europe affects the ability to recruit skilled workers in many sectors. As a result, more and more large companies set up their own training programmes to get young workers with the needed skills. Smaller companies do not have the necessary resources to invest in a highly specialised recruitment service or to set up their own training programmes. Hence, investing in education and vocational training must be a key priority to combat unemployment and help SMEs to maintain or develop their activity (see details below).

➤ **The Commission would take action to help SMEs find skilled workforce, e.g. through a better use of the existing EU instruments such as EURES as indicated by the European Council on 28 June. How could Member States support this?**

As already outlined in the Youth Employment Initiative communication, the reform of EURES and national public employment services could improve the matchmaking between employers and skilled workers. For instance, EURES should be better connected with the national employment agencies in order to take into account the local constraints of every single national job market. Furthermore, the member states and the Commission should play an active role in facilitating and encouraging the cross-border mobility of workers. The current negotiation on the Professional Qualification Directive – the mutual recognition of diplomas - has the potential of facilitating the mobility of workers in the EU. Furthermore, member states need to continue working on common qualifications and standards in the field of VET and HE, as already initiated with the Bologna and Copenhagen processes.

Further EUROCHAMBRES’ recommendations:

- Even with escalating levels of unemployment, some companies find it impossible to recruit staff with the right skills set. Apprenticeship schemes have helped address this problem in some member states, the ‘dual system’ in Germany and Austria being a prime example. This framework in particular facilitates the participation of SMEs in apprenticeship schemes. Robust vocational education and training (VET) schemes should be established across the EU, based on a combination of classroom and work-based learning and on a strong partnership between education providers and businesses. The ESF can be a tool to encourage SMEs to actively engage in the education & training cycle, for example via financial and administrative support then when taking an apprentice.
- Becoming an entrepreneur is sometimes a viable and positive alternative to finding job – if qualified help and training is provided. Therefore, promoting entrepreneurship and a “start-up spirit” should be a priority for all age groups. Entrepreneurship education should start from a very early age and should be an important element in secondary and tertiary education. Once out of full-time education & training systems, initiatives such as Erasmus for Young Entrepreneurs can encourage people to start their own company. Mentoring programmes and twinning help junior and senior entrepreneurs to develop their business idea. On a local and regional level, those initiatives have already received successful support from the ESF.

- Ideally, we should not focus on measures for long-term unemployed people, but endeavour to keep people in employment through continuing vocational education & training (CVET). The Commission Communication “Rethinking Education” illustrates that many countries have developed interesting tools in cooperation with enterprises to establish CVET. It is important to involve employers in the development of CVET systems from the very beginning on and to regularly consult on their efficiency and usability.

b. Create incentives for SMEs to grow

- **Do you deem it necessary to evaluate how the Internal Market has worked for SMEs up until now, identify potential existing barriers (e.g. lack of harmonisation, delays in e-single market, “gold-plating”, and bad quality of transposition of EU legislation) propose policy measures accordingly?**

Over the past five years, the EU has been particularly productive with the adoption of a very large number of proposals as highlighted in the Single Market Act I & II.

EUROCHAMBRES believes that substantial gains in the development of the Internal Market can be achieved through consistent and uniform application and proper enforcement of existing internal market legislation. In this respect, the enforcement of the Single Market rules should be part of the European Semester and the country specific recommendations. As “less is more”, the Commission’s resources should be focused towards implementation, compliance, avoiding future gold plating and encouraging smarter regulation.

EUROCHAMBRES encourages a transparent, constructive and result-orientated debate on the choice of regulatory instruments (whether a Directive or Regulation) to suit each specific situation best and in order to ensure more coherent rules in the Single Market. Prior to this of course, EUROCHAMBRES expects the Commission to consider systematically the merits of non-regulatory policy instruments

In policy areas where there is no EU harmonization, the mutual recognition principle is a main driver for facilitating market access in other member states. This guarantees compliance with the principle of subsidiarity by avoiding the creation of detailed rules at EU level and makes it possible to maintain the diversity of products and services. It is thus a pragmatic and powerful tool for economic integration. The enforcement of the mutual recognition principle and reinforced market surveillance should be given more attention. In particular, discriminatory national norms and standards as well as language requirements must be abolished.

Further EUROCHAMBRES’ recommendations:

The Commission should concentrate on the practical difficulties generated by the poor implementation of European legislation. Infringement procedures should be accelerated at European level. Many SMEs are disappointed by the lengthy procedures and the slow progress of their cases. The Late Payment Directive provides a telling example: six months on from the deadline for transposition of the revised directive (i.e. 16 March 2013), two member states have failed to do so and data suggests that all but two of them still do not meet the 30 day limit for the settlement of public administrations’ invoices. This is a glaring case of delivery deficit.

As a concrete measure, there should be a strong follow-up of unresolved SOLVIT cases which identify conflicts with EU law. EUROCHAMBRES proposes that the Commission initiates an accelerated infringement procedure if an unresolved but well-founded SOLVIT complaint reveals a prima facie breach of Community law. The Communication “Better Governance for the Single Market” rightly mentions the link between infringement procedures and SOLVIT. However, EUROCHAMBRES considers that all complaint procedures should be handled within one year by the Commission and not within 18 months, as proposed in the Governance Communication.

- **Do you agree with the need to support SMEs towards building new value chains and industrial diversification, e.g. by providing incentives for cross-sectoral cooperation amongst SMEs through cluster animated projects to unlock further growth potential?**

Especially in times of crisis industrial diversification can increase the chance of returns and helps to minimize the potential for failure or loss. Thus, cross-sectoral cooperation is important. A modern and innovative cluster policy has to be based on the needs of companies and should involve research institutes of different sizes.

4. How can we improve governance?

- **Would you agree to prioritise the work of the network of SME Envoys, e.g. by selecting 1-3 priorities (for example by using the TOP10 results) per year to be discussed at the Envoys' meetings and to set up targets and monitor progress regularly?**

EUROCHAMBRES strongly supports the establishment of the SME Envoy Network as it provides more visibility for SME issues at national level and allows for an exchange of views and practices on the implementation of the SBA measures. However, progress is patchy and the work of the SME Envoy Network would benefit from a greater prioritisation of the agenda. In 2013, the agenda ranged from access to finance, to smart regulation, standards, internationalisation, clusters, skills, green economy, etc... A much shorter list of priorities, or maybe even just one annual theme, should be agreed starting from next year. In addition, presentations from the Commission should be restricted to the minimum in order to allow a greater time for discussion and the sharing of experience and views among the national SME Envoys.

Furthermore, it is an on-going source of concern that there is little consistency between the topics discussed by the SME Envoy Network and those on the agenda of the Competitiveness Council given that SMEs are rightly considered by many to be the main source of EU competitiveness. We understand that a High Level Group on Competitiveness and Growth has been in place within the Council for some time. While it has apparently had little impact to date, this strikes us as a potential route to ensure that the issues and outcomes from the SME Envoy Network meeting feed into the Council discussions. EUROCHAMBRES also advocates dedicating one Competitiveness Council meeting per year on SME policy exclusively, involving the SME Envoy Network. The "Think Small First" principle must also be applied to the Competitiveness Council.

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EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 93% of which are SMEs – through members in 44 countries and a European network of 2000 regional and local Chambers.

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