Delegations will find attached an information note from the Commission on the Small Business Act for Europe (SBA).
Information note on the Small Business Act for Europe (SBA)

Introduction

The SBA was adopted in June 2008 by the Commission to fully unlock the potential of SMEs since they are the main guarantors of job creation and innovation in the EU. At the moment of its adoption by the Council the European economy was already hit by the current crisis. As an immediate crisis response the Council therefore highlighted the need to swiftly implement several measures foreseen in the SBA. The European Economic Recovery Plan (EERP) also underlined this crucial point.

It is therefore of particular importance to put priority on the application of the "Think Small First" principle by the EU as well as by all public authorities at all levels in Member States. Otherwise there is a clear risk that the concerns of millions of small enterprises who provide for the lion's share of jobs in the EU and are now struggling for survival are not sufficiently being taken up and that policy might be tempted to focus primarily on big businesses in difficulties.

To follow up the implementation of the SBA, notably its Action Plan, the Commission proposed a regular exchange of views at the Competitiveness Council meetings on the progress achieved. It also offered close cooperation with the Member States to join forces and exchange best practices.

This note sets out the main developments in the implementation of the SBA both in the Member States and at the EU level.

The Commission is committed to the implementation of the SBA

There is good progress in implementing the legislative and policy proposals of the SBA. Specific attention has been paid to speeding up the implementation in the three priority areas of the SBA Action Plan.
Improving access to finance

To loosen the supply of much needed credit, the European Investment Bank (EIB) lent €8.1 billion to SMEs in 2008, an increase of 60% compared with 2007. The aim is to lend €8 billion in 2009. It has also reinforced by €1 billion a year its lending to mid-sized corporations and provided an additional €1 billion for a mezzanine finance facility.

The Commission speeded up its State aid decision-making and temporarily authorised Member States to ease access to finance for companies through subsidised guarantees and loan subsidies for investments in products going beyond EU environmental standards.

The EU has also speeded up the implementation of the financial instruments of the Competitiveness and Innovation Programme (CIP) and has streamlined the approval procedures. So far there have been 15 approved deals with venture capital funds worth of €173 million, and 17 approved deals with guarantee institutions with cap amounts totalling €116 million.

Improving the cash flow of European business is a particularly important issue, but it becomes crucial, notably for SMEs, in times of economic downturn. As flagged in the SBA, the Commission tabled a proposal to amend the Directive on late payments (EC/2000/35) to make sure that - as a rule - public authorities lead by example and pay their bills within 30 days, while foreseeing financial penalties to achieve this target. In parallel, the Commission commits itself to speed up payment of goods and services so to fully respect the targets for paying bills and, in a number of cases, even shortening payment times to under the current legal period. It will be implemented in October 2009.

A regulatory environment supportive of SMEs' needs

Applying the "Think Small First" principle when preparing laws and policies is a cornerstone of the new framework. This is important at all levels, EU, national, regional and even in municipalities. The Commission has revised its State aid rules to encourage Member States to direct more support for SMEs in key areas, such as training, R&D and environmental protection and to overcome the current focus on large businesses.
The agreement by the Member States to allow for the application of reduced VAT rates for locally supplied services, including labour intensive services, such as hairdressing, catering and repair will further stimulate economic activity and create jobs, and the Commission warmly welcomes this decision.

In the area of better regulation, the Commission has tabled some important legislative initiatives. It adopted a proposal for revising the VAT Directive to remove barriers to electronic invoicing with cost-saving potential of €18 billion in the mid-term.

The Commission also came forward in February with the proposal to allow Member States to adopt less burdensome accounting requirements for micro businesses (fulfilling its commitment in the SBA Action Plan). It has the capacity to reduce the burden by up to €6 billion. The Commission encourages Member States to reach an agreement as soon as possible to allow Member States who wish to take advantage of this opportunity to do so.

Furthermore the Commission will carefully assess the likely burdens of any new legislative proposal, notably for SMEs. As part of the Commission's revised guidelines on impact assessments, an "SME test" is now required when evaluating the impacts of forthcoming legislative and policy proposals on businesses.

Finally, in order to assist businesses to plan for new measures and to implement them more effectively, the Commission is launching a pilot project consisting of publishing Commission autonomous acts on two dates a year only ("Common Commencement Dates" - CCDs) in a limited number of internal market legislation such as automotive industry, chemicals and cosmetics.

*Enhancing market access for SMEs*

The Commission has taken further action to help SMEs to better take advantage of the opportunities of the Single Market, including public procurement, as well as access to third country markets.

The Commission invites Member States to pursue their efforts to facilitate SMEs' access to public procurement markets. The established Code of Best Practices can be a tool to further simplify the procurement procedures, e.g. by making use of e-procurement.
To stimulate cross-border operations with the Single Market, the Commission and the Member States have jointly decided to lower further the fees for EU-wide trade mark rights by 40% and to simplify the registration procedure, starting from 1 May. This measure makes trade mark protection much cheaper and easier to obtain for businesses operating in the EU single market, with an estimate potential saving to business of some €60 million a year.

An early agreement on the statute for a European Private Company would also considerably facilitate the cross-border trade by allowing SMEs to set up their company in the same form, no matter if they do business in their own Member State or in another. Therefore the Commission calls upon Member States to treat this proposal with priority.

Good progress has been also made in setting up European Business Centres in countries with fast-growing economies. The activities of the India Centre started in November 2008 and for China, the centre will open in the second half of 2009. The Commission has also held a High Level Stakeholder Conference to discuss how to improve existing tool and which new initiatives could be launched to better help SMEs to do business abroad.

The Member States are making significant progress in the implementation of the SBA's priority measures

The Member States made a political commitment at the December 2008 Competitiveness Council to implement the SBA in its entirety, including the 10 key principles and the policy actions, translating them into practice. Following the EERP and the European Council in December 2008, short-term measures to mitigate the effects of the economic crisis have been given priority. It is too early to have a complete overview of the measures taken to implement the SBA Action Plan in the Member States, however it is clear that Member States are committed to effectively implement the SBA. Internal follow-up mechanisms to monitor the state of play of the different measures have been set-up (FR) and the SBA has been formally endorsed by national institutions (EL, IT). Also some regions in the EU have adopted the SBA to anchor its principles at regional level administration as well as some third countries. The challenge is that the local and regional level in Member States will also have to take ownership of the SBA.
Improving access to finance

A lot of measures are concentrating on supporting SMEs' access to finance. New actions (EL, ES, FR, UK) and additional funds for existing measures (DE, ES, FR) have been taken or are planned in several countries. In addition to the existing schemes to support start-ups or innovative firms, temporary measures have been or will be launched, in accordance with existing State aid rules, to provide direct support to help SMEs overcome difficulties created by the economic crisis (LU, FI). New rules will introduce more flexibility in the use of funds by SMEs such as the temporary postponement of repayment of loans (ES) or the widening of eligible costs (EE). Finally, in few cases plans to tackle the problem of late payments have been announced and government commitments to significantly reduce the time needed for their payments are being implemented (example: the UK central government has committed to making all payments within 10 days).

A regulatory environment supportive of SMEs' needs

To improve the regulatory environment for SMEs, the Member States are increasingly integrating the "Think Small First" principle into their policy-making process by including the SME dimension in the impact assessment procedure and by improving relevant stakeholders' consultations. The challenge remains, however, to make the principle a reality also at regional and local level administrations which often have a big impact on the daily life of SMEs.

Several Member States are reviewing the impact assessment procedures to harmonise them and to include the SME dimension in them (for example, UK applies an "SME test" in all impact assessments and, since December, is publicly publishing what "special measures" it is taking to help mitigate impacts). Significant progress is registered in improving the start-up procedures: Member States have generally reduced the time and the costs needed to create a new company and are making efforts to reach the new target of three working days. In addition specific tools to facilitate the transfer of existing businesses will be implemented: match-making platforms (ES, FI), tax reductions (FR) and tailor-made financing support (LU). In times of crisis a well designed second chance policy should be considered in Member States.
Enhancing market access for SMEs

In several Member States, the existing programmes to promote market access are being strengthened with additional financial resources, in particular for the export credit funds providing guarantees to exporting companies (DK, EE, ES, FR, LU, FI). Many countries are also giving additional support to training, seminars or information web-sites to disseminate information on market opportunities and to improve the necessary skills of entrepreneurs and their staff. Last but not least, actions to make procurement markets more transparent and more accessible to SMEs are on-going (DE, LU, SL, FI).

Outlook

In the longer run Member States are invited to also address the longer-term measures included in the SBA. The Commission continues to monitor the SBA and the SBA Action plan in the framework of the Lisbon partnership for growth and jobs.