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Committee on Economic and Monetary Affairs

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2005/2123(INI)

OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on Industry, Research and Energy

on the Implementation of the European Charter for Small Enterprises
(2005/2123(INI))

Draftswoman: Katerina Batzeli

EXPLANATORY STATEMENT

The European Charter for Small Enterprises constitutes the "corner stone of policy for the SME in extended Europe". An in-depth discussion that better evaluates the European Charter will strengthen the implementation of policies in favour of small enterprises and will therefore support the efforts to reach the Lisbon Strategy objectives.

SMEs and the Lisbon Strategy

In the framework of the Lisbon strategy, which aims at boosting competitiveness in the EU, the role of SMEs has been particularly stressed. Those companies have low functional costs and high flexibility but on the other hand are more sensitive to changes in their environment, administrative burden and to the fragmentation of capital markets. For these reasons, focused interventions are required in order to create a friendlier environment for SMEs.

The Fifth annual report on the Small Enterprises Charter

The Rapporteur regrets that essential aspects of the environment of SMEs' are not covered in this report, especially at a time when the European Commission is launching a consultation on State aids, focused on SMEs and innovation, and when the Financial Services Action Plan is being completed. Input from the Commission on the special needs of SMEs would have been especially valuable.

Methodology

The Rapporteur believes that it is very important to create a friendlier environment for Small Enterprises so that the Lisbon Strategy objectives can be better served. This requires Community and national action. The Community action consists of tracking down and eliminating common problems, while national action includes tracking down of similar problems in each country.

A critical issue that remains is the need to clarify how much intervention is necessary at the European level. This clarification implies analyzing all the common problems of Small Enterprises in every Member State, leaving aside the more specific problems that emerge in each country and are due to the national environment.

SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. welcomes the Commission's initiative to withdraw one third of screened legislative proposals to ensure that the regulatory framework in which businesses operate is simple and of high quality; calls upon the Member States to support the Commission in this project with equivalent measures at national level; requests a more rigorous consideration of the principle of subsidiarity and a more systematic use of impact assessments and public consultation in the development of new policy proposals;
2. believes that tax and administration systems relating to the creation and the development of SMEs should be simplified, that tax obstacles to all forms of cross-border economic activity should be eliminated, as for instance through a common system of value added tax, and that the fight against illegal state aid in the form of harmful tax competition should continue; supports in particular the Commission proposal for the Pilot Scheme for Home State Taxation for Small and Medium Sized Enterprises providing a short-term solution for SMEs and supplementing the principal measure in the form of the Common Consolidated Corporate Tax Base (CCTB); urges Member States to reform and simplify their tax systems relating to the creation and the development of SMEs, to give incentives for innovative companies and to abolish disadvantages of equity financing by tax systems;
3. calls upon Member States that apply disadvantageous tax treatment regarding equity and retained earnings and favour debt finance, to take actions in order to ensure fiscal neutrality; underlines that special attention must be given to taxation favouring equity for research-based and innovative SMEs;
4. calls for not only tax relief for small- and medium-sized undertakings but also a reduction in bureaucratic obstacles, particularly in the launching phase;
5. focuses on the issue of delocalisation of companies, which transfer their activities to countries with lower working costs and other economic and financial facilities; stresses in particular the negative impact this phenomenon has on SMEs because of the negative impact on internal market competitiveness and on the efficiency of investment and capital; notes that small enterprises are less prone to delocalise than larger companies and seriously suffer as sub-contractors from the delocalisation of the ordering party;
6. underlines the need for speeding-up deep structural reforms in each Member State in order to strengthen SMEs competitiveness, to create favourable conditions for businesses especially for SMEs and to complete the creation of fully functioning internal market;
7. considers that open markets offer new business opportunities to small enterprises; therefore stresses the need to complete the internal market for services by removing obstacles and barriers in the provision of services;

8. asks for that reason for concrete policies and actions to increase investments at national and regional level; urges for suitable investment incentives for SMEs, such as simplified processes for the support of small investments via public development funds, venture capital funds (especially seed capital funds), business angel finance, investment by private individual (micro-angel) and micro-credit funds operating at the public-private partnership basis; encourages the pooling of resources and information concerning joint projects, bigger participation in state supplying boards and transparency of taxation regarding policies aimed at attracting foreign investments;
9. calls for more extensive joint European initiatives to promote the establishment of SMEs and use to greater advantage their investment potential; EU measures should - in accordance with the subsidiarity principle - supplement and underpin national policies;
10. considers that, within the framework of the new regulation for state aids, special attention should be given to the definition and the eligibility of local state aids for SMEs, which contribute to their competitiveness as well as the employment and development of remote and less-favoured regions;
11. points out that undertakings in outlying and rural areas are predominantly small in size; stresses therefore the need for increased funding in the form of special measures and investment programmes and extension of the innovation network to encompass outlying SMEs, for which access to innovation is of vital importance; recommends simplified procedures for creation of regional and local funds of risk capital in cooperation with institutions dealing with technological development and innovation such as technological incubator centres, high-tech centres, technological parks etc.;
12. is sceptical about the presumed effects of the Risk Capital Action Plan and the Financial Services Action Plan; is of the opinion that most of the texts adopted were only indirectly aimed at promoting an SME-friendly environment and most of the measures lowering administrative burden on SMEs were introduced by the Parliament; asks that, for future draft directives in this field, the Commission takes SMEs directly into consideration;
13. in addition to EU measures the Member States should extend risk capital facilities for SMEs with long-term repayment schedules to secure cyclical and operational margins;
14. takes note of the adoption of the Statute of European Company; underlines however that this statute is exceptionally complex and therefore will be of doubtful usefulness for SMEs; supports therefore a revision of the European company Statute so as to meet SMEs' needs;
15. observes with regret the lack of SME participation in innovation, research and development programs and policies; supports the adoption of new financing tools to reinforce the financing of research and innovation activity; and stresses that the limited capital leverage of SMEs weakens their access to financing sources;
16. calls for a level playing field regarding capital accretion by SMEs, particularly in connection with the Basel II provisions - ensuring them more funds for investment in research and development so that they can compete effectively;

17. expresses its satisfaction at the adoption of a framework programme for competitiveness and innovation (2007-2013) centred on small- and medium-sized enterprises intended to work hand in hand with the 7th framework programme for research, technological development and demonstration (RTD); considers that the Member States should do everything possible to facilitate access by SMEs to these programmes, enabling them to take full advantage of available opportunities for innovation in the fields of research and technology;
18. considers it necessary, for the sake of enhanced innovation and competitiveness, to increase the contribution of trans-european network for the dissemination of technology and new ideas among SMEs and to encourage staff mobility between SMEs and higher education and research institutions but also the development of more targeted research programmes focussed on the commercial application of knowledge and technology by small enterprises;
19. is disappointed by the deadlock in the Council's negotiations on a Community patent; urges the Commission to provide a suitable legal framework to protect patent and intellectual property rights regarding the dissemination of innovatory ideas among SMEs and all other bodies operating within the internal market; stresses that the acquisition of patent should be affordable for SMEs;
20. welcomes the Commission's instruments in the field of micro-credit, mezzanine capital, business angel finance and securitisation of SME debt finance portfolios and risk capital in order to facilitate the access to finance for small enterprises; calls for the development of a general system of SME financing instruments such as laxer conditions for loans taking into account the company's structure and field of activity, conditions which could be implemented by regional and local intermediaries; requests that services in support of business and innovation raise awareness of and prepare small enterprises for the new rating culture and a closer cooperation with the capital market and consequently offer more support to professionalize the enterprises' management;
21. recognises that Member States are best placed to oversee bankruptcy legislation; nevertheless believes that it is not enough simply to exchange best practice, and calls therefore on the EU to encourage further development and fostering of business support networks at regional and local level that would provide support to SMEs to start their business again;
22. supports the Commission's views that there is a damaging lack of corporate mentality in the EU and therefore suggests that business support organisations, respective administrations, professional organisations and social partners at local, regional and national level should be more included in the process of implementation and review of the Charter, especially at the stage of planning policies and initiatives;
23. considers that a European Charter for Small Enterprises should include provisions ensuring that, where those at the head of such undertakings are assisted by their spouses both subscribe to health, disability and pensions insurance schemes; recalls its resolution of January 1997 calling on the Commission to propose an amendment to Directive 86/613/EEC of 11 December 1986 on the application of the principle of equal treatment between men and women engaged in an activity, including agriculture, in a self-employed capacity and in the protection of self-employed women during pregnancy

and motherhood, so as to improve the situation of the spouses of self-employed workers regarding recognition of their work and adequate social protection;

24. is concerned by the lack of data on SMEs at national and European level; recalls that reliable and more complete statistical information constitute an essential tool when addressing SMEs problems and needs;
25. calls for better statistics concerning the situation of SMEs in the EU so that more accurate quantitative comparisons can be drawn and best practices applied more effectively.

PROCEDURE

Title	Implementation of the European Charter for Small Enterprises
Procedure number	2005/2123(INI)
Committee responsible	ITRE
Opinion by Date announced in plenary	ECON 4.7.2005
Enhanced cooperation – date announced in plenary	-
Drafts(wo)man Date appointed	Katerina Batzeli 21.9.2005
Previous drafts(wo)man	-
Discussed in committee	5.10.2005 10.10.2005 21.11.2005
Date adopted	22.11.2005
Result of final vote	+: 37 -: 0 0: 0
Members present for the final vote	Pervenche Berès, Pier Luigi Bersani, Sharon Margaret Bowles, Udo Bullmann, Ieke van den Burg, Jan Christian Ehler, Jonathan Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Othmar Karas, Piia-Noora Kauppi, Christoph Konrad, Wolf Klinz, Guntars Krasts, Enrico Letta, Cristobal Montoro Romero, Joseph Muscat, John Purvis, Alexander Radwan, Karin Riis-Jørgensen, Dariusz Rosati, Eoin Ryan, Antolín Sánchez Presedo, Peter Skinner, Margarita Starkevičiūtė, Ivo Strejček, Lars Wohlin.
Substitute(s) present for the final vote	Katerina Batzeli, Jorgo Chatzimarkakis, Catherine Guy-Quint, Ján Hudacký, Werner Langen, Thomas Mann.
Substitute(s) under Rule 178(2) present for the final vote	-
Comments (available in one language only)	-