

Small and Medium-sized Enterprises - The engine of European industry

The 23 million European small and medium-sized enterprises (SMEs) are considered to be the engine of EU's economy, having a significant role for job creation, growth and social cohesion, next to their contribution to the transition towards a knowledge-based economy. Contrary to public perception, they account for 98% of all European businesses, providing two thirds of the total private employment and around 80% of new jobs created over the past yearsⁱ.

SMEs and the European Commission

Recognizing the significant role of SMEs in the European economy, the European Commission adopted in 2008 the ***Small Business Act for Europe (SBA)***ⁱⁱ, to create a more SME-friendly business environment through a comprehensive policy framework. The initiative aimed to “improve the overall policy approach to entrepreneurship, to irreversibly anchor the ***Think Small First principle*** in policymaking from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development”. It consisted in an ambitious package containing a **set of 10 principles** (see Annex) to guide the design and implementation of policies both at EU and national level, together with a set of concrete policy and legislative actions to implement them.

However, the unstable economic situation in the recent years has challenged the SMEs performance, as they still face numerous obstacles to growth. Access to finance, access to international markets and red tape were identified among the major barriers hindering their development. The SBA has been reviewed in 2011ⁱⁱⁱ to address the challenges resulting from the economic crisis and further develop existing actions in line with the Europe 2020 Strategy. The main focus of the review was structured around three areas: ensuring access to finance, taking full advantage of the Single Market and smart regulation.

Regional support for SMEs

- **Regional authorities play a key role**

To ensure a coherent implementation of the SBA in line with national development strategies, regional authorities play a key role, as they are closer to the local business environment. Regions are the first level of administration which can create an SME-friendly business environment, as they can integrate the ***Think Small First principle*** in their statutory regulations and administrative decisions. They are encouraged to play an active role in promoting the SBA principles, particularly where no national legislation is involved and where they are themselves legally authorised to do so.

- **The SME Envoy**

To create a link between the Commission, SMEs and their representatives, Member States have appointed an **SME Envoy** at national level. The SME Envoy plays a double role, simultaneously acting within the Commission, raising awareness of the problems facing SMEs, and interacting with the enterprises, by keeping a constant contact with them and ensuring that their specific needs are taken into account during policy-making. Moreover, some regions have also appointed SMEs Envoys at regional level, e.g. in Wallonia and Baden-Württemberg, with a similar role as envoys at national level, but with a stronger focus on regional situation of small businesses.

*In 2011, the Walloon Minister of Economy together with the Walloon Enterprise Union and the Walloon Small Business Union founded a **SME Parliament**, enabling entrepreneurs to participate to the implementation of the SBA. The parliament consists in four committees and holds an annual plenary session, attended by some 300 entrepreneurs, where all participants are invited to give their opinion on the implementation of the SBA in Wallonia. Following the plenary session, the Walloon SME Envoy defines the priorities and concrete measures for the coming year, in collaboration with the Walloon Economic and Social Committee and other public institutions.*

*To encourage the development of small businesses and avoid creating additional burden for SMEs when new legislation is prepared, the Ministry of Economic Affairs and Finance of Baden-Württemberg applies the **SME Alarm** and the **SME Check tools**. In the case of draft laws and regulations to be adopted, at European, national or federal state level, these are submitted to various business organizations to establish if they would cause additional or unjustifiable bureaucracy for SMEs. By means of appropriate applications, Baden-Württemberg submits all concerns to the relevant authorities.*

*In 2012, the region of Lombardy launched the **SBALombardiaLab** project in collaboration with the Lombard Chamber of Commerce. It is a platform where entrepreneurs, associations and institutions can discuss different issues related to SMEs in Lombardy, with the support of experts. The results of discussions are summarized by working groups in a position paper and forwarded to the relevant SME Envoy.*

- **The Enterprise Europe Network**

To support SMEs at a more international level, the **Enterprise Europe Network (EEN)** was founded in 2008 by the European Commission as a contact point between close to 600 member organisations, who have the role to assist businesses or put them in touch with a specialised branch in their region. It brings together business support organisations from more than 50 countries, providing practical information on market opportunities, European legislation, helping SMEs to find suitable business partners, providing information on tender opportunities and international networking, using a comprehensive business and technology cooperation database.

SMEs in the chemical sector

- **Key players for the transmission of innovation:**

The chemical sector follows closely the European trends concerning SMEs, as 96% of all chemical companies have less than 250 employees and they are accountable for 28% of all sales and 35% of total employment^{iv}. They are rather customers of larger companies than producers, and consequently they are considered key players for the transmission of innovation generated upstream in the chemicals value chain to the downstream industries.

- **SMEs and skills:**

To ensure their success, SMEs in the chemical sector rely heavily on the level of training of their employees, as they often perform multiple tasks. Consequently, skills and education are a crucial factor for the competitiveness of SMEs active in the chemicals sector, although both at EU level and globally, the industry is facing a shortage of technical skills.

- **SMEs and REACH:**

The scarce resources of SMEs make it difficult for them to comply with the complexity of the European regulatory environment. This was emphasized in the results of the *Top Ten* consultation^v, organized by the European Commission to assess the regulatory load on SMEs. The results of the consultation showed that SMEs consider REACH regulation the most burdensome piece of legislation. Their main concerns related to REACH are the complexity and cost of information obligations, inconsistent application by Member States and a lack of coherence with specific chemicals legislation. Consequently, in March 2013 the Commission adopted an implementing regulation^{vi} providing reduced fees for SMEs, and further implementation guidance is being prepared. In addition, the European Chemicals Agency (ECHA) has appointed an SME Ambassador to integrate the specific needs of SMEs across its activities and to provide an interlocutor for stakeholders.

SMEs and the Multiannual Financial Framework 2014-2020

The Commission has already taken the first steps to address these challenges within the new Multi-annual financial framework (MFF) for the period 2014-2020:

- The Competitiveness of Enterprises and Small and Medium-sized Enterprises programme (COSME) has a budget of €2.3 bn dedicated to SMEs over the seven years.
- the new research and innovation programme, Horizon 2020, introduced a dedicated SME Instrument^{vii}, provided with about € 3 billion in funding over the period 2014-2020 to support close-to-market activities, with the aim of giving a strong boost to breakthrough innovation.
- A significant part of the EU Structural and Investment Funds (ESIF) is earmarked for SMEs and innovation linked to the SBA.

ECRN and SMEs:

SMEs are a vital element of the economic fabric at the European as well as at the regional level. The volatile economic situation in the recent years has been challenging for numerous SMEs. To ensure a timely and coherent implementation of the tools and policies designed to create a more SME-friendly business environment, regional authorities play a key role, as they are closer to the local economic structure and have more information on the needs of local companies.

As a regional network, ECRN is committed to enhancing cooperation and exchange of experiences across regions. Under the theme “SMEs – the engine of the European Industry”, this ECRN workshop seeks to highlight the important role of SMEs and provide concrete examples on how they can be supported at the regional level.

This event marks the launch of a broader discussion on SMEs and the important role of local and regional authorities in supporting SMEs within the network and our partners. As such, it also links to the broader European discussion on industrial policy and Europe 2020. We want to encourage cooperation and sharing of good practices across regions in Europe. The workshop will showcase examples of different initiatives designed to support SMEs, with the main focus on how local authorities can design more efficient strategies to encourage the development of innovative SMEs and what the success factors or potentially transferable elements of such strategies or initiatives are?



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ANNEX – The ten principles of the Small Business Act

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.

Entrepreneurial interest should be fostered, particularly among young people and women.

2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.

To promote a positive attitude in society towards giving entrepreneurs a second chance, the Commission recommends public information campaigns. Each year, 700 000 SMEs in the EU file for bankruptcy.

3. Design rules according to the ‘Think Small First’ principle.

36% of EU SMEs report that red tape has hampered their business activities over the past two years. The European Commission wishes to reduce the administrative burden by 25% by 2012. The time required to set up a business should be less than one week, with the appropriate permits being available within one month at the latest.

In 2007 the Commission set up a high level group of external experts, under the direction of former Bavarian Prime Minister Edmund Stoiber, which deals exclusively with the question of reducing the administrative burden.

4. Make public administrations responsive to SMEs’ needs.

Electronic government and one-stop shops for all SME needs are the key ideas for implementation.

5. Adapt public policy tools to SMEs’ needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs.

The Commission intends to make the sometimes complex and lengthy support procedures more efficient and more attractive to SMEs.

6. Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payment in commercial transactions.

It should be easier for SMEs in particular to obtain risk capital, micro-credit and mezzanine finance. One out of four insolvencies is due to poor payment practices in European business.

7. Help SMEs to benefit more from opportunities offered by the Single Market.

In this case, the Commission is promoting advisory and networking services, such as the Enterprise Europe Network. Member States should also reinforce the SOLVIT online network for resolving problems with Single Market rules.

8. Promote the upgrading of skills in SMEs and all forms of innovation.

Support measures should encourage SMEs to carry out research, including within transnational cooperation projects.

9. Enable SMEs to turn the environmental challenges into opportunities.

Suppliers of environmental technologies are primarily SMEs. To increase their own energy efficiency, SMEs should make use of environmental management systems.

10. Encourage and support SMEs to benefit from growth of markets.

Large enterprises are more likely than SMEs to take advantage of market opportunities abroad. SMEs should be helped to benefit from globalisation and EU enlargement.

ⁱ European Commission, *Thinking Big for Small Business*, 2011

ⁱⁱ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008DC0394&from=EN>

ⁱⁱⁱ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0078&from=EN>

^{iv} [Final report](#) of the High Level Group on the Competitiveness of the European chemicals industry

^v http://ec.europa.eu/enterprise/policies/sme/files/smes/top10report-final_en.pdf

^{vi} Commission Implementing Regulation (EU) No 254/2013 of 20 March 2013 amending Regulation (EC) No 340/2008 on the fees and charges payable to the European Chemicals Agency pursuant to Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

^{vii} <http://ec.europa.eu/research/sme-techweb/pdf/SME%20Instrument%20in%20WP%202014-2015.pdf>