

Putting Small Businesses First

Europe is good for SMEs,
SMEs are good for Europe

2008 edition

Europe's commitment to small businesses

"Today's Small Business Act is a step towards a Europe of entrepreneurs, with less red tape and more red carpet for Europe's 23 million SMEs. It aims to help small businesses to thrive and to give the best ones a launch pad to grow into world beaters. The Small Business Act is a crucial milestone in the implementation of the Lisbon Strategy for Growth and Jobs.

It will mean more responsive public administrations, less late payment of invoices, access to more help with finance, innovation and training, lower VAT for services supplied locally and better access to public procurement contracts. The package will also give SMEs access to a European Private Company Statute to cut bureaucracy and increase clarity."

José Manuel Barroso
President of the European Commission

SMEs have become increasingly important in our society as providers of employment opportunities and key players for the well-being of local and regional communities. Therefore, the Small Business Act for Europe proposes for the first time to put into place a comprehensive policy framework for the EU and its Member States.

The Small Business Act is based on the conviction that entrepreneurship and entrepreneurs should be applauded and rewarded; they are the backbone of our society. Being SME friendly should become mainstream policy. To achieve this, the "Think Small First" principle should be irreversibly anchored in policy making from regulation to public service thus ensuring that rules reflect the majority of those who will use them. SMEs must be helped to thrive. When the setting up of businesses and their growth is hampered by unnecessary obstacles, these must be removed. When SMEs are held back by market failures, these must be corrected.

The Small Business Act for Europe proposes a partnership between the EU and the Member States. A set of common principles should guide the policies both at the EU and at a national level. An ambitious package of new measures, including 4 legislative proposals, is translating them into action. In addition, all Member States are invited to benefit from good practices that exist within the EU.

What we need now is a strong political commitment at the highest level to achieve a true breakthrough. I trust that the Small Business Act for Europe will be the trigger to transform words into action.

Günter Verheugen
Vice-President of the European Commission



Easy access to useful information ...

Details of EU policies, programmes and tools for SMEs can be found on many different websites. To help you find the information you need, quickly and easily in your language, the European Commission has created its SME Portal. Through this user-friendly portal, you can find out about:

- funding opportunities for SMEs;
- help and support services – both on-line and in your region;
- how significant SMEs are for Europe's economy and for job creation;
- how to take full advantage of the Single Market;
- how entrepreneurship is being encouraged in Europe; and
- the range of policies the EU has developed to help SMEs.

The SME portal is now available in 21 languages.

European portal for SMEs:

<http://ec.europa.eu/enterprise/sme/>

The screenshot shows the homepage of the European Commission Enterprise and Industry SME portal. The header includes the European Commission logo, the text 'Enterprise and Industry', and navigation links for 'Translation aids', 'Search', 'Contact', and 'Important legal notice (English)'. Below the header, there is a navigation breadcrumb: 'European Commission > Enterprise and Industry > SME portal'. The main content area is titled 'European portal for SMEs' and features a grid of 12 colored boxes representing different services and information categories, such as 'EU funding for SMEs', 'Support services across Europe', 'On-line tools', 'Going international', 'The EU's SME strategy', 'SME policy', 'SMEs and innovation', 'Promoting entrepreneurship', 'A Single Market in Europe', and 'Making SMEs more competitive'. A central text box states: 'This portal provides access to information on the whole spectrum of EU policies, legislation, programmes and initiatives relevant to Europe's small and medium-sized enterprises.' To the right, there are sections for 'News highlights' and 'Forthcoming events'.

The screenshot shows a specific page on the SME portal titled 'Support services across Europe'. The header is identical to the homepage. The main content area is titled 'European portal for SMEs' and 'Support services across Europe'. A central text box explains: 'The European Union presents a large range of opportunities for SMEs. But there are many factors which may discourage you from exploring these possibilities. Whether you feel your firm lacks specialist knowledge, or you're worried about language or cultural barriers, or simply think you don't have the resources, there is help available to smooth your path to these opportunities.' Below this, there is a section for 'General support' with a sub-section for 'Enterprise Europe Network'. The text describes the EEN as a network of over 500 organisations providing services to SMEs, including information on EU policies, promotion and information material, and individual on-site visits. It also mentions 'SOLVIT', a free on-line network for solving problems caused by the misapplication of Internal Market law by public authorities. The page includes a 'What's new?' section and a footer with a list of languages: 'RO CS DA DE EL EN ES ET FI EL ER HU IT LT LV MT NL NO PL PT RO SK SL SV'.



Facts & Figures

What is an SME?

Companies classified as small and medium-sized enterprises (SMEs) are defined officially by the EU as those with fewer than 250 employees and which are independent from larger companies. Furthermore, their annual turnover may not exceed €50 million, or their annual balance sheet exceed €43 million. This definition is critical in establishing which companies may benefit from EU programmes aimed at SMEs, and from certain policies such as SME-specific competition rules.

SMEs may be divided into three categories according to their size: micro-enterprises have fewer than 10 employees, small enterprises have between 10 and 49 employees, and medium-sized enterprises have between 50 and 249 employees.

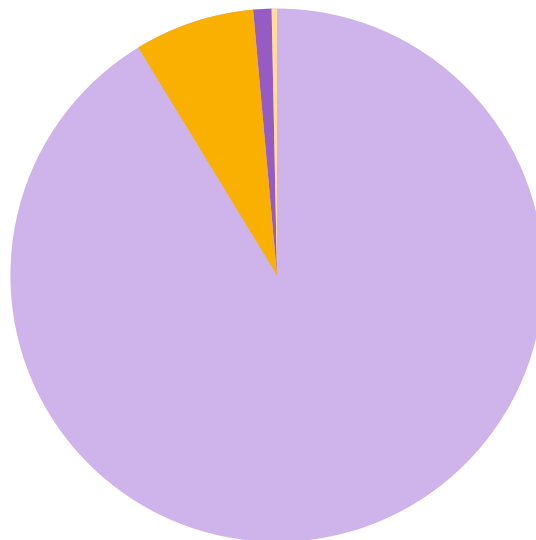
SMEs in the European economy

European SMEs represent:

- 99.8% of all European enterprises
- 67.1% of private-sector jobs
- more than 80% of employment in some industrial sectors such as the manufacture of metal products, construction and furniture.

Source: Eurostat, key indicators for enterprises in the non-financial business economy, EU27, 2005

Micro-businesses are the real giants of the European economy

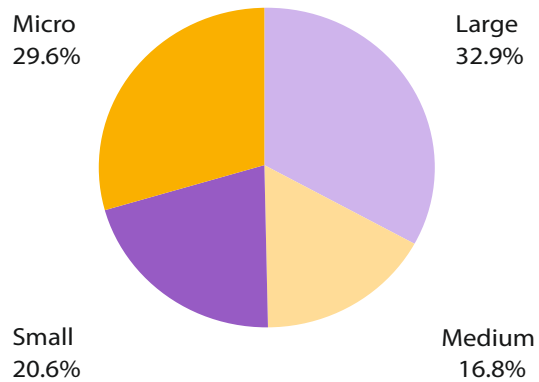


- Micro-enterprise = 91.5%
- Small = 7.3%
- Medium-sized = 1.1%
- Large = 0.2%

Source: Eurostat, SBS, Breakdown of main indicators by enterprise size class, non-financial business economy, 2003, EU-25



67% of Europe's private-sector jobs are in SMEs



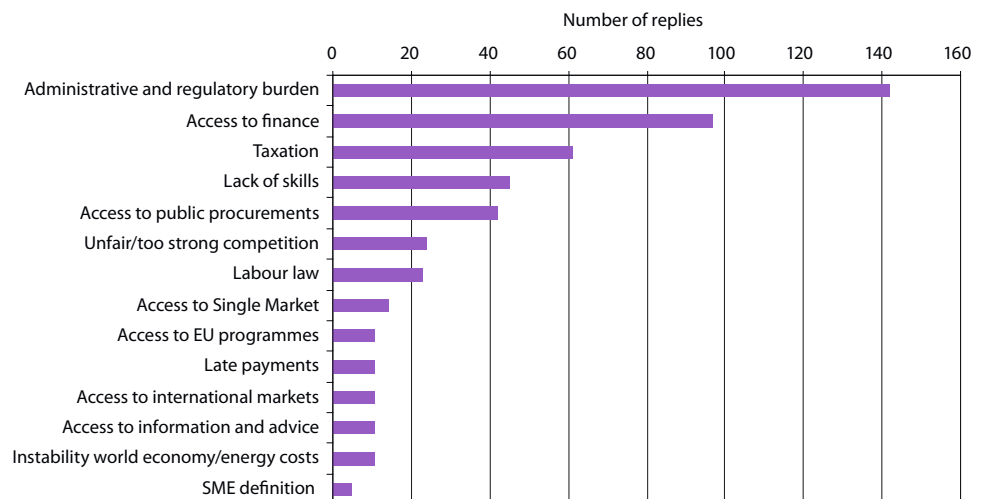
- Micro-enterprise: 1-9 employees
- Small enterprise: 10-49 employees
- Medium-sized enterprise: 50-249 employees
- Large enterprise: 250+ employees

Source: Eurostat SBS, Breakdown of number of persons employed by enterprise size-class, non-financial business economy, EU-25, 2003 (% share of total)

What challenges do SMEs face?

SMEs comprise all types of firms ranging from one-person businesses to co-operatives. Whilst some SMEs offer very traditional services or craft products, many others are fast-growing high-tech companies. Despite their differences, though, Europe's SMEs share many challenges.

Most important problems EU SMEs are facing



N.B.: It was possible to give several replies

Source: European Commission, Report on the results of the open consultation on a Small Business Act for Europe, April 2008

Links:

European portal for SMEs:

<http://ec.europa.eu/enterprise/sme>

Enterprise Europe Network providing practical information on EU legislation and doing business in the EU:

<http://www.enterprise-europe-network.ec.europa.eu>

Statistics on SMEs in Europe:

<http://epp.eurostat.ec.europa.eu/>



Making life easier for small business

For most small and medium-sized enterprises, the administrative burden is their number one problem. The cost of administrative procedures for a small company can be up to ten times more than for a large company making this burden disproportionately heavy for small business. This is why the European Commission has set itself two key goals: to reduce the administrative burden on businesses by 25% before 2012 and to ensure that all new legislation affecting business is SME-friendly. To achieve this, the Commission is simplifying and improving European legislation, and encouraging national and regional authorities to do the same at their levels.

Less and better regulation

The European Commission's 2007 action programme to reduce administrative burden by 25% has identified priority areas for action that focus on information obligations in areas such as company law, employment relations, VAT and statistics. Some of these obligations have already been scrapped.

For instance:

- companies no longer need to publish business data in the national gazettes and they can (re-)use translations certified in one Member State when opening branches in other Member States.
- micro-enterprises can be exempted from providing detailed data in the annual accounts.

A 25% reduction in the administrative burden on businesses would translate into an increase of 1.5% in the EU's GDP – amounting to about €150 billion. However, this can only be achieved by national, regional and local authorities acting together with the Commission. So far 18 Member States have set national targets for reducing administrative burdens.

Some of the targets proposed by the Commission are:

- Business registration should cost no more than **€100** and take no more than **one week**
- Businesses should be able to report data **"once and for all"** to public administration
- Companies should only be expected to provide statistics **"once in three years"**, where appropriate.

Why is cutting red tape so crucial?

Surveys indicate that more than 10% of one-person enterprises would recruit staff if they were less burdened by red tape. As these enterprises make up more than half of all businesses in the EU, this could translate into 1.5 million new jobs!

Since 2005, the Commission has:

- withdrawn 78 pending laws
- simplified 54 initiatives
- identified 2500 obsolete acts to be repealed.

"We are embarking on an ambitious programme for the reduction of administrative burden and we need some help if we are to succeed. Help from businesses, stakeholders and Member States. We need to talk to you, and, even more importantly, listen to you."

Günter Verheugen
European Commission Vice-President, responsible for Enterprise and Industry

Businesses can now contribute their ideas and proposals for cutting red tape in a dedicated website:

http://ec.europa.eu/enterprise/admin-burdens-reduction/online_consultation_en.htm



Making legislation SME-friendly

We need to make sure that new legislation does not add to the burdens of small businesses, but takes their needs into account. To do this the Commission has adopted the following principles:

- all new proposals with an impact on business should be subjected to rigorous scrutiny of their potential impact on SMEs.
- legislation may differentiate between micro, small, medium-sized and large companies in order to ensure that the burden created is proportionate to the different types of companies.
- specific support measures, reduced fees, or even exemptions can be applied to protect SMEs and ensure a level playing field for all companies.

For example:

The Commission has simplified the laws concerning SMEs in the pharmaceutical sector by reducing fees for micro-enterprises, allowing to defer payment of fees, offering administrative and regulatory assistance when submitting applications for the European Medicines Agency.

Within the European Commission, the SME Envoy acts as a dedicated 'ambassador' for small business and maintains active dialogue with SME stakeholders to ensure that the interests of small businesses are properly addressed in new legislation. The SME Envoy has been also active in proposing solutions for the barriers hampering SMEs.

Protecting SMEs from late payments

Late payments can be crippling for business. One quarter of all insolvencies are due to late payments and SMEs are particularly vulnerable to them. To address this, the Commission has charged itself to review its 2000 Directive in order to simplify it and clarify issues such as interest payments. This should discourage late payers and guarantee that SMEs are paid within time for all commercial transactions.

Make standardisation work for SMEs

It is important that SMEs are aware of European and international standards and that they integrate them into their product specifications so that their products are competitive on international markets. To ensure that SME needs are taken into account when drafting new standards, the Commission will double its financial support to the standardisation process. In addition, it has recommended to standards bodies to reduce cost of access to standards for SMEs and to publish free abstracts. "SME helpdesks" are also planned to guide and support SMEs through the standardisation process.

Exchanging good ideas and practices

A lot of the problems SMEs face are due to laws, rules and practices at national and regional level. Therefore, the Commission is encouraging authorities throughout the EU to identify and implement effective initiatives to improve the framework in which SMEs operate. This includes issues such as reducing the bureaucracy in starting up a business, access to finance, and improving consultation of small businesses in policy making which affects them.

The Commission facilitates the exchange of good practices allowing national and regional authorities to benchmark progress and learn from each other. And it works – Member States do learn from each other's policies and solutions.

Links

European Portal for SMEs:

http://ec.europa.eu/enterprise/sme/index_en.htm

The 'better regulation' initiative:

http://ec.europa.eu/enterprise/regulation/better_regulation/

NORMAPME – European Office of Crafts, Trades and SMEs for Standardisation:

<http://www.normapme.com/>



Improving access to finance

Access to appropriate finance is the second largest problem facing EU small and medium-sized enterprises. Investors and banks often shy away from financing start-ups or young SMEs due to the risks involved. And entrepreneurs sometimes have limited understanding of investors' or banks' concerns, which makes it harder for them to find the financial backing they need. The European Commission is implementing a number of programmes specifically designed to improve the financial environment for SMEs in Europe.

In some Member States, three out of four business start-ups receive a bank loan or at least an overdraft, but in other Member States, the ratio is just one in four.

Source: Microcredit for small businesses and business creation: bridging a market gap, European Commission

What is the EU doing?

Since the financial markets have failed to provide SMEs with the finance they need, the European Commission has developed and funded financial instruments, such as guarantees, to make it easier for SMEs to get loans from banks. It is also facilitating venture capital investment in SMEs. The funds are allocated through financial institutions such as banks.

Over €744 million was provided between 1998 and 2006, benefiting more than 360 000 SMEs. This was increased to more than €1 billion in the Commission's Competitiveness and Innovation Framework Programme (CIP) for 2007-2013. This should enable financial institutions to provide about **€30 billion of new finance to an estimated 475 000 SMEs** in Europe – because on average each euro spent from the EU budget should enable private investors to provide €6 of risk capital or a bank to provide €50 worth of loans.

The financial instruments cover SMEs' different needs, whether start-up or established companies:

- the High Growth and Innovative SME Facility provides risk capital for innovative SMEs in their early stages and in their expansion phase.
- the SME Guarantee Facility provides loan guarantees to encourage banks to make more debt finance available to SMEs, including microcredit and mezzanine finance, by reducing the banks' exposure to risk.

Microloans (loans of less than €25 000) have a significant impact on the SMEs that receive them. However, there is a short supply of microloans, which particularly affects business creation by those who are unemployed, women or from an ethnic minority. The Commission is therefore **increasing the availability of microloans** through its financial instruments, and is encouraging Member States to increase and facilitate the provision of microloans to small businesses.

The European Investment Bank (EIB) Group is **broadening the way it supports SMEs**, making its funding mechanisms simpler, more transparent and more targeted to the individual needs of small businesses across Europe. **Additional funds** as well as **more kinds of financial support – including mezzanine finance, guarantees and microcredit** – will be made available to SMEs, while tailoring them more specifically to local conditions and to particular companies' needs. The EIB is also moving into **new financing areas**, such as intangible assets like research and development, building up distribution networks or ensuring that a business continues after the current owners retire.

How are these funds provided to SMEs?

All these financial instruments are managed by the European Investment Bank (EIB) Group, particularly the European Investment Fund (EIF), on behalf of the Commission, and are delivered to SMEs by financial intermediaries in the Member States. This ensures that the funds are **made available locally**, as close as possible to the individual SME.

Find out which financial institutions to contact in your country here:
<http://www.accesstofinance.eu/>

Skype Technologies benefited from EU early-stage financing

One of the recipients of financial backing from the European Commission, through the European Investment Fund, was a Luxembourg-based venture capital fund. One of its investments was Skype Technologies. This start-up company offering 'voice over internet protocol' (VOIP) services was subsequently acquired by eBay in a deal worth up to €3.25 billion.



Many SMEs are not aware of the financial instruments available to them nor how to access them. Therefore throughout 2008-2009 the Commission is organizing “**SME Finance Days**” in the Member States. These events bring together SMEs and national financial intermediaries to raise awareness about the different sources of finance and share good practices in helping innovative SMEs get easier access to finance.
<http://www.sme-finance-day.eu/>

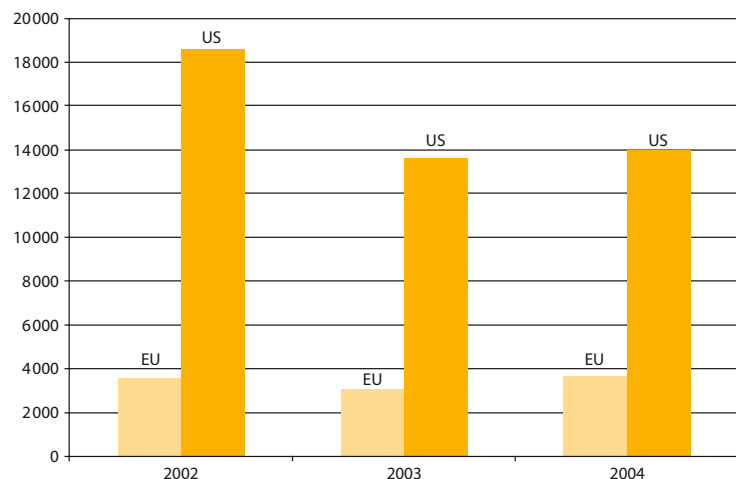
Improving the financial environment for SMEs

To improve the financial environment for SMEs, the European Commission is working in co-operation with national authorities. By organising the sharing of experience and best practice amongst national governments, the Commission has enabled many Member States to make concrete improvements to the financial environment for SMEs. The Commission has also been active in getting bankers and SMEs to talk to each other in order to identify and reduce the main barriers which smaller firms encounter when looking for finance.

Increasing the supply of risk capital

The provision of risk capital is crucial for the creation and growth of innovative SMEs. Europe’s venture capital market is, however, half the size of that in the US. In particular, investment in technology is low in Europe. The Commission and the Member States are working together to develop policies which will encourage the creation of an integrated and competitive risk capital market.

Investments in technology by venture capital funds, 2002-04



Source: Money for Growth, The European Technology Investment Report 2004 and 2005, PriceWaterhouseCoopers

Supporting expansion abroad

One company supported by the Commission through the SME Guarantee Facility is Softimus, a Lithuanian furniture design and production company. Set up in 2003, it experienced very fast growth, expanding to Latvia, Warsaw and London. However, the start-up began to experience cash-flow problems due to this fast expansion. Without a 50% guarantee made possible by EU funding, the company would not have been granted working capital finance from a commercial bank. The firm is continuing to expand and has created 12 new jobs, bringing the number of staff to 34.

Watch a video on this and other success stories here:
<http://www.sme-finance-day.eu/index.php?id=7>

Links:

European Investment Bank :

<http://www.eib.org>

European Investment Fund:

<http://www.eif.org>

Guide to SME funding opportunities :

http://ec.europa.eu/enterprise/sme/funding_en.htm

EU policies on SME access to finance:

http://ec.europa.eu/enterprise/entrepreneurship/financing/index_en.htm

Enterprise finance index :

http://ec.europa.eu/enterprise/entrepreneurship/financing/enterprise_finance_index/introduction.htm



Helping SMEs to go abroad

Cross-border business begins just a few kilometres from home for many small firms. One of the greatest successes of the EU has been to make cross-border trade easier, through the creation of a vast single market with some 500 million consumers. It gives businesses the possibility to market one product throughout the EU, without having to adapt it to national rules. The Single Market offers SMEs huge opportunities for growth, and past enlargements have multiplied the business opportunities for SMEs.

But currently 63% of SMEs are active only in their home country. Only 8% of European SMEs export and only 12% of the inputs of an average SME are purchased abroad. Part of the problem for SMEs is information - knowing what opportunities are out there and what the rules are for cross-border business. Many SMEs also lack the capital needed for going abroad. Therefore, SMEs need support and advice to be able to get the most out of the Single Market.

What is the EU doing?

Advantages of the Single Market

Single Market legislation is constantly being reviewed and updated to ensure that the market functions properly, and that businesses and citizens are able to benefit from agreed rules across Europe. In November 2007, the Commission set out a package of initiatives to ensure that the Single Market does even more to take advantage of globalization, open up to small businesses, empower consumers and help to stimulate innovation. These initiatives build on past successes and follow on from wide consultations with citizens, businesses, public administrators, academics and representative organisations.

For information on the Single Market Review, see:

http://ec.europa.eu/internal_market/strategy/index_en.htm

Differing rules on private limited-liability companies in the Member States make it time-consuming and costly for SMEs to set up and operate abroad. Therefore, the Commission is proposing a Statute for a European Private Company ("SPE") that may be set up and then operate according to the same company law provisions throughout Europe. For instance, the existing minimum capital requirements for setting up a business would be removed and the rules concerning company registration and day-to-day running of business simplified so that companies would need to spend less money on legal advice. Also, the Commission will come forward with the necessary amending proposals to ensure that this new company form can benefit from the existing corporate tax directives.

The Services Directive, which will come into force in 2010, will make it easier for businesses to provide services in other European countries. It will cut down on the bureaucracy of selling services and hence encourage European businesses to go abroad. All Member States have to set up a contact point to assist businesses from other EU countries wanting to offer their services.

For more information on Services Directive, see:

http://ec.europa.eu/internal_market/services/services-dir/index_en.htm

Public procurement accounts for around 16% of the EU's GDP, but SMEs face problems accessing public tenders. A new code of best practice for public procurement will facilitate SMEs' access to public procurement contracts. It offers solutions to difficulties faced by small companies by reducing the size of contracts, improving access to information about public contracts and how to bid (including on-line systems), reducing excessive financial requirements, and cutting the administrative burden and paperwork associated with tendering.

Information on doing business in the other Member States

Language barriers, remaining legislative and regulatory differences, inadequate access to finance, and a lack of knowledge of other markets are, according to entrepreneurs, the main reasons why more SMEs do not expand their activities abroad. An extensive business-support network has been set up by the Commission to assist and advise European SMEs to overcome these difficulties. Some 550 **Enterprise Europe Network** contact points, including chambers of commerce, regional development agencies and university technology centres have been set up in the EU and beyond. These help



SMEs in fields such as public procurement, finance, EU legislation, and EU funding programmes. Each year, these centres reply to hundreds of thousands of requests for information, advice and assistance.

To find the Enterprise Europe Network contact point closest to you, visit:
http://www.enterprise-europe-network.ec.europa.eu/index_en.htm

In addition, the business section of the 'Your Europe' portal provides practical information on entrepreneurs' rights and obligations in running a business in other EU countries:
<http://ec.europa.eu/youreurope>

An Italian company wanting to export its wines and oils to Austria asked the Enterprise Europe Network contact point in Florence to organise an event to introduce the firm to the Austrian market. A workshop organized by the centre in Vienna brought together more than 30 Austrian companies and 13 Italian firms. The centre also helped the Italian company, by providing information on customs and fiscal obligations, contractual matters etc. As a result, the Italian company is now selling its products in Austria.

Assisting SMEs to enforce their rights

If a company or individual finds that EU laws, and in particular the rules of the Single Market, are not being properly put into practice or interpreted by public authorities, he/she can seek a solution through the Commission's on-line SOLVIT service. The service is free of charge and the experts involved are committed to providing real and satisfactory solutions within a maximum of ten weeks. There is a SOLVIT centre in every EU Member State.

To contact a SOLVIT centre, see:
http://ec.europa.eu/solvit/site/index_en.htm

Going beyond Europe

The Commission is also helping companies to gain access to markets outside the European Union through **Business support centres** which are being set up in **China** and **India**. These centres will help EU SMEs wishing to set up and trade in these countries.

SMEs can also benefit from programmes like the Gateway to Japan, AL Invest (Latin America), PRO-Invest (ACP countries) and ETP Japan and Korea and **the new executive training programme in China for young managers**

<http://www.gatewaytojapan.org/>
http://ec.europa.eu/europeaid/projects/al-invest/index_en.htm
<http://www.proinvest-eu.org/>
<http://etp.org>
<http://www.eu-japan.eu/europe/htp.html>

Want to find out about duties and taxes applicable to exports to countries outside the EU?

The market access database set up by the Commission is the answer. It provides information:

- on conditions for exporting to and investing outside the EU and on applicable duties and taxes; and
- on the import procedures and documents required for the import of a particular product.

<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>



Ensuring fair competition

A competitive and open Single Market provides the best guarantee for European SMEs which seek to increase their efficiency and innovative potential. The EU has therefore established a strong competition policy that protects SMEs against unfair practices by other enterprises.

Whilst it will not relax its rigorous commitment to free competition in Europe, the Commission is updating the rules to encourage national and regional governments to re-channel public subsidies further. The aim is to continue reducing controversial and competition-distorting handouts to national champions, and instead support measures which really contribute to boosting growth and creating jobs. Because the greatest potential for new jobs and growth lies in Europe's SMEs, smaller firms will be the first to benefit from this approach.

What is the EU doing?

Protecting against abuse by dominant firms

One particular area on which the Commission focuses is preventing dominant firms from abusing their market power to stifle smaller competitors. This kind of anti-competitive practice is forbidden under EU law. The Commission pays particular attention to complaints made by smaller businesses in this area.

Mergers that create or strengthen a dominant position are also prohibited, in order to safeguard a sufficiently high degree of competition. Only mergers exceeding certain thresholds have to be notified to the European Commission for clearance. Therefore, mergers between SMEs are generally not subject to the EU procedures.

Preventing price fixing

Some agreements between large companies can also impair competition, to the detriment of smaller businesses. The most familiar example is an agreement on prices, or cartel, whereby firms fix price levels jointly so that customers are unable to take advantage of competition between suppliers to obtain keener prices.

Agreements between SMEs, on the other hand, are to a large extent exempted from the prohibitions set out by the EU treaties.

"The state aid rules should help Member States get the best value for money for their taxpayers, and make sure that scarce state resources are used where they can have most impact."

Neelie Kroes
European Commissioner responsible for Competition

Directing state aid towards real needs

The EU's state aid policy has always **treated SMEs favourably**, recognizing the specific difficulties they encounter because of their size. SMEs are allowed to benefit from higher proportions of state aid than larger firms in many areas (investment, training, R&D, environmental protection). They may also benefit from certain types of support aimed at addressing their specific needs (consultancy services, or their first participation in fairs for example).

Member States can grant aid to SMEs **without the need to notify the Commission**, through the exemption regulations. The Commission's new State Aid Action Plan reinforces this approach.

First and foremost, the Commission's leitmotiv is **"less aid, but better targeted"**. National and regional governments have to focus their financial interventions in the private sector on promoting jobs and growth. Since SMEs have a great role to play in employment and growth, public support targeted at addressing the market failures SMEs encounter is therefore considered to be a "better targeted" measure.



Rules adopted in 2006 on **public supported capital investment schemes for SMEs** allow investments of up to €1.5 million per SME over any 12-month period. A light assessment procedure is also foreseen, making it easier for investment funds supported by public authorities to provide equity to SMEs.

Since 2005, rules for regional aid allow public authorities in **less developed areas** to grant aid (up to €2 million in the poorest regions) to cover smaller firms' operating costs during their first five years, in order to encourage business start-ups.

Furthermore, rules on state aid for **research, development and innovation**, adopted in 2006, allow Member States to support SMEs in their whole innovation strategy (i.e. state aid to target innovation and patenting, and to encourage companies to hire highly qualified staff).

The Commission is also working to **simplify the procedural rules** on state aids:

- the threshold, beneath which public support for an SME is considered too small to pose a threat to competition, has been raised from €100 000 to €200 000 (calculated over a period of three years). This makes it easier for governments to support SMEs.
- the existing exemptions relating to SMEs were consolidated and extended, and notification obligations lightened when a single general 'block exemption' was adopted in July 2008. This also set out the new rules concerning higher aid intensities for small and medium sized enterprises (20% higher aid proportion allowed for small enterprises, and 10% higher for medium sized enterprises) as well as incentives for the creation of start-ups. Finally it simplifies the granting of aid to SMEs for innovation and environmental protection purposes.

All of these measures are intended to make it easier and quicker to provide state aid to small and medium sized enterprises. A new **Vademecum on State Aid for SMEs** provides detailed information.

For more information on EU competition policy, see:

http://ec.europa.eu/competition/index_en.html and

http://ec.europa.eu/comm/competition/state_aid/newsletter/index.html

Easier to file a complaint

To make it easier for companies to report on alleged unlawful state aid received by their competitors, the Commission has developed a complaint form. This should contribute to a more efficient treatment of such complaints. Complaint form:

http://ec.europa.eu/community_law/plainte/form-plainte_en.pdf

"It is competition that gets companies to invest in knowledge and innovation and forces them to stay fit, efficient and effective."

Neelie Kroes

European Commissioner responsible for Competition



Education and skills for entrepreneurship

Entrepreneurs – business-minded people who can take a good idea and turn it into a thriving business – are the key to a prosperous economy. They are also crucial for creating jobs and boosting the growth and competitiveness of Europe’s economy in the years to come. One of the EU’s top priorities is to stimulate in people a strong desire to become entrepreneurs, and the Commission is working closely with EU national governments to achieve this goal.

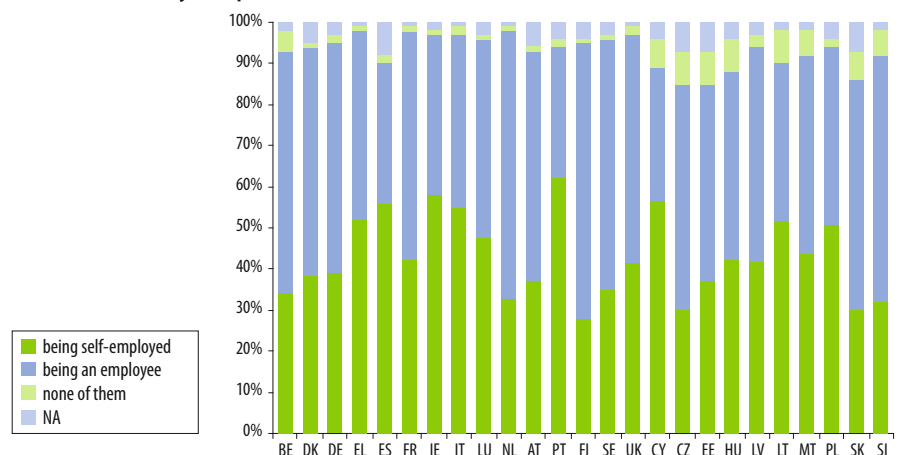
“Entrepreneurs are the economic DNA which we need to build competitiveness and innovation in Europe.”

Günter Verheugen
European Commission Vice-President, responsible for Enterprise and Industry

Generating more entrepreneurial attitudes

Who wants to be an entrepreneur?

Q. Suppose you could choose between different kinds of jobs, which one would you prefer?



Source: Eurobarometer Survey on entrepreneurial attitude, 2007

Europe needs more entrepreneurs. Unlike in the United States, however, this career path is rarely first choice for people in Europe. The Commission believes that we need to create more favorable attitudes towards entrepreneurs by **promoting them as role models**, by **celebrating their success**, and by **reducing the fear of failure**. We also have to make sure that the balance between risk and reward is right so that entrepreneurship is an attractive career choice.

What is the EU doing?

The Commission is working with national governments to make **entrepreneurship education** an integral part of the curriculum at all stages of education. Entrepreneurship education not only teaches youngsters what entrepreneurship is all about but also contributes to fostering creativity and a willingness to take initiatives. These are all key skills not only for successful entrepreneurs, but for everybody.

In some Member States entrepreneurship is already included in the national curricula for secondary school and is an objective in their education systems.

Example: The mini-company ‘R@’, set up by pupils in an upper secondary school in a small village in Estonia, produced a fabric-covered computer mouse that achieved significant market success. In small villages in southern Estonia, the unemployment rate is high and entrepreneurial attitudes are not common. However, the students from the ‘R@’ group say that they have learned to think in new ways, and now see entrepreneurship as an important option in their lives.



Example: At the University of Strathclyde (UK), the Department of Applied Music provides teaching on entrepreneurship, recognising that self-employment is potentially part of graduates' careers.

The EU is promoting the **use of mini-companies**, run by pupils in secondary school, as a practical way to introduce teenagers to the world of business. Surveys show that about 20% of pupils who participate in these programmes have gone on to create their own company.

How can I set up a mini-company in my school?

http://ec.europa.eu/enterprise/entrepreneurship/support_measures/training_education/doc/mini_companies_en.pdf

Watch a video about pupils' experiences of mini-companies:

http://ec.europa.eu/enterprise/entrepreneurship/support_measures/training_education/minicomp.htm

Entrepreneurship in higher education

The majority of entrepreneurship courses at universities are still offered within economic studies. Since business ideas are more likely to arise from technical, scientific and creative studies it is necessary to make entrepreneurship education accessible to all students. The Commission is promoting the exchange of information and good practice in both these areas.

http://ec.europa.eu/enterprise/entrepreneurship/support_measures/training_education/

"Erasmus for nascent entrepreneurs"

The Commission is launching a **new mobility scheme** for recently established and budding entrepreneurs that will support and enhance their cross-border mobility. Spending time in an SME in a different country will give them experience and insight, and will enable them to upgrade their skills. It will also strengthen the start-up of new enterprises in the EU and contribute to the networking of SMEs.

Upgrading the image of entrepreneurs in society

European SME Week in May 2009 aims to inform SMEs about available support for small businesses at EU and national level and to encourage more people to become entrepreneurs. It will take the form of an information campaign, with a range of events taking place across Europe.

The aim of the **European Enterprise Awards** is to recognise and reward outstanding initiatives by regional bodies which have contributed in an effective and innovative manner to the promotion of entrepreneurship and SMEs. More than 320 regional and local authorities took part in this competition in 2007, and 48 nominees were designated at national level. The Bilbao municipal authority Lan Ekinza won the Jury's Grand Prize for its original approach to urban regeneration. Four other initiatives were rewarded in special categories for Enterprise Support, Red Tape Reduction, Investment in People, Responsible Entrepreneurship and the Entrepreneurial Trailblazer. Read more here:

<http://www.european-enterprise-awards.org/>

EU funding

The Commission provides funding for initiatives in support of lifelong learning, for instance through the student- and teacher-exchange programmes within the Erasmus and Leonardo da Vinci actions.

For a complete list of programmes and more information, see:

http://ec.europa.eu/education/programmes/programmes_en.html

EU funding provided to European regions is also used to support entrepreneurship education initiatives. The European Social Fund is the EU's main source of financial support for the development of employability and human resources. In 2000-06, the Fund granted some €70 billion to projects across the EU, and in 2007-13 it will provide another €70 billion worth of support.

Find out more here about how to apply for ESF funding in your country:

http://ec.europa.eu/employment_social/esf/discover/participate_en.htm

A French project CREATIVE coordinated by the National Employment Agency and co-funded by the European Social Fund has helped long-term unemployed people to find work, and even to set up small businesses of their own. The project has offered small loans of up to €5 000 to individuals with a business idea but without the financial guarantees necessary to get a loan from a bank. In 2003, these loans helped 75 people – from lumberjacks to technicians – to set up their own business.



Facing environmental challenges together

Climate change, scarcity of energy supplies and the need for sustainable development are changing the way we think about and do business. Demand for environmentally friendly products and services is increasing, opening the way for new business opportunities. But environmental legislation is becoming more complex, and the costs of non-compliance higher.

Lack of information, insufficient expertise, and scarcity of resources make it difficult for SMEs to comply with environmental legislation. This also prevents them from fully exploiting the opportunities for increased efficiency, competitiveness, innovation and growth offered by sound environmental management. The Commission is working together with Member States to make it easier for SMEs to tackle these problems and to transform the environmental challenge into business opportunities.

What is the EU doing?

Providing environmental advice to SMEs

The EU is **training environmental experts in business support organisations** such as business associations and chambers of commerce. The European Commission is **funding environmental experts within the new Enterprise Europe Network** who can help small businesses through on-site visits, information and expertise.

Since October 2007, the **European Compliance Assistance Programme (ECAP)** funds actions to make it easier for SMEs to comply with their obligations and improve their environmental performance. A **new website** enables SMEs to quickly find general information, in their own languages, on existing and forthcoming environmental legislation which affects them. It also provides information on the tools available for environmental management, funding opportunities for green technologies, best practices, and national initiatives, etc.

For more information on EU environmental policy and SMEs, visit:
<http://ec.europa.eu/environment/sme/>

To find your local contact point of the Enterprise Europe Network, visit:
http://www.enterprise-europe-network.ec.europa.eu/index_en.htm

"Nothing that is ecologically wrong can be economically right. We need the best, safest and most ecologically friendly solutions everywhere. More growth can only be sustainable growth."

Günter Verheugen

Commission Vice-President, responsible for Enterprise and Industry



Assisting SMEs in eco-management

The **Eco-Management and Audit Scheme (EMAS)** has been recently revised by the European Commission. EMAS assists businesses in fostering sustainable development and managing their environmental impact by planning, review and improve their environmental performance, optimising the use of raw materials, transport, services, water and energy, and complying with environmental legislation. By using the EMAS logo, businesses not only increase environmental efficiency, but also get greater visibility and improve their company's image. The benefits from the system often also include cost efficiencies, as well as opening up new business opportunities in markets where green production processes are important. SMEs can take advantage of specific derogations applicable to the maintenance of EMAS registration. They can also benefit from faster, less bureaucratic and cheaper registration through EMAS Easy – a coaching process designed for SMEs.

Find out more here about how to use EMAS:
http://ec.europa.eu/environment/emas/index_en.htm



Peter Engelbrechtmüller is a chimney sweep from Lower Austria, who took over the family business in 1984 and currently employs 11 people. Since his first EMAS registration in July 2001, he has come to appreciate the scheme as a distinctive feature which reflects competence and high standards and matches his clients' wish for environmentally friendly services. "EMAS is an excellent tool that corroborates our image of good standing and credibility," he says. "Our customers recognise the company's environmental policy and like to participate and identify with our environmentally friendly practices."



Businesses can make it easier for their clients to identify their environmentally friendly products by acquiring the **EU Eco-label**. In contrast to EMAS, the EU-Eco label does not evaluate the environmental performance of the whole firm, but rather highlights the environmental excellence of a specific product, taking into account its whole life cycle from design to disposal. The scheme is voluntary and gives businesses the opportunity to use one label for all their pan-European or global marketing.

Find out more here about how to use the EU Eco-label:
http://ec.europa.eu/environment/ecolabel/index_en.htm

Promoting energy efficiency

The recent rapid increase in energy prices means that businesses face new challenges in keeping production costs low and maintaining their competitiveness. To help address this situation, the EU has set the target of reducing energy consumption in Europe by 20% by 2020. Added to this are commitments on climate change – cutting greenhouse gases (GHG) and increasing the share of renewable energies in EU energy consumption to 20% by 2020. The Commission has also produced an **Energy Efficiency Toolkit for SMEs** wishing to improve their energy efficiency. This will not only help the environment but also reduce our dependence on energy supplies from outside Europe. And there are benefits for business – energy-saving technologies and solutions, as well as increased use of renewable energy sources also provide business opportunities for innovative companies.

For more info on EU energy policy, see:
http://ec.europa.eu/energy/index_en.html

For the toolkit go to:
http://ec.europa.eu/environment/emas/pdf/general/energyeff_en.pdf

Intelligent Energy-Europe (funding programme):
http://ec.europa.eu/energy/intelligent/index_en.html

Providing focused financial assistance

- The EU's **Research and Development Framework Programme** for 2007-13 (FP7) provides funding for research projects in the environmental field. SMEs do not necessarily need their own research capacity to participate in the programme.
- **Eco-innovation** activities also benefit from a budget of €430 million under the **Competitiveness and Innovation Programme** (CIP) for 2007-13. Half of these funds are in the form of financial instruments managed by the European Investment Fund, while the other half will be used to co-finance projects concerned with the first application or market replication of promising innovative eco-technologies.
- A further €730 million from the **Competitiveness and Innovation Programme** has been earmarked for projects in the field of **energy efficiency** and **renewable energy**. These funds are managed by the Executive Agency for Competitiveness and Innovation (EACI).
- The European Commission requires Member States to reserve part of their **Structural Funds** expenditure (2007-13) for assistance to SMEs in the promotion of **environmentally friendly products** and **production processes**, such as effective environmental management systems, pollution-prevention technologies, and the integration of clean technologies into production processes.

British SME Mixlance Ltd, which employs a staff of 14, aimed to produce the first environmentally friendly modular batch-heater plant, which could be disassembled, moved and reassembled with minimum cost and effort. With funding from the EU's LIFE-Environment programme, the project successfully redesigned every major aspect of batch heaters, making them portable, clean enough to use in urban environments and powerful enough to produce any required roadstone recipe.

<http://www.mixlance.com/LIFE/>

Information about other eco-innovation projects can be found here:
<http://ec.europa.eu/environment/life/bestprojects/index.htm>



Boosting SMEs' research and innovation

Innovation is today more crucial than ever if a business is to survive and prosper. Markets are changing faster and there is increased competition from emerging economies such as China and India.

Undertaking research and development and putting innovative ideas into practice is often much harder for SMEs than for large firms. Small businesses frequently lack the financial resources and the in-house expertise to do research, and it is difficult for them to find a competent business partner to develop their ideas and to access programmes which co-fund research and innovation activities.

"Europe needs to become a truly knowledge-based and innovation-friendly society where innovation is not feared but welcomed, is not hindered but encouraged; where it is part of our society's core values and seen to work for the benefit of all citizens."

Günter Verheugen

European Commission Vice-President, responsible for Enterprise and Industry

What is the European Union doing on innovation?

The EU's innovation strategy aims to overcome market failures and remove the market barriers which prevent innovative businesses from expanding and flourishing across Europe. In order to achieve this objective, the EU adopts policy measures improving, in partnership with Member States, the framework conditions for innovation. The EU also provides funding.

The EU's **broad-based innovation strategy** targets cross-cutting issues like intellectual property rights, standardization, public procurement. It includes specific actions like public private partnerships in the form of Joint Technology Initiatives, the Lead Market Initiative and the European Institute of Innovation and Technology (EIT).

The main financial tool for the Commission's innovation strategy is the Competitiveness and Innovation Programme (CIP). It provides **support for investment in innovation activities**, primarily for SMEs. It aims to improve access to finance, promote eco-innovation and continue to fund EU services in support of business and innovation. The Programme has a budget of €3.6 billion for 2007-13.

The **Europe INNOVA initiative**, funded by the CIP, brings together companies, research organisations and investors to exchange successful practices in the field of innovation financing, clusters, standards and innovation management in sectors such as textile, automotive, construction, eco-innovation, food and drink, ICT, space and biotechnology. More than 300 innovation professionals from 23 Member States are currently involved in 11 sectoral cluster networks, 10 sectoral financing networks, 6 standards networks, an innovation management project and the recently launched Innovation Platform for knowledge intensive services (KIS). Read more on the Europe INNOVA initiative here:

<http://www.europe-innova.org/>

The Commission is also **supporting development of 'lead markets'** – that is using legislation, standardization, public procurement and other measures to serve demand for innovative products and services in six sectors chosen for their potential: e-Health, sustainable construction, protective textiles, bio-based products, recycling and renewable energy.

Strong and efficient collaborative networks which operate in a specific geographical area can be powerful engines of regional economic development and drivers of innovation. Europe does not lack such clusters, but it lacks world-leading clusters which are strongly competitive in the global market. The EU intends to focus all available instruments in order to **strengthen European clusters**, especially by fostering transnational co-operation between cluster organisations as well as between national and regional public authorities and innovation agencies in charge of cluster programmes.



Mutual learning among policy-makers, and in collaborative networks, will be crucial in the future to overcome fragmentation and to spend money more effectively. The PRO INNO Europe initiative is supporting such collaborative schemes at policy level in different fields of innovation. Read more about **PRO INNO Europe** here: <http://www.proinno-europe.eu/>

What is the European Union doing on research?

Framework Programme for Research and Technological Development

A high level of spending on research and development (R&D) and technological innovation is important for growth and the creation of new jobs. Nearly all Member States have set targets for increasing their level of R&D spending. If these targets are met, research investment in the EU will rise to 2.6% of GDP by 2010.

In order to give Europe a competitive edge, the EU provides funding for R&D projects. The Union fully recognises the importance of SMEs in the innovation process, so a substantial proportion of **EU R&D funding is earmarked for small business**. The Seventh Framework Programme for research and technological development (FP7) runs from 2007 to 2013, with a total budget of €54 billion of which around 15% is devoted to SMEs. In fact, in 2007 19% of the budget was actually allocated to SMEs. If this positive trend continues, it is estimated that on average €1 billion in research funding will be made available to SMEs annually throughout the lifespan of FP7. In addition, the EU share of funding in the total project costs for SMEs has been increased and can now cover 50% to 75% of the project costs.

An additional €1.3 billion has been allocated to SME specific actions, **helping SMEs with no research facilities to outsource research**, extend their networks, better exploit research results and acquire technological know-how. This funding supports relatively short-duration projects involving small groups of SMEs intended to solve common or complementary technological problems, or projects led by SME associations to solve problems common to large numbers of SMEs.

In the past, the application process for obtaining research funding was complex and time-consuming. The Commission has **simplified the application procedures** by, for example, introducing less complicated evaluation and selection procedures and using on-line application forms.

Improving how SMEs can benefit from EU research funding

Two FP7 projects for SMEs are identifying good practice for exploiting research results. USEandDiffuse targets the health and ICT sectors. The project will create a Best Practice Manual to illustrate the most effective ways of presenting and exploiting RTD results, and to evaluate their market potential.

ECOinno2SME focuses on the ECO-innovation segment, particularly biotechnology and agriculture, environment and energy. It will evaluate completed research projects with SME involvement to identify why these companies performed successfully, and then explore ways of publicising the findings effectively.

How to apply for EU research funding

A dedicated website for SMEs explains the whole procedure:

http://ec.europa.eu/research/sme-techweb/index_en.cfm.

A research enquiries service is also available:

<http://ec.europa.eu/research/enquiries>.

SME National Contact Points in each EU Member State and Associated State are tailored to the specific requirements of SMEs:

http://ec.europa.eu/research/sme-techweb/index_en.cfm?pg=support

Links:

Competitiveness and Innovation Programme (CIP):

http://ec.europa.eu/cip/index_en.htm

Innovation policy:

http://ec.europa.eu/enterprise/innovation/index_en.htm



Protecting your ideas

Many business opportunities are based on a new idea, a clever invention or an innovative way of marketing a product or service. But taking an innovation to market takes time and often requires considerable investment. In these cases the company needs effective legal protection for its creative ideas – i.e. its intellectual property rights (IPR). However, SMEs – with their lack of in-house expertise and human resources – are badly placed to tackle the complex legal and technical issues involved.

What is the EU doing?

The European Commission wants to change the IPR culture in Europe. It is therefore raising awareness of IPR issues and providing support to enterprises, especially SMEs, in making the most of their intellectual property, while taking a tough stand against piracy.

It recognises that a proper IPR system which is affordable to entrepreneurs is crucial for fostering innovation. Indeed, the countries across the world with the best innovation performance also score highly in terms of their level of patenting. This is why IPR is seen as a core element of the EU's initiatives to promote growth and jobs.

Strong IPR = good innovation

The European Innovation Scoreboard shows that Europe lags behind the USA and Japan and that there is a strong correlation between innovation and the level of patenting. However, there are considerable differences within Europe. Moreover, when patent registrations are related to population, the leading countries are more than a match for the US, which registered 34 794 patent applications in 2006: Germany had 24 867; France was next with 8 010, then the Netherlands with over 7 300; in contrast, the UK only put in 4 721 applications.

<http://www.proinno-europe.eu/docs/Reports/Documents/EIPR2006-final.pdf>

The Commission is providing **training on IPR issues** to SME organisations, in partnership with the European Patent Office, so that they can better advise small businesses on intellectual property issues. The Commission is also working closely with industry to identify where companies experience difficulties in using IPR effectively. The Commission has also identified good examples of how businesses are supported in IPR in the Member States, and has made **recommendations to national policy-makers** on how measures should be improved to meet the requirements of businesses. In addition the European Design Award has been launched.

IPR Helpdesk - protecting research results

There are different legal ways of protecting an innovation: copyright, patent, trademark or registered design. The Commission has set up an IPR Helpdesk to help entrepreneurs, in particular SMEs participating in European research projects, on IPR issues. It offers basic guidance and advice on intellectual property issues and its services are free of charge. The IPR Helpdesk's legal specialists will respond to individual legal questions via a helpline, and can also check legal documents. Over the last three years the IPR Helpdesk has provided 350 practical advice documents on-line, drafted 300 FAQs and responded to 4947 individual questions.

<http://www.ipr-helpdesk.org/>

IPR in emerging markets

Responding to requests from business, the Commission opened an **IPR helpdesk in Beijing** in May 2008. It provides free information, first-line advice and training support to European SMEs to protect and enforce their IPR in China. Its free services are offered in its offices in Beijing as well as through telephone and online enquiry points. A range of practical training tools will also be made available on-line and through training workshops in Europe and China.

<http://www.china-iprhelpdesk.eu>



What about a Community patent?

The European Commission continues to support the efforts made by Member States to create a **Community Patent** and an EU-wide patent jurisdiction. This remains a priority if companies are to benefit fully from the opportunities of the Single Market. The adoption of the Community patent would reduce the costs of patenting as well as increasing legal security for European enterprises.

European Inventor of the Year

Since 2006, the European Patent Office and the European Commission have honoured innovative companies and individuals as the 'European Inventors of the Year'. The 2008 winners in the category 'small and medium-sized enterprises', from the UK company Optos, have developed a new laser scanning technology for the eye which allows powerful but pain-free examination of the retina: <http://www.epo.org/>

New technology - new IPR issues

With the development of satellite broadcasting and the internet, a multitude of issues have arisen concerning copyright protection in the on-line environment. The absence of EU-wide copyright licences has been one factor that has made it difficult for new internet-based music services, such as on-demand music downloads, to develop to their full potential. The Commission has looked closely at the issues and made **recommendations to Member States** for improving the EU-wide licensing of copyright for on-line music services.

Enforcing IPR against piracy

Counterfeiting is a major problem for European businesses and for the health and safety of European citizens. Over 100 million counterfeited and pirated articles are seized by customs authorities in the EU every year. Counterfeiting is no longer limited only to fashion and design articles, but extends to toys, foodstuffs, medicines, car parts and electrical equipment. Enforcement of intellectual property rights in third countries is therefore more important than ever.

The Commission is working closely with Europe's trading partners to combat counterfeiting. Regular dialogues on IPR enforcement issues are held with China, Russia, and Ukraine. Since June 2006, the EU has been co-operating with the United States on issues such as customs co-operation, bilateral relations with third countries, and public-private partnerships for enforcement purposes. The EU has recently decided to focus its enforcement activities on specific countries:

http://ec.europa.eu/trade/issues/sectoral/intell_property/ipr_epc_countries_en.htm

In 2004 the EU adopted rules on the enforcement of intellectual property rights such as copyright and related rights, trademarks, designs and patents. Rights holders across the EU now have a similar set of civil measures that allows them to defend their intellectual property. This includes a number of sanctions and remedies, such as the injunction to recall, destroy or remove pirated or counterfeited goods from the market, as well as the right to financial compensation and damages. The Commission has also proposed criminal law provisions to combat IPR offences. These would stipulate severe punishments for piracy if there is a risk to health and safety.

Links:

Office for Harmonisation in the Internal Market (to register Community trade marks and designs)

<http://oami.europa.eu/en/>

Community patent:

http://ec.europa.eu/internal_market/indprop/patent/index_en.htm

Copyright and related rights (copyright protection in on-line environment):

http://ec.europa.eu/internal_market/copyright/management/management_en.htm

Enforcement of Intellectual Property Rights

http://ec.europa.eu/internal_market/iprenforcement/index_en.htm



Micro- and craft enterprises in the EU

Micro-enterprises – with fewer than ten employees – comprise over 90% of all enterprises, employ some 30% of the workforce in the non-financial business economy and produce more than 20% of economic value added. Self-employment provides 16% of total employment throughout the EU. Over the past years, micro-enterprises have created the highest number of new jobs in several sectors such as construction, transport and communications.

Craft professions – be it carpenter, butcher, baker, roofer, metal worker or information technician – are at the heart of Europe's local communities. They produce mainly within their local base, ensure jobs and vocational training for young and old, and make an essential contribution to innovation in the European economy. The heads of such enterprises are fully involved in all steps of business and they remain in direct contact with customers.

Craft and small enterprises face particular problems due to their small size and limited resources. The globalisation of the economy and enlargements of the EU have also considerably changed the challenges that these enterprises face. Starting up a new business and getting the required capital is a challenge, as is finding the right kind of finance to expand an established business. Due to their limited resources they suffer more from red tape and administrative burdens than larger enterprises. They often struggle to keep on top of new developments in information and communications technologies, and encounter difficulties finding qualified staff as well as providing them with adequate training and education. Moreover, finding successors for retiring business owners can also be problematic.

What is the EU doing?

All EU measures to support SMEs are designed with craft and small enterprises in mind. They aim to help them benefit from the business opportunities offered by the Single Market. The EU recognises the challenges facing SMEs and helps them to overcome them by, for instance, employing financial instruments, promoting labour mobility and providing innovation and business support to increase internationalization. The EU also promotes forums for co-operation, the transfer of business and access to standardization. **Simplification of start-up and administrative procedures** benefits in particular craft and small enterprises. Furthermore, the Commission's new proposal on reduced VAT rates for labour intensive services should in particular have positive effects on SMEs, since the sectors concerned, for example hairdressers, restaurants, small repair services etc., are mainly dominated by SMEs.

"Crafts are the largest enterprise in Europe. They decide whether a region flourishes or not. It is they, as enterprises for local and regional concerns, that often do much more than the law requires — and often without saying a word about it — because of their social responsibility for the public good and we have not by any means given them the thanks and recognition that their commitment actually deserves."

Günter Verheugen
European Commission Vice-President, responsible for Enterprise and Industry

EU SME policy also addresses specific groups like women entrepreneurs, young entrepreneurs and entrepreneurs with an ethnic minority background. A good example of this is the Commission's support to women entrepreneurs. Since fewer women than men are self-employed, the Commission is encouraging female entrepreneurship, for instance by proposing a network of **female entrepreneur ambassadors**. The Commission has also set up a **women's entrepreneurship portal**.



A significant proportion of Europe's economy is not organised solely to make profits for investors. The so-called **social economy**, including co-operatives, mutual societies, non-profit associations, foundations and social enterprises, provides a wide range of products and services across Europe, and generates millions of jobs. When policy-makers work to improve the business environment in Europe, they need to ensure that their efforts also take account of the specific characteristics of enterprises in the social economy.

Encouraging small businesses to invest in life long learning

Increased global competition, the transition to a knowledge-based society, and rapidly changing technology transform most aspects of the working life of a small firm. In the future, small enterprises will need people with different occupational skills, with specific job profiles and with more medium- and high-level qualifications. More than ever, all Europeans need to continually update their skills and professional competences. This is why the Commission is preparing an **exchange programme for apprentices** to allow them to gain work experience in another European country.

Micro-enterprises in particular are affected by shortages of skilled labour, caused mainly by demographic developments, and need to overcome their difficulties in attracting the most skilled workers via a life long learning process within the company. It is essential for them to invest in e-skills, extend the recruitment processes to new groups of the population, develop workability concepts, and foster the mobility of their workforce. The Commission strongly supports initiatives to identify future skill needs and make education and training more available to employers and employees alike throughout their whole professional lifetime.

The Austrian hairdressing salon 'Elite' has benefited from the EU's Leonardo da Vinci exchange programme. Several of its staff members have taken part in Leonardo exchanges and have returned to Austria with new ideas and skills from other European capitals. For example, five Austrian hairdressers went to London to work for a local hairdresser and returned to Austria with new styling skills. Some of them have now had the chance to put their new skills to good use as they were selected as managers of new Elite salons - thus strengthening the Elite brand.

http://ec.europa.eu/education/programmes/llp/structure/leonardo_en.html

Transfer of Business

A common challenge for craft businesses is to find successors for business owners who are retiring. Approximately one-third of European businesses will be affected by an ownership transfer in the next ten years. This means that an estimated 700 000 SMEs change hands each year. Many of these business transfers fail as the transfer process is not well managed. The Commission has started a pilot project to **provide advice to new business owners** who have recently taken over a business. This mentoring is provided by business associations and financed from the EU budget.

Links:

European Commission web pages on crafts and small enterprises:

<http://ec.europa.eu/enterprise/entrepreneurship/crafts.htm>

European Commission webpage on mobility schemes for small enterprises:

http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-skills_training/skills_training_main_en.htm

European Commission web pages on promoting women's entrepreneurship:

<http://ec.europa.eu/enterprise/entrepreneurship/women.htm>

UEAPME – European Association of Craft, Small and Medium-Sized Enterprises:

<http://www.ueapme.com/>



Support for SMEs at regional level

The local business environment has an important effect on small businesses, wherever they are located and policies to support and reinforce economic competitiveness are increasingly decided and implemented at local and regional levels. The European has developed instruments to encourage regional development, to support initiatives by regional players, and to promote networking between different EU regions. These instruments encourage entrepreneurship, support new enterprises, and make SMEs more competitive.

Investing to support local initiatives

Cohesion Policy is a central pillar of the EU's overall strategy for competitiveness, growth and jobs. The **Structural Funds** 2007-13 provide more than €300 billion of funding for regional development. More than two-thirds of these funds have been earmarked for measures to promote business, jobs and growth. SMEs are at the core of the Cohesion Policy which aims at making regions and businesses more competitive. By 2013, Cohesion Policy is expected to have invested around €27 billion - the largest share of EU funding - in the area of entrepreneurship and business support services. Support to R&D, innovation and facilitating the access of SMEs to knowledge will benefit from some €86 billion, while promoting the access of SMEs to information and communication technologies is expected to reach around €15 billion.

The **European Social Fund** for 2007-2013 recognises the particular role of SMEs in creating new jobs and focuses on giving direct assistance to companies, especially SMEs, to help them to adapt to changing market conditions. This includes assistance to people (e.g. training of employees and management staff), structures and enterprises themselves, through the development of specific business-related services addressing the needs of SMEs or their long-term training strategies. It also provides aid to people who aim to become self-employed and can also promote entrepreneurship in education systems. All in all, these various types of support amount to more than € 16 billion.

Spending focuses on measures to help SMEs develop, such as innovation, financing and business support. All regions are now eligible for funding from the Structural Funds. In the less economically developed regions, SMEs can receive direct support, under certain conditions, whereas in the rest of the EU, support is mainly available to business associations, support agencies, local administrations and other intermediary structures. In all regions, the Structural Funds focus on measures such as the co-financing of business incubators, advisory, training and financing schemes for SMEs, technology transfer, and SME clustering and networking.

Finally, nearly €80 billion more will be made available to increase the competitiveness of agriculture and encourage the economic diversification of rural areas. Particular efforts will also be made in favour of fisheries and regions with specific characteristics, such as mountainous regions or the most remote regions of the Union.

The selection of projects for funding is always done at regional level. SMEs and other organisations interested in the Structural Funds should therefore contact their local authorities to find out more.

Links:

The Structural Funds:

http://ec.europa.eu/regional_policy/country/gateway/index_en.cfm

Managing authorities at regional level:

http://ec.europa.eu/regional_policy/atlas2007/fiche_index_en.htm

Rural development policy:

http://ec.europa.eu/agriculture/rurdev/index_en.htm



'SMEs get a feel for the bigger picture'

With financial support from the Structural Funds, the Kempen Chamber of Commerce in Belgium launched a project to get local SMEs working together to start exporting some of their products. After an awareness campaign in the local media, a number of SMEs were then offered a package of individual counselling, consultancy and advice. A customised export plan was drafted, market research was conducted, and export fairs were targeted collectively. Membership of the scheme rose from 125 companies to 393 over the first three years. Most were small firms employing fewer than 50 people. See also: http://ec.europa.eu/regional_policy/projects/stories/search.cfm?LAN=EN&pay=ALL®ion=ALL&the=6

The JEREMIE initiative

JEREMIE ('Joint European resources for micro to medium enterprises') is an initiative of the European Investment Bank and the European Commission. It offers regional authorities the chance to improve the financing conditions of SMEs by investing part of their EU regional development money together with additional funding from financial institutions. JEREMIE funds will be used for specific regional actions to **boost the availability of financial instruments** such as venture capital, microcredit and loan guarantee schemes. For more information, see:

<http://www.eif.org/jeremie/>

or contact your local authority that manages EU regional programmes:

http://ec.europa.eu/regional_policy/atlas2007/fiche_index_en.htm.

European Enterprise Awards - 'Recognising excellence in regional entrepreneurship promotion'

The aim of the European Enterprise Awards is to recognise and reward outstanding initiatives by regional bodies which have contributed in an effective and innovative manner to the promotion of SMEs.

More than 320 regional and local authorities took part in this competition in 2007, and 48 nominees were designated at national level. The Bilbao municipal authority Lan Ekintza won the Jury's Grand Prize for its original approach to urban regeneration: buying property in derelict parts of town, refurbishing it into business premises by employing unemployed residents, and then auctioning the premises to viable new businesses.

At the award ceremony, in December 2007 in Porto, four other initiatives were rewarded in special categories for Enterprise Support, Red Tape Reduction, Investment in People, Responsible Entrepreneurship and the Entrepreneurial Trailblazer.

<http://www.european-enterprise-awards.org/>

The EU on your doorstep

Small businesses, especially in their early stages, often do not have the resources to monitor the many different kinds of assistance EU programmes can provide. Nor are they always able to fully assess the innovative and market potential of their products or explore new business opportunities, particularly outside the areas they know well.

The **Enterprise Europe Network** bridges this gap. With more than 550 contact points and almost 4,000 experienced staff, the network is the largest in Europe providing high quality integrated services to SMEs: information on EU policies, programmes and legislation; business partner searches and cooperation databases; brokerage events for technology and knowledge transfer; promotion and information material; individual on site visits to companies to assess their needs; tools engaging SMEs in European policy making; assistance to enhance participation of SMEs in European research.

Following the "no-wrong-door" and proximity principles, SMEs throughout the EU will receive local assistance from any network partner, or will be signposted directly to the most appropriate service provider.

Link:

http://www.enterprise-europe-network.ec.europa.eu/index_en.htm

- Europe's commitment to small businesses
 - The Small Business Act for Europe
 - Facts & Figures
 - Making life easier for small businesses
 - Improving access to finance
 - Helping SMEs to go abroad
 - Ensuring fair competition
 - Education and skills for entrepreneurship
 - Facing environmental challenges together
 - Boosting SMEs' research and innovation
 - Protecting your ideas
 - Micro- and craft enterprises in the EU
 - Support for SMEs at regional level
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