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from : the Secretary-General of the European Commission
signed by Mr Sylvain BISARRE, Director

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to : Mr Javier SOLANA, Secretary-General/High Representative

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- The SME Envoy: an active interface between the Commission and the SME
Community

Delegations will find attached Commission document SEC(2003) 60 which accompanies the communication from the Commission COM(2003) 26 final.

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COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION STAFF WORKING PAPER

The SME Envoy: an active interface between the Commission and the SME Community

{COM(2003)26 final}

1. BACKGROUND AND CHALLENGES

In December 2001, Commissioner Liikanen took the initiative to designate, under the authority of Directorate-General Enterprise, the Director for the promotion of entrepreneurship and SMEs as SME Envoy of the Commission. It was recognition of the important role that small and medium sized enterprises (SMEs) play in Europe for economic growth, job creation, innovation and social stability. The objective was to put in place a recognised interlocutor for the SME community with a dual role, acting both inside the Commission and vis-à-vis the outside world.

The task of the SME Envoy inside the European Commission is to contribute to ensuring that the specific interests and needs of SMEs are taken into account in European Union policies and programmes. He can play a special role in policies and actions affecting SMEs throughout the Commission and can act as a bridge between SME organisations and Commission departments whose actions impact SMEs. Outside the Commission, the SME Envoy acts as a visible interface between the Commission and the SME community, maintaining direct, informal and regular contact with SMEs and their representative organisations, providing information and collecting feedback.

The initiative to nominate an SME Envoy was taken for several reasons. The contribution of Europe's 20 million SMEs to meeting the Lisbon objectives is frequently acknowledged, yet more can be done to improve the integration of an SME dimension into EU policies. More attention is needed to ensure that the specific characteristics of SMEs are taken into account in a more systematic way when European Union policies and programmes are drafted or implemented. At the same time, SMEs have to be kept abreast of our activities, and opinions from SME representative organisations should be in line with the Commission's new guidelines for consultation on its policy proposals¹.

As a means of establishing closer contacts with SMEs and their representatives, the nomination of an SME Envoy also responds to the objectives of the European Charter for Small Enterprises². Indeed, the Charter calls for stronger and more effective representation of the interests of small enterprises both at Community and national levels. The creation of this new function also contributes to the implementation of a "think small first" approach. Lastly, it contributes to the improvement of governance in Europe through a more systematic dialogue between the European institutions and businesses.

Some Member States, such as Germany and the United Kingdom, have announced initiatives comparable to the present one, by designating individuals with responsibility for promoting the interests of SMEs and liaising with the business community. This is also the case for Switzerland, which has set up an SME task force with similar responsibilities to that of the SME Envoy. Some other countries are considering the same type of initiative.

The present communication looks at the first year of activity of the SME Envoy and explores the potential of this function in terms of increasing awareness of SMEs' specific needs and characteristics, and developing a more co-ordinated approach on SME issues.

¹ In December 2002 the Commission adopted a second Better Regulation package, which included, in particular, the adoption of minimum standards for consultation, cf. COM (2002) 704 of 11.12.2002.

² Adopted by the Council on 13.06.2000 and endorsed by the Feira European Council on 19/20.06.2000.

2. FIRST RESULTS

The first months were spent meeting relevant stakeholders and starting to identify major SME concerns and issues on the EU agenda. Among the positive results are improved visibility, a clear recognition by SME organisations and improved capacity to respond to SME queries and monitor a number of SME-related issues.

The SME Envoy had regular meetings with representatives from European business organisations such as UEAPME, UNICE, Eurochambres, ESBA³, etc., as well as with representatives from national organisations, Government officials, members of the European Parliament and the Economic and Social Committee. During 2002, he met key interlocutors from the administrations and business sectors in almost all EU countries, including sectorial or specialised associations such as the *European Business Angel Network (EBAN)*, the *Innovative Businesses Association*, the *European Association of Development Agencies (EURADA)*, craft and retail federations. He also had many opportunities to meet and discuss with entrepreneurs during company visits, a valuable source of direct feedback. All these contacts helped him to understand specific problems related, for instance, to skills shortages, labour laws, taxation or statistics.

The SME Envoy supplements other consultative mechanisms such as the Enterprise Policy Group and the various committees and meetings where SMEs are represented. The important added value of his work is his capacity to intervene at an early stage, by consulting SME organisations or being alerted by them. He acts pro-actively and on a relatively informal basis, since all interested parties can call on him with regard to any SME-related subject. Moreover, through his tasks and his visibility towards business organisations, he conveys a positive image of European Union policies in favour of SMEs.

The SME Envoy dealt with approximately 50 queries or complaints each month, from small companies or from SME associations. The task of handling these queries is accomplished in co-ordination with existing networks such as the Euro Info Centres (EIC), which have already developed considerable expertise on many EU issues. There are almost 300 EICs throughout the European Union, the candidate countries and the main neighbouring countries, which help the SME Envoy to organise a dialogue at regional level and to handle some of the queries addressed to the SME Envoy by individual SMEs.

Examples of difficulties encountered by SMEs include: strict financial criteria for participating in calls for proposals, very long delays before acceptance of files or receipt of payments, difficulty in obtaining information, in particular the overview of various EU programmes open to SMEs, etc. Many highlight the difficulty experienced when applying for Community funds managed by the Commission and that the procedures involved are not sufficiently SME-friendly. Although obligations resulting from European regulations can sometimes be made cumbersome by Member States, some existing directives have been particularly criticised by SMEs due to the burden they create, and the cost and complexity of procedures that they implicate. This is, for example, the case with the plant protection products directive which obliges small producers to complete many administrative procedures before their products can be put on the market. The SME Envoy has also been alerted by small companies on the following issues: financing (especially the new capital adequacy

³ UEAPME: European Association of Crafts, Small and Medium-sized Enterprises; UNICE: Union of Industrial and Employers' Confederation of Europe; Eurochambres: Association of European Chambers of Commerce and Industry; ESBA: European Small Business Alliance.

framework negotiated in Basle – Basle II Agreement), corporate social responsibility, availability of skills, and taxation. Concerns have also been raised on a number of legislative proposals, such as the directive on temporary workers, the recreational craft directive, the regulation on sales promotion, etc. and on the chemical products review.

Reinforcing the work of the Directorate-General Enterprise, the SME Envoy has acted as a channel through which the Commission has been able to take account of the impact of these legislative proposals on SMEs, leading to approaches which better reflect their needs. In the field of corporate social responsibility, a legislative approach has been put aside in favour of a voluntary approach. As far as the Basle II agreement is concerned, for example, the new rules will imply that banks will fix the interest rate on loans according to the risk associated with their clients. SMEs complained that this would have a negative impact for them in terms of access to finance. The SME Envoy contributed to the Commission's success in obtaining an agreement that special treatment would be reserved for SMEs and small companies in particular, through a reduction of the capital that banks would have to put aside against SME lending.

In addition, the SME Envoy has passed many queries or requests to the relevant services, in order to draw their attention to concerns about forthcoming legislation or difficulties encountered by SMEs who want to participate in Community programmes. As a result, rules have been changed or adapted, for example, to give more favourable treatment to consortia of SMEs in tender procedures for international co-operation, or to achieve wider acceptance of business organisations in collective research projects.

One year after his appointment, the work of the SME Envoy is well recognised within the business community, which seems to have clearly understood his role and function. The work of the SME Envoy has also received favourable media coverage.

However, it is difficult for the SME Envoy to embrace all issues submitted to him and to be involved in sometimes very technical matters. In addition, he intends to reinforce efforts to build awareness of his role across the Commission departments so that it becomes second nature for them to contact him or consider how he might contribute on specific issues. The full potential and effectiveness of this function will only be reached through effective co-operation with other services.

3. NEXT STEPS: ASSERTING THE ROLE OF THE SME ENVOY FOR THE BENEFIT OF EUROPEAN SMES

3.1. Maximising the potential of the SME Envoy inside the Commission

Monitoring SME relevant policies

One of the SME Envoy's key tasks is to look at other EU policies that may affect businesses. As early intervention is essential, the SME Envoy is able to draw on the Commission work programme and those of individual Directorates-General, finalised around the end of each year. This work fits into the objectives of the new system of impact assessments whose role is to ensure that Commission proposals are subject to an *ex ante* evaluation of their economic, environmental and social impact.

It is important that SME interests are taken on board at the earliest possible stage. The SME Envoy, therefore, intends to follow major forthcoming initiatives in order to be able to

anticipate their effects and react in due time. This may contribute to the effective operation of the new system of impact assessments from 2003 onwards. At the same time, contacts with other Commission departments will be gradually developed, following a pilot case approach, so as to build awareness of the specific characteristics of SMEs.

The success of this initiative will depend on the willingness across the Commission to contribute in an open manner and through systematic contacts with the SME Envoy, so that full account is taken of SME interests in framing new policies and initiatives.

Building up an informal “SME network” inside the Commission

The wide variety of programmes, instruments and services involved in SME issues sometimes makes it difficult for SMEs and their organisations to find the right person to talk to in the different Directorates-General of the Commission. There is also a risk that policies are not always consistent with one another. For example, policy overlaps and poor co-operation between Community business support services could have negative effects on businesses. Looking at entrepreneurship policy itself, Directorate-General Enterprise promotes a consistent approach, but the implementation of measures supporting entrepreneurship are often also carried out through many other policies, such as employment, external relations and international co-operation, regional, research or education policies, which are the responsibility of different Directorates-General.

The SME Envoy intends to develop his contacts in order to create an informal network inside the Commission, dealing with SME issues. Such a network, involving the Directorates-General concerned, could help to develop a more co-ordinated approach. This network could build on existing co-ordination groups such as those which prepared the Green Paper on Entrepreneurship or the Small Firms Charter implementation report. This would build on the expertise now established. It would be composed of designated officials who would be aware of SME issues and would act as interlocutors for the SME Envoy and for SME organisations. Participation in this informal network would be to the mutual benefit of the SME Envoy and the other services who, in turn, would have the opportunity to further promote their policies to SMEs.

The creation of an informal network inside the Commission services could increase awareness of SME issues, improve co-ordination throughout policy fields, and at the same time facilitate contacts for SMEs and their organisations.

Contributing to better regulation

Improving the quality of legislation is a constant objective of the Commission. Proposals agreed just before the end of the year⁴ should help to ensure that SMEs, alongside other interested parties, are consulted more systematically when legislation is being drafted, so that SME interests are better reflected in consultation exercises or business assessment procedures. When it comes to funding programmes, SMEs should not only be considered in the objective and conception of the programmes, but also in their implementation mechanisms. Research programmes offer a good example of how SME participation has been made easier through specific measures, single access points and information desks, reserved calls for proposals, etc. The SME Envoy can contribute to better regulation by highlighting the concerns expressed to him by SME organisations to the various Commission services concerned.

⁴ See footnote 1.

By acting as a bridge between the world of SMEs and other Commission services, the SME Envoy can play a role in improving regulation and in facilitating SMEs' access to EU programmes.

3.2 Developing and deepening relationships with the business community

Fostering dialogue with the SME community

It is essential that the SME Envoy meets with the business community on a regular basis. He will therefore further develop these contacts, being pro-active towards SMEs and their organisations, exchanging information and listening to them. Feedback from the business community is useful to understand the difficulties that SMEs might face in implementing EU legislation and can contribute to improving the quality of legislation. Other Commission services are also encouraged to associate these organisations in the preparatory process of policies at an early stage.

Business organisations in candidate countries deserve particular attention and merit intensified contacts. Organisations in these countries are unlikely to be as familiar with our policies and procedures as organisations within the European Union. Improved contacts with these organisations would also increase our own knowledge of the policy needs of SMEs in these countries.

Informal dialogue is essential and should be further developed with SME organisations in order to cover all countries, including candidate countries, and all sectors of the economy.

4. CONCLUSION

The first year of activity of the SME Envoy has been encouraging. The fact that SME and entrepreneurship policies embrace many policy areas, as demonstrated by the Green Paper on Entrepreneurship⁵, is reflected by the importance attached by the Commission to ensuring a more horizontal, co-ordinated approach in assessing the broad impact of proposed measures. It confirms the need for a focal point for SME issues in the Commission, to act as interface with the SME business community and contribute to a more integrated approach on SME issues.

The SME Envoy's actions could help the Commission to deal with SME-related matters, to improve current practices and achieve more consistency and thus efficiency, when the various policies affecting enterprises are implemented.

⁵ COM(2003) 27 of 21.01.2003.