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REPORT

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

Committee on Industry, Research and Energy

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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

The European Parliament,

- having regard to its resolution of 9 March 2005 on the mid-term review of the Lisbon Strategy¹,
 - having regard to the Presidency Conclusions of the European Council at Lisbon in March 2000;
 - having regard to the Presidency Conclusions of the European Council at Barcelona in March 2002;
 - having regard to the Report of the High Level Group chaired by Wim Kok, following the meeting of the European Council in Barcelona in March 2002;
 - having regard to the Presidency Conclusions of the European Council at Brussels in March 2005;
 - having regard to the Commission Communication "Working together for growth and jobs: A new start for the Lisbon Strategy" (COM(2005)0024);
 - having regard to the Commission report on the implementation of the European Charter for Small Enterprises (COM(2005)0030),
 - having regard to the European Charter for Small Enterprises, adopted by the European Council at Feira in June 2000,
 - having regard to its resolution of 9 June 2005 on strengthening European competitiveness – the effects of industrial change on policy and the role of SMEs²,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs (A6-0405/2005),
- A. whereas the European Council has adopted the strategy for making Europe the most competitive and knowledge-based economy in the world;
- B. whereas the Commission has launched a policy of ‘think small first’, and proposed new programmes for small and medium-sized enterprises (SMEs), notably an Entrepreneurship Action Plan,

¹ Texts adopted on 9.3.2005, P6_TA(2005)0069.

² Texts adopted on 9.6.2005, P6_TA(2005)0230.

- C. whereas the Commission communication of February 2005 on a new start for the Lisbon Strategy overlooks small enterprises, even though the Lisbon European Council had declared that small enterprises were the backbone of the European economy and job creation,
- D. whereas the European Charter for Small Enterprises has been adopted by the Member States of the European Union, the candidate states and associated states, and has also been adopted by the Commission, bringing to 35 the number of countries where it applies; whereas the mechanisms for applying the Charter are based on the open method of coordination between the states,
- E. whereas the Commission outlined the key instructions for reforms at European Union level by focusing on 8 main actions accompanied by around 100 regulatory, financing and policy development actions to be carried out till 2008;
- F. whereas the European Council has called for faster implementation of the Charter;
- G. whereas the professional organisations are playing an active role in applying the Charter and whereas they are anxious to increase their participation; whereas small businesses' assessment of the Charter's content is positive,
- H. whereas there is still a shortage of relevant information on small and micro-businesses and whereas insufficient knowledge of such businesses is a brake on the development of effective entrepreneurial policies,
- I. whereas, following a Council recommendation, this fifth assessment report on the Charter concerns three of its ten lines for action, education for entrepreneurship, better regulation and overcoming skills shortages,
- J. whereas small enterprises and craft enterprises are one of the main engines for increasing employment in Europe; whereas they play a vital role in competitiveness and innovation, as well as in professional training, and are an essential element of social cohesion in urban and rural areas;
- K. whereas the High Level Group, the Commission and the European Council proposed and determined a new start of the Lisbon process;

On the European Charter for Small Enterprises

1. Welcomes application of the Charter outside the Member States of the European Union; considers that it is playing a positive role in the preparation of the candidate countries, and that the Charter's implementation should be encouraged in the pre-accession strategy;
2. Highlights the responsibility of the Member States and EURO-MED partner countries to more thoroughly implement the Charter and encourages them to learn from each other through the exchange of good practice in this area;
3. Highlights the importance of Small Enterprises in delivering the Lisbon objectives of stronger, lasting growth and more and better jobs;

4. Supports the principle of applying the Charter in the associated states; considers that it represents an excellent vehicle for the approximation of legislation between those states and the European Union; wishes the Charter to have a consistent place in the European Neighbourhood Policy's projects;
5. Considers that the open method of coordination between the states is relevant, but that it should not exonerate the Commission from active participation in implementing the Charter;
6. Wishes the structure of small businesses' professional organisations especially at the regional level to be strengthened and better involved; considers that the annual conferences on the Charter should be complemented by other regular meetings to structure the exchange and dissemination of best practice; calls for the promotion of cooperation and collaboration projects involving small enterprises;
7. Points out that the Charter concerns small businesses and this special purpose is what makes it worthwhile; nevertheless, with due regard for that special purpose, considers that the Charter's actions for small businesses should be incorporated in, and supplemented by, the general policy for SMEs on the basis of binding measures not only at Community level but also within Member States, where sharing of best practice should be specifically encouraged; notes, in particular, that the tenth and final principle on strengthening the representation of the interests of small enterprises states that a review will be completed of how the interests of small businesses are represented at European Union and national level, including through the social dialogue; stresses that this is a key requirement, given that the current Social Partnership composition is primarily reflective of larger businesses and their employees; while noting that the Commission's current implementation report focuses on three other key priority areas of the Charter, calls for early completion and publication of this review; in the meantime, calls on employer representatives to represent the interests of small businesses in their role as social partners without delay;
8. Points out that the concept of 'small enterprise' includes businesses of different sizes, character and activity, whose situations and requirements vary; calls on the Commission to use the mechanisms of the Charter and to cooperate with professional organisations representing small enterprises to overcome the lack of available information and data on such enterprises and on their needs and potential; bearing in mind the specific nature of craft enterprises, reiterates its request that detailed and accurate economic and statistical analyses of such enterprises should be carried out in order to give a fresh boost to efforts to develop them;

On the content of the Commission report

9. Notes that the report does not give a consistent overview of the situation in all Member States; calls on the Commission, in future reports, not only to analyse individual countries but to carry out a critical, complete yet concise assessment of all Member States and associated States in order to make specific comparisons possible;
10. Is surprised at the rather complex presentation of the report, which varies in density depending on the version concerned; would have appreciated a more systematic and more critical review;

11. Notes that progress in the area of entrepreneurship is rather patchy and in many cases has little effect in terms of actual benefits for enterprises; considers that better coordination with the Entrepreneurship Action Plan is required; points out that the involvement of businesses in such actions is an essential condition for their success; stresses, in particular, the need to enhance the opportunities of small and micro-businesses to make use of European programmes because of the difficulties they encounter in gaining access to such programmes;
12. Considers that the SME Envoy performs a useful function in externally connecting small enterprises with the Community environment, and calls therefore on the Commission to promote coordination between the Envoy and bodies representing small enterprises and craft enterprises in respect of all Community issues; considers that this role could be more effectively enhanced if the Envoy could also be more vocal internally, by being invited to attend and contribute to European Parliament Committee discussions on proposed legislation so that the needs of SMEs can be more fully explored in due time;
13. Appreciates the very important role that international collaboration between Chambers of Commerce can play in improving the competitiveness of small enterprises, particularly at a time in which globalisation leads to more and more enterprises, concentrations and cartels expanding internationally;
14. Welcomes the Commission's willingness to improve access of SMEs to European Union programmes; underlines that it is important to facilitate their access to structural funds and promote other initiatives to improve access to private capital flows for the benefit of small enterprises, including the creation of microfinancing facilities for flexible forms of female or family enterprises, by helping to cofinance the projects and providing qualified and financially accessible information, in particular through the Euro Info Centres and Innovation Relay Centres;
15. Points out that undertakings in outlying and rural areas are predominantly small in size; stresses therefore the need for increased funding in the form of special measures and investment programmes and extension of the innovation network to encompass outlying small businesses, for which access to innovation is of vital importance; recommends simplified procedures for the creation of regional and local funds of risk capital in cooperation with institutions dealing with technological development and innovation such as technological incubator centres, high-tech centres, technological parks etc.;
16. Stresses that the purpose of the report is to strengthen the SME dimension in Community policy by drawing up the best practices and streamlining the existing policy instruments; given that small enterprises are recognised as a major driver for creating and increasing employment and innovation in Europe as well as fostering social and regional development, regards it as vital for both the role and the needs of SMEs to be generally considered when any legislative proposal is being developed, not just those specifically mentioning small enterprises;
17. Notes that small and craft enterprises are an irreplaceable source of technological innovation; requests that CIP and research and innovation programmes, as well as regional policy, should facilitate the development of such innovation and support the initiatives taken by these enterprises; stresses that innovation should not be confined to

technology, but that it also concerns the modernisation of the activities and services of small and craft enterprises, including modernisation for social and job creation purposes;

18. Recognises that Member States are best placed to oversee bankruptcy legislation; nevertheless believes that it is not enough simply to exchange best practice, and calls therefore on the European Union to encourage further development and fostering of business support networks at regional and local level that would provide support to small enterprises to start their business again;
19. Welcomes the progress made by the states in the area of legislation on bankruptcy; points out that a number of financial obstacles are still hampering the development of small and micro-businesses, particularly their access to lending, and that measures to this end should therefore be taken at Community level; repeats its view that the European Investment Bank and European Investment Fund should be better used to support the growth of such businesses, especially those working in the field of innovation and technological development; also considers that facilitating the transfer of businesses will significantly boost the viability of small businesses; calls for more extensive joint European initiatives to promote the establishment of small businesses and use to greater advantage their investment potential; considers that European Union measures should - in accordance with the subsidiarity principle - supplement and underpin national policies;
20. Calls on the Commission and Council to strengthen the financial instruments for small and craft enterprises, particularly mutual guarantee systems;
21. Draws attention once again to persistent fiscal impediments, particularly to investment; considers that this action area should be a priority giving SMEs easier access to capital; suggests, for instance, that European subsidies for small businesses should be exempt from corporation tax;
22. Believes that tax and administration systems relating to the creation and the development of small businesses should be simplified, that tax obstacles to all forms of cross-border economic activity should be eliminated, as for instance through a common system of value added tax, and that the fight against illegal state aid in the form of harmful tax competition should continue; supports in particular the Commission proposal for the Pilot Scheme for Home State Taxation for Small and Medium Sized Enterprises providing a short-term solution for small businesses and supplementing the principal measure in the form of the Common Consolidated Corporate Tax Base (CCTB); urges Member States to reform and simplify their tax systems relating to the creation and the development of small businesses, to give incentives for innovative companies and to abolish disadvantages created by tax systems for equity financing;
23. Calls for not only tax relief for small enterprises but also a reduction in bureaucratic obstacles, particularly in the launch phase;
24. Believes that the states and the Commission have failed to grasp the scale of the considerable challenge that the European Union will face over the next ten year when millions of small and craft enterprises will cease to operate because of the retirement of those who run them, with the danger that several million jobs will be lost; considers that it is a major question of priority importance for the Union to ensure that such enterprises are

handed on and taken over; calls on the Commission and Council to draw up a strategy to encourage and facilitate the handing on and taking over of small and craft enterprises ;

25. Notes that, in terms of impact analysis, the states' progress is still limited; still expects the Commission to adopt a definitive method for carrying out impact assessments; asks the Commission and the states to define detailed objectives for simplifying the present regulatory framework, sector by sector; calls for that exercise to pave the way for effective simplification for small businesses; calls, moreover, on the Commission and the Member States actually to make use of the results of the impact assessments and incorporate them in the respective legislative proposals;
26. Believes that, to ensure a level playing field for SMEs, the Commission must ensure that all legislation is implemented equally across all Member States and that in the case of non-compliance, rapid infringement procedures are applied;
27. Calls on the Member States for the possibility of exempting small businesses from certain regulatory requirements, as the Charter proposes, actually to be implemented; emphasises that the simplification of legislation generally and the exemption of SMEs from certain regulatory obligations, as proposed in the Charter, are useful means of alleviating the burden of administrative expenditure and procedures for SMEs;
28. Notes the differences which apply in respect of education in entrepreneurship and the cultivation of the spirit of enterprise in school; recognises that the development of business skills should be an objective of national secondary education programmes in all the Member States; recognises the importance of the first point listed in the Charter, relating to 'Education and training for entrepreneurship', which emphasises the need to support business innovation and worker training, to develop entrepreneurship from an early age in lessons and training courses devoted to business in secondary school, university and technological training, to encourage close cooperation with research centres, to encourage public support for young entrepreneurs and to establish links between the various sectors of public administration; considers that the formation of business clusters encompassing small enterprises could be one effective way to foster job creation;
29. Considers that, in the case of training, the results are still a long way from meeting the needs expressed; repeats its wish to see special consideration given to groups of small enterprises within the framework of the Leonardo da Vinci apprentice exchange programme; expects the Member States to develop and support a range of performance-oriented training opportunities; repeats its wish to see an exchange programme set up for workers, from apprentices upwards, to make it possible to complete a vocational training period abroad and thus encourage their mobility;
30. Proposes to strengthen the work between Euro Info Centres, the Commission and the European Union offices of information and to involve associated business structures, as this would give SMEs better access to information;
31. Calls on the Commission, the Council and Member States to start the process of modernisation of the Charter and re-launching the implementation process with priorities of the Lisbon agenda; considers that the revision of Chapter should be in the focus of the

next annual conference on the Charter; welcomes the practice adopted hitherto of holding conferences on the Charter in Dublin (2004) and Luxembourg (2005); is in favour of the practice of holding national conferences on the Charter and recommends that the mechanism for submitting reports regarding the Charter be linked to progress reports on the entrepreneurship action plan;

32. Considers that additional priorities should be introduced into the Charter, such as promotion of entrepreneurship as a true value of society, a considerable reduction of the stigma of entrepreneurial failure, enhanced cooperation between small enterprises, education and research institutions and support for intensive cooperation between the aforementioned actors, financial institutions and capital markets;

On evaluating the Charter's implementation

33. Calls for the states that have not implemented the lines for action to be mentioned and for all the states to be listed for each line for action, so as to have a complete overview of progress made;
34. Stresses that if the Charter had force of law and was binding, as the European Parliament has regularly requested, the involvement of states would be greater, making it possible to carry out a fuller and more detailed analysis; is concerned at the excessive degree of latitude allowed to the states as to whether or not to participate in the implementation of the Charter; deplores the fact that some states are not properly implementing all the Charter's action lines and are refusing to undertake the structural reforms needed for small enterprises; calls on the Council to address this question so as to play a greater role in monitoring the implementation of the Charter;
35. Wishes best practices to be highlighted, so as to present models of experience for each line for action; notes that the Best Procedure projects are working well and considers that their dissemination needs encouraging;
36. Maintains that the fifth point covered by the Charter, 'Improving online access', should be regarded more explicitly, specially the role of the public authorities to increase their electronic communication with the small business sector;
37. Points to the need to focus more attention on, and give better guarantees as regards access to, specific Community support for micro-, small-, and medium-scale entrepreneurs; maintains that it is essential to do away with the red tape in the procedures for granting Community funds;
38. Is concerned by the lack of data on small enterprises at national and European level; recalls that reliable and more complete statistical information constitute an essential tool when addressing the problems and needs of small businesses;
39. Calls on the professional organisations of small businesses to deliver an opinion on the Charter's implementation at both national and European level; would like to see them more closely involved, both during the framing of policies and in all the decisions taken at Community level regarding small enterprises, by setting up standing working tables for this purpose; calls on the States and the Commission to ensure full and independent

participation by the organisations representing all these enterprises in the European social dialogue as a whole; points out that through the Charter the Commission, in cooperation with the Member States, could put together data on small and micro-businesses with particular reference to the needs of small businesses, including data on the productivity and efficiency of micro-businesses compared with medium-sized businesses, so as to make Community legislation more responsive to their requirements and better adapt its actions, programmes and policies, including through the identification of indicators to assess the impact on business activity;

40. Calls for better statistics concerning the situation of small enterprises in the European Union so that more accurate quantitative comparisons can be drawn and best practices applied more effectively;
41. Calls for a level playing field regarding capital accretion by small businesses, particularly in connection with the Basel II provisions - ensuring them more funds for investment in research and development so that they can compete effectively;
42. Considers it necessary, for the sake of enhanced innovation and competitiveness, to increase the contribution of trans-European networks to disseminating technology and new ideas among small businesses and to encourage staff mobility between small enterprises and higher education and research institutions; also considers it necessary to develop more targeted research programmes focused on the commercial application of knowledge and technology by small enterprises;
43. Is disappointed by the deadlock in the Council's negotiations on a Community patent; urges the Commission to provide a suitable legal framework to protect patent and intellectual property rights regarding the dissemination of innovatory ideas among small enterprises and all other bodies operating within the internal market; stresses that patents should be affordable for small businesses;
44. Welcomes the Commission's initiative to withdraw one third of screened legislative proposals to ensure that the regulatory framework in which businesses operate is simple and of high quality; calls upon the Member States to support the Commission in this project with equivalent measures at national level; welcomes the Commission's proposal that new regulations at national and Community level should be screened to assess their impact both positive and negative on small enterprises and entrepreneurs; requests a more rigorous consideration of the principle of subsidiarity and a more systematic use of impact assessments and public consultation in the development of new policy proposals; calls accordingly on the Commission to ensure that impact studies of Community legislation are clearly and specifically extended to small enterprises; believes that this Commission proposal concerning new regulations should also be formally extended to include existing regulations and that, where legislation is deemed unnecessary at European Union level, it should be revised or repealed; calls on the Commission to draw up a clear timetable and action plan in order to deliver this objective;
45. Underlines the need to accelerate far-reaching structural reforms in each Member State in order to strengthen small enterprises' competitiveness, create favourable conditions for businesses, especially small businesses, and complete the creation of a fully-functioning

internal market;

46. Calls, for that reason, for concrete policies and actions to increase investments at national and regional level; calls urgently for suitable investment incentives to be given to small businesses, such as simplified procedures for supporting small investments via public development funds, venture capital funds (especially seed capital funds), business angel finance, investment by private individuals (micro-angels) and micro-credit funds operating on a public-private partnership basis; encourages the pooling of resources and information concerning joint projects, greater participation in projects carried out by Member States and transparency of taxation regarding policies aimed at attracting foreign investments;
47. Recognises the need for special assistance to SMEs in implementing environmental and social legislation;
48. Believes that all the measures laid down in the Charter to stimulate business enterprise should be equally applicable to the self-employed, especially as regards matters of interest to them, such as social security systems, prevention of occupational hazards, or unemployment insurance;

On the Charter's future

49. Takes note of the suggestion of linking the progress reports on the Entrepreneurship Action Plan with the reporting mechanism for the Charter, and revising the content and priorities of the action plan, if need be;
50. With a view to the possible revision of the Charter, calls for recognition of draft enterprises to be included in the text; with this in view, hopes that the main goal of the Fourth European Conference on Crafts and Small Businesses will be to help define the common interests of craft industries at European level and that it will have the technical, human, financial and political means to enable it to draw up a strategy better geared to the specific nature, needs and expectations of craft industries;
51. Congratulates the new Member States for being active in learning from others and early results in implementing the Charter though further developments have to be made; draws attention to the particularly important role played by SMEs in the new Member States, especially in those in which significant institutional and political changes are in progress;
52. Regrets the fact that there will be no more annual Charter reports in future, as Charter reporting will from now on be absorbed into Lisbon reporting; believes that this is certainly a backward step as far as future focus on SMEs is concerned; further regrets that the process of Charter reporting, which involved annual bilateral discussions with representatives of business organisations, will now lapse without such future direct input from SMEs; considers that this decision should be revisited;
53. Considers that while this would make it possible to rationalise follow-up action for the two instruments, it is not acceptable for implementation of the Charter to become merely a subheading of the Action Plan;

54. Believes that consideration needs to be given to the special situation of non-profit SMEs;
55. Therefore considers that this solution would be acceptable only on the following conditions:
- retaining the small and micro-businesses dimension of the Charter, with actions specifically intended for them;
 - setting up a specific follow-up and evaluation mechanism for the candidate countries and associated states that are not party to the Action Plan;
 - taking account of the participation of the professional organisations, which have a more important role in implementing the Charter than in the Action Plan;
 - maintaining the dissemination of best practices and exchanges between the Charter's signatory states;
56. Stresses that including the follow-up to the implementation of the Charter as part of the Lisbon Strategy must not be an end in itself; emphasises that, if this follow-up action is simplified in any way, this should not be at the expense of the content and substance of the annual reports forwarded by the states concerning follow-up to the Charter; calls therefore for these annual reports to continue to focus on the introduction of best practice, experimentation, the presentation of tangible legislative measures and specific political commitments aimed at small and micro enterprises;
57. Welcomes the intention of the Commission to evaluate the implementation of the Charter in a contextual framework of the Lisbon process;
58. Calls on the Commission to involve all representatives of small and craft enterprises in any revision process and to take these conditions into account when it presents to Parliament a proposal for revising the Charter and improving its follow-up action;
59. Calls on the Commission, the Council and Member States to ensure that the annual report on the European Charter for Small Enterprises remains the key instrument for monitoring the development in the field of entrepreneurship;

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60. Instructs its President to forward this resolution to the Council and Commission, and to the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

Small enterprises employ up to 50 people. In Europe they represent about 25 million businesses employing almost 95 million people. They thus account for 99 % of all businesses and provide 55 % of all jobs in the private sector.

1. The European Charter for Small Enterprises

The Feira European Council of 19 and 20 June 2000 adopted the European Charter for Small Enterprises, drawing attention to their central importance and the commitment of governments to act in their support.

The Charter comprises ten 'lines for action':

- 1. Education and training for entrepreneurship*
- 2. Cheaper and faster start-up;*
- 3. Better legislation and regulation;*
- 4. Availability of skills;*
- 5. Improving online access;*
- 6. Getting more out of the Single Market;*
- 7. Taxation and financial matters;*
- 8. Strengthening the technological capacity of small enterprises;*
- 9. Making use of successful e-business models and developing top-class small business support;*
- 10. Developing stronger, more effective representation of small enterprises' interests at Union and national level.*

Implementing the Charter is based on the open method of coordination between the participant states. This method allows the states a good deal of freedom to experiment and make policy choices on the way forward in implementing the Charter's ten lines for action. This flexible approach enables experience to be taken into account, so as to highlight best practice and thus encourage exchange and cooperation between the states.

The Charter is applicable not only in the Member States of the European Union but also in the candidate countries, which adopted it in 2002. In 2003 the western Balkan countries adopted the Charter, followed by Moldova in 2004, bringing the total number of countries in which it is applicable to 35. Finally, since October 2004 and the Caserta Declaration on the European Charter for Small Enterprises, the Mediterranean countries have been associated with the process, thus proving its dynamism.

The rapporteur welcomes this geographical extension of the Charter's scope, and wishes to support this trend. She is accordingly proposing that:

- implementing the Charter should benefit from the pre-accession strategy in the accession countries, namely Romania and Bulgaria; its lines for action should be taken into account in the negotiations with the candidate countries, Croatia and Turkey;
- the Charter's lines for action should also serve in devising cooperation projects under the European Neighbourhood Policy and benefit from its support.

The rapporteur also draws attention to the active role of the professional organisations in implementing the Charter, and would like to see their participation stepped up. Such organisations are useful places for passing on and obtaining information and should be more widely used.

2. The fifth report on implementing the European Charter for Small Enterprises

The Commission is required to produce an annual report on implementing the Charter. Following a Council recommendation, the report concentrates each year on progress in the implementation of three of the lines for action.

The presentation of this fifth report on implementing the European Charter is somewhat curious and, in the end, unnecessarily complicated. The COM document officially forwarded to Parliament only makes sense if it is backed up by a reading of the Commission documents detailing, case by case, implementation by the Member States, the candidate countries, the associate states and finally the Commission itself.

The general summary could be more consistent and the analysis more dynamic. The rapporteur particularly regrets that best practices are not made more of and that there is no information on the intensity of cooperation between the states.

The analysis is scarcely critical and it should provide a complete overview of the progress made, or not made, by all the states. The open method of coordination seems here to encourage some complacency; while the positive tone of the report is understandable as there has been real progress and good initiatives, it is nonetheless true that some countries do not seem to be greatly involved in implementing the Charter and some lines of action have shown only tentative progress.

On the more specific issue of the three lines of action, we note that progress has been irregular or uneven. The report highlights certain national actions but without giving details either of the impact on small businesses or of their interest to other countries. Thus the presentation is rather static and we can only regret that it does not include recommendations for the future.

The rapporteur is also putting forward some proposals which have often been raised by Parliament before, and could be implemented through the Charter's mechanisms.

3. The future of the European Charter for Small Enterprises

This fifth report mentions a number of suggestions for the Charter's future and its follow-up. It proposes linking the progress reports on the Entrepreneurship Action Plan with the reporting mechanism for the Charter.

While the rapporteur believes that this approach could indeed make it possible to provide a more consistent follow-up to the Charter's implementation, she would like to point out that the Charter has its own specific features which need to be retained:

- the Charter deals with small and micro-businesses, and it is this specific feature that makes the Charter effective and worthwhile. This particular dimension needs to be brought out and not diluted in more general policies for small businesses;

- the extended geographical scope of the Charter is a valuable asset to the EU in its relations with its neighbouring countries. It is essential that the Charter should remain an instrument for cooperation and exchange with such countries, including when taking action to follow up its implementation;
- the role and participation of the professional organisations should not just be retained but more especially encouraged in future;
- lastly, the priority must remain to disseminate best practices and encourage governments to create a better environment for small businesses.

At any event it is essential for the European Union to retain an instrument for taking action on behalf of small businesses. It is not possible to ignore this vital economic and social fabric on which the European social model and the growth of our economies depend.

The Charter is appreciated by the professional organisations and its implementation is being favourably received by business people. The European Union is not hampered today by excessive confidence and it would be a pity to deprive ourselves of an instrument whose potential has yet to be exploited to the full.

22.11.2005

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Industry, Research and Energy

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

Draftswoman: Katerina Batzeli

EXPLANATORY STATEMENT

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

SMEs and the Lisbon Strategy

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

The Fifth annual report on the Small Enterprises Charter

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

Methodology

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

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

each country and are due to the national environment.

SUGGESTIONS

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

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

8. Calls, for that reason, for concrete policies and actions to increase investments at national and regional level; calls urgently for suitable investment incentives to be given to SMEs, such as simplified procedures for supporting small investments via public development funds, venture capital funds (especially seed capital funds), business angel finance, investment by private individuals (micro-angels) and micro-credit funds operating on a public-private partnership basis; encourages the pooling of resources and information concerning joint projects, greater participation in projects carried out by Member States and transparency of taxation regarding policies aimed at attracting foreign investments;
9. Calls for more extensive joint European initiatives to promote the establishment of SMEs and use to greater advantage their investment potential; considers that EU measures should - in accordance with the subsidiarity principle - supplement and underpin national policies;
10. Considers that, within the framework of the new regulation for state aids, special attention should be given to the definition and the eligibility of local state aids for SMEs, which contribute to their competitiveness as well as the employment and development of remote and less-favoured regions;
11. Points out that undertakings in outlying and rural areas are predominantly small in size; stresses therefore the need for increased funding in the form of special measures and investment programmes and extension of the innovation network to encompass outlying SMEs, for which access to innovation is of vital importance; recommends simplified procedures for the creation of regional and local funds of risk capital in cooperation with institutions dealing with technological development and innovation such as technological incubator centres, high-tech centres, technological parks etc.;
12. Is sceptical about the presumed effects of the Risk Capital Action Plan (COM(2002)0563) and the Financial Services Action Plan (COM(1999)0232); is of the opinion that most of the texts adopted were only indirectly aimed at promoting an SME-friendly environment and most of the measures lowering administrative burden on SMEs were introduced by the Parliament; requests that, for future draft directives in this field, the Commission take SMEs directly into consideration;
13. Considers that, in addition to EU measures, the Member States should extend risk capital facilities for SMEs with long-term repayment schedules to secure cyclical and operational margins;
14. Takes note of the adoption of the European Company Statute; underlines however that this statute is exceptionally complex and therefore will be of doubtful usefulness for SMEs; supports therefore a revision of the European Company Statute so as to meet SMEs' needs;
15. Observes with regret the lack of SME participation in innovation, research and development programmes and policies; supports the adoption of new financing tools to reinforce the financing of research and innovation activity; stresses that the limited capital leverage of SMEs weakens their access to financing sources;
16. Calls for a level playing field regarding capital accretion by SMEs, particularly in

connection with the Basel II provisions - ensuring them more funds for investment in research and development so that they can compete effectively;

17. Expresses its satisfaction at the adoption of a framework programme for competitiveness and innovation (2007-2013) (COM(2005)0121) centred on SMEs and intended to work hand in hand with the 7th framework programme for research, technological development and demonstration (RTD) (COM(2005)0119); considers that the Member States should do everything possible to facilitate access by SMEs to these programmes, enabling them to take full advantage of available opportunities for innovation in the fields of research and technology;
18. Considers it necessary, for the sake of enhanced innovation and competitiveness, to increase the contribution of trans-European networks to disseminating technology and new ideas among SMEs and to encourage staff mobility between SMEs and higher education and research institutions; also considers it necessary to develop more targeted research programmes focused on the commercial application of knowledge and technology by small enterprises;
19. Is disappointed by the deadlock in the Council's negotiations on a Community patent; urges the Commission to provide a suitable legal framework to protect patent and intellectual property rights regarding the dissemination of innovative ideas among SMEs and all other bodies operating within the internal market; stresses that patents should be affordable for SMEs;
20. Welcomes the Commission's instruments in the field of micro-credit, mezzanine capital, business angel finance and securitisation of SME debt finance portfolios and risk capital in order to facilitate access to finance for small enterprises; calls for the development of a general system of SME-financing instruments such as laxer conditions for loans taking into account the company's structure and field of activity, conditions which could be implemented by regional and local intermediaries; requests that services in support of business and innovation raise awareness of, and prepare small enterprises for, the new rating culture and a closer cooperation with the capital market and consequently offer more support to professionalise such enterprises' management;
21. Recognises that Member States are best placed to oversee bankruptcy legislation; nevertheless believes that it is not enough simply to exchange best practice, and calls therefore on the EU to encourage further development and fostering of business support networks at regional and local level that would provide support to SMEs to start their business again;
22. Supports the Commission's views that there is a damaging lack of a corporate mentality in the EU and therefore suggests that business support organisations, respective administrations, professional organisations and social partners at local, regional and national level should be included to a greater degree in the process of implementing and reviewing the European Charter for Small Enterprises, especially at the stage of planning policies and initiatives;
23. Considers that a European Charter for Small Enterprises should include provisions ensuring that, where those at the head of such undertakings are assisted by their spouses,

both subscribe to health, disability and pensions insurance schemes; recalls its resolution of January 1997 calling on the Commission to propose an amendment to Directive 86/613/EEC of 11 December 1986 on the application of the principle of equal treatment between men and women engaged in an activity, including agriculture, in a self-employed capacity, and on the protection of self-employed women during pregnancy and motherhood, so as to improve the situation of the spouses of self-employed workers regarding recognition of their work and adequate social protection;

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

PROCEDURE

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

24.11.2005

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Industry, Research and Energy

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

Draftsman: Philip Bushill-Matthews

SUGGESTIONS

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

1. Welcomes the Commission's proposal that new regulations at national and Community level should be screened to assess their impact both positive and negative on small enterprises and entrepreneurs; calls accordingly on the Commission to ensure that impact studies of Community legislation are clearly and specifically extended to small enterprises; believes that this proposal should be formally extended to include existing regulations in addition to new ones and where legislation is deemed unnecessary at EU level it should be revised or repealed; calls on the Commission to draw up a clear timetable and action plan in order to deliver this objective;
2. Emphasises that the simplification of legislation generally and the exemption of small and medium-sized enterprises from certain regulatory obligations, as proposed in the Charter, are useful means of alleviating the burden of administrative expenditure and procedures for small and medium-sized enterprises;
3. Given that small enterprises are recognised as a major driver for creating and increasing employment and innovation in Europe as well as fostering social and regional development, it is vital that both the role and the needs of SMEs are generally considered when any legislative proposal is being developed, not just those specifically mentioning small enterprises;
4. Emphasises the need to improve access to the Structural Funds as well as the promotion of other initiatives to improve access to private capital flows for the benefit of small enterprises, including the creation of microfinancing facilities for flexible forms of female or family enterprises;

5. Bearing in mind the variety of technical and bureaucratic obstacles to the activities of small enterprises, urges the Commission to draw up a green paper to enable those directly concerned to be sounded out openly and comprehensively on the specific difficulties and needs of small enterprises;
6. Recognises the importance of the first point listed in the Charter, relating to 'Education and training for entrepreneurship', emphasises the need to support business innovation and worker training, to develop entrepreneurship from an early age in lessons and training courses devoted to business in secondary school, university and technological training, to encourage close cooperation with research centres, to encourage public support for young entrepreneurs and to establish links between the various sectors of public administration; considers that the formation of business clusters encompassing small enterprises could be one effective way to foster job creation;
7. Recognises the need for special assistance to SMEs in implementing environmental and social legislation;
8. The European Charter for Small Enterprises is a splendid statement of intent, but needs to be translated into binding action not only at Community level but also within Member States, where sharing of best practice should be specifically encouraged. Specifically the tenth and final principle on strengthening the representation of the interests of small enterprises states that a review will be completed of how the interests of small businesses are represented at EU and national level, including through the social dialogue. This is a key requirement, given that the current Social Partnership composition is primarily reflective of larger businesses and their employees; while noting that the Commission's current implementation Report focuses on three other key priority areas of the Charter, calls for early completion and publication of this review; in the meantime, calls on employer representatives to represent the interests of small businesses in their role as social partners without delay;
9. Believes, that all the measures laid down in the Charter to stimulate business enterprise should be equally applicable to the self-employed, especially as regards matters of interest to them, such as social security systems, prevention of occupational hazards, or unemployment insurance;
10. Maintains that the fifth point covered by the Charter, 'Improving online access', should be regarded more explicitly, specially the role of the Public Authorities to increase their electronic communication with the small business sector;
11. Believes that consideration needs to be given to the special situation of non-profit SMEs;
12. Draws attention to the particularly important role played by SMEs in the new Member States, especially in those in which significant institutional and political changes are in progress;
13. Believes that, to ensure an equal playing field for SMEs, the Commission must ensure that all legislation is implemented equally across all Member States and that in the case of non compliance, rapid infringement procedures are applied;

14. Considers that the SME Envoy performs a useful function in externally connecting small enterprises with the Community environment, and calls therefore on the Commission to promote coordination between the Envoy and bodies representing small enterprises and craft enterprises in respect of all Community issues; considers that this role could be more effectively enhanced if the Envoy could also be more vocal internally, by being invited to attend and contribute to European Parliament Committee discussions on proposed legislation so that the needs of SMEs can be more fully explored in due time;
15. Appreciates the very important role that international collaboration between Chambers of Commerce can play in improving the competitiveness of small enterprises, particularly at a time in which globalisation leads to more and more enterprises, concentrations and cartels expanding internationally;
16. Welcomes the practice adopted hitherto of holding conferences on the Charter in Dublin (2004) and Luxembourg (2005); is in favour of the practice of holding national conferences on the Charter and recommends that the mechanism for submitting reports regarding the Charter be linked to progress reports on the entrepreneurship action plan;
17. Highlights the responsibility of the Member States and EURO-MED partner countries to more thoroughly implement the Charter and encourages them to learn from each other through the exchange of good practice in this area;
18. Points to the need to focus more attention on, and give better guarantees as regards access to, specific Community support for micro-, small-, and medium-scale entrepreneurs; maintains that it is essential to do away with the red tape in the procedures for granting Community funds;
19. Regrets the fact that there will be no more annual Charter reports in future, as Charter reporting will from now on be absorbed into Lisbon reporting; this is certainly a backward step as far as future focus on SMEs is concerned; a further regret is that the process of Charter reporting, which involved annual bilateral discussions with representatives of business organisations, will now lapse without such future direct input from SMEs; this decision should be revisited.

PROCEDURE

Title	The implementation of the European Charter for Small Enterprises		
Procedure number	2005/2123(INI)		
Committee responsible	ITRE		
Opinion by Date announced in plenary	EMPL 4.7.2005		
Enhanced cooperation – date announced in plenary			
Draftsman Date appointed	Philip Bushill-Matthews 15.3.2005		
Previous drafts(wo)man			
Discussed in committee	15.9.2005	5.10.2005	22.11.2005
Date adopted	23.11.2005		
Result of final vote	+: 24 –: 0 0: 3		
Members present for the final vote	Jan Andersson, Jean-Luc Bennahmias, Emine Bozkurt, Iles Braghetto, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Jean Louis Cottigny, Harald Ettl, Richard Falbr, Carlo Fatuzzo, Ilda Figueiredo, Joel Hasse Ferreira, Stephen Hughes, Ona Juknevičienė, Sepp Kusstatscher, Jean Lambert, Elizabeth Lynne, Thomas Mann, Ana Mato Adrover, Maria Matsouka, Ria Oomen-Ruijten, Csaba Öry, Kathy Sinnott, Gabriele Zimmer		
Substitute(s) present for the final vote	Edit Bauer, Patrizia Toia, Anja Weisgerber		
Observer	Alexandru Athanasiu		
Comments (available in one language only)			

PROCEDURE

Title	Implementing the European Charter for Small Enterprises		
Procedure number	2005/2123(INI)		
Basis in Rules of Procedure	art. 45		
Committee responsible Date authorisation announced in plenary	ITRE 4.7.2005		
Committee(s) asked for opinion(s) Date announced in plenary	ECON 4.7.2005	EMPL 4.7.2005	
Not delivering opinion(s) Date of decision			
Enhanced cooperation Date announced in plenary			
Motion(s) for resolution(s) included in report			
Rapporteur(s) Date appointed	Dominique Vlasto 20.4.2005		
Previous rapporteur(s)			
Discussed in committee	30.8.05	11.10.05	29.11.05
Date adopted	29.11.2005		
Result of final vote	for:	41	
	against:	0	
	abstentions:	0	
Members present for the final vote	Ivo Belet, Šarūnas Birutis, Jan Březina, Philippe Busquin, Jerzy Buzek, Jorgo Chatzimarkakis, Giles Chichester, Den Dover, Lena Ek, Adam Gierek, Norbert Glante, Umberto Guidoni, András Gyürk, Fiona Hall, Rebecca Harms, Ján Hudacký, Romana Jordan Cizelj, Vincenzo Lavarra, Pia Elda Locatelli, Angelika Niebler, Reino Paasilinna, Miloslav Ransdorf, Vladimír Remek, Herbert Reul, Teresa Riera Madurell, Paul Rübig, Andres Tarand, Britta Thomsen, Patrizia Toia, Catherine Trautmann, Claude Turmes, Nikolaos Vakalis, Alejo Vidal-Quadras Roca, Dominique Vlasto		
Substitutes present for the final vote	Daniel Caspary, Françoise Grossetête, Erna Hennicot-Schoepges, Edit Herczog, Peter Liese, Lambert van Nistelrooij, Vittorio Prodi		
Substitutes under Rule 178(2) present for the final vote			
Date tabled – A[6]	9.12.2005	A6-0405/2005	