

## **ESBA response to the European Commission's consultation on the Small Business Act**

### **1. Reducing the administrative burden**

It is relevant pointing out that the comments below would be fully appreciated if coupled with the ESBA's responses to the European Commission on the Top 10 most burdensome EU laws for SMEs, on standards for public consultation as well as on impact assessment.

Thus, before addressing administrative burdens for SMEs, we consider fundamental not to overlook the relevance of compliance burdens, and call on the European Commission to give equal attention on these. The REFIT programme, started by former President Barroso, has so far obtained achievements in lessening compliance burdens across the EU. ESBA welcomes the European Commission's work demonstrated on stakeholder consultation, impact assessment and evaluation. With this regard, its results should be embedded in the Small Business Act to add scope and substance to the initiative. It is notable to highlight, in fact, that policy proposals can be exposed to modifications while passing through the different stage of policy-making. As a consequence, the end product may even diverge to a great extent from the policy proposal initially designed. To carefully consider these dynamics in EU legislation is crucial, in particular when acknowledging that small businesses need a stable regulatory framework in order to operate.

ESBA therefore sees positively the appointment of Vice President Timmermans, as well as the pledges of President Juncker, for implementing the REFIT goals and to follow strictly the subsidiarity and proportionality principles.

In the frame of the Inter-Institutional Agreement on Better Law-Making, testing the feasibility of a shared Impact Assessment body between European Commission, Council and European Parliament should be considered. This would offer the opportunity to properly deal with draft regulations being fundamentally revisited throughout the policy-making process. Furthermore, it would allow for better evaluation and implementation monitoring in Member States. In the shorter-term, however, ESBA calls for more independence in the current Impact Assessment Board, as it would lead to sharper opinions. Only one external expert, as proposed by the Juncker Commission, is not enough.

Regulations stemming from a "one-size-fits-all" approach should also be avoided. Shortcomings in weighing appropriately costs and benefits of laws on businesses, and ultimately hampering the EU's competitiveness, emerged by following such approach in the past. We call for including the "Think Small First" principle in all policy-making stages and conduct a grounded SME and Micro-Test in all the Impact Assessments. It occurs to be emphasized that, when not exempted from new EU legislation, small businesses require more time to adapt to new EU legislation. Also, it must be noted that exemptions should be exceptional and should not replace attempts of better implementing the Think Small First Principle. Ultimately, a well-implemented principle would void the need for exemptions.

ESBA further recalls the Top 10 most burdensome laws for SMEs and invites the European Commission to focus its attention on the initiatives in the context, before pursuing additional efforts. The revision of the Working Time Directive is a positive example of that.

As regards stakeholder consultation, roadmaps released in early policy-shaping represent a good decision of the European Commission along the path of involving small businesses in the policy-making process. Publishing impact assessments with SME and Micro test during the consultation of stakeholders would be a further step forward in the same direction. Member States should also include an SME and Micro test when drafting legislation, and should work together with the European Commission to solve implementation issues.

## **2. Access to finance**

Problems arising in the different stages of small business growth can be tackled with success by diversifying the financing options at disposal.

In this context, we call on the European Commission and Member States' governments to streamline the structure of funding channels and improve business development advice for small companies with high growth potential. Measures towards these goals would indeed rationalize financing for SMEs and trigger efficiency-based management of the funds at EU level.

Initiatives of the European Commission on reigniting trust in the EU securitisations markets would also help long-term finance for SMEs' investment projects. We do however warn for over-reliance on equity financing, particularly Venture Capital. Though adequate for some companies, the majority of SMEs are not highly innovative and do not attract VC. Loan guarantee schemes and other traditional forms of bank lending stimulation should get more consideration.

Indeed, late payments and the deterioration of payment practices are two prominent issues in terms of access to finance for SMEs. Considering its role as "guardian of the treaties", the European Commission should use the tools at disposal to enforce the implementation and monitoring the transposition of the 2011 Late Payments Directive.

## **3. Promoting market access for SMEs**

Bringing down technical barriers to trade is a key element for SMEs that aspire to grow, expand, and ultimately get involved in international business. To best serve such needs, ESBA considers that concerted action at supranational level by the European Commission as well as at domestic level by Member States' governments is necessary. Therefore, we call on the former to advance its trade-boosting initiatives and tackle remaining impediments in the EU Single Market, and ask the latter to widen their export markets. This will directly impact on one of the top SMEs' priorities, access to customers, with all the benefits deriving. Actions in this direction should mainly target first-time exporters. Furthermore, we are still concerned about the sufficiency of the Enterprise Europe Network (EEN) as supportive means for the objectives described, and ask the European Commission to step up its efforts.

### TTIP

ESBA reckons that TTIP represents a fundamental occasion to open up new trade opportunities, cut costs of exporting, access the US procurement market as well as

strengthening supply chains. We believe that all these goals are best met by including a specific Small Business Chapter in the final text of the agreement. This should constitute an example for future free trade agreements, in the light of the growing small businesses' internationalisation. Notably, in order to reap TTIP's benefits for SMEs in all respects, the chapter should be further combined with including the "Think Small First" principle *throughout the whole agreement*. It is crucial that the chapter has 'teeth', showing actual commitments, rather than just wish lists and fluffy language.

In conclusion, we raise attention on the request by businesses on both sides of the Atlantic, to set up an **EU-US small business portal** in the context of the agreement. The one-stop-shop should focus on facilitating exports and improving matchmaking between SMEs.

#### **4. Releasing entrepreneurial and innovation potential for growth**

The review of the Small Business Act represents an opportunity to set entrepreneurship as driving force in the EU. For SMEs to thrive, the Commission has to foster an entrepreneurial culture across Member States. Bankrupts, in fact, often encounter negative perceptions in the EU. In stark contrast, the US are characterized by a largely higher tolerance towards the risk of business failing. With this regard, though it is important not to overlook negativities of bankrupts, such as the burden left on sub-contractors, fostering the entrepreneurial mind-set and supporting restarting honest entrepreneurs is essential to tap into Europe's economic potential. ESBA welcomes the Commission's initiative on "second chances for honest entrepreneurs", and acknowledges the first tangible results offered by the Danish "early warning system". Reforms of the system, nevertheless, should be conducted after testing its interaction with the new insolvency regulation, pending for approval. ESBA has from the very start promoted the Danish early warning system and has pushed for its European rollout.

The exchange of best practices in supporting female entrepreneurship is to be considered as another valuable tool that should be encouraged by the EU.

It should be noted that particular measures, such as the mere creation of online platforms, are ill-suited to recognize the social and cultural differences among Member States. ESBA regards that unlocking more investments for infrastructure and harmonizing domestic legal frameworks in the context of the digital single market would serve the sharing of practices more effectively.