



HEADLINES

EU/ Access to finance : Communication on how to improve SME financing

The European Commission has published on 2nd December a Communication on “Access to Finance of SMEs”, reviewing actions taken by the Commission and the Member States in access to finance since 2001. The Commission stressed the fact that improving access to finance is a key pillar to promoting entrepreneurship in the EU. This should be done through improving the general framework actions of finance and the public sector should limit its action to situations where market failures warrant it.

According to the Communication, future European, national or local actions should concentrate on three areas of financing SMEs: improving the framework conditions, focusing on early stage financing, and increasing equity in SME balance sheet. The Communication underlines the strong link that exists between the confidence in the EU economy and availability of SME finance. In this perspective, completing the single market and the EU financial market will be key challenges, especially in the accession countries that suffer from a low equity level and bank lending.

The Commission also stresses the need for further joint actions to be taken by the public and private sectors to tackle the problem of early stage finance, i.e. through loan guarantees instruments that help considerably SMEs to get bank loans (European guarantees have helped banks to lend to 130 000 SMEs) and microlending. Another aspect relates to retained earnings, “the best form of financing growth and investment”. In this respect, Member States are asked to assess whether their domestic tax schemes inhibit company growth by retaining earning more than distributed profits.

ESBA welcomes the Communication on Access to Finance of SMEs and fully supports the initiative of reviewing national tax schemes to assess whether there are “company growth friendly” or not. However ESBA thinks that the Communication does not go far enough in terms of pushing forward new incentives that would benefit SMEs.

SMEs are key to the future of the EU economy and therefore access to finance should be seen as one of the utmost priorities by European leaders. Tax schemes should not only be growth friendly but also SME friendly. Member States must all be encouraged to set a zero tax rate for profits invested in SMEs. This could more than double the level of investment in SMEs, and represent the creation of more than 1.2 million jobs throughout the EU .

ESBA is also concerned about the consequences on SMEs of the new capital requirements for banks from 2007, which is highly likely to put more pressure on SMEs, and deteriorate their ability to get loans from banks. ESBA looks forward to the results of the study on the effects of the new rule for the EU economy (actually being carried out by the Commission).

More info: <http://europa.eu.int/comm/enterprise/entrepreneurship/financing/index.htm>

EU / Innovation : Innovation Scoreboard 2003

The goal of becoming the world's most competitive knowledge-based economy by 2010 will not be reached if the current rate of progress continues. This is the major finding of the figures contained in the Commission's European innovation scoreboard for 2003, published on 27th November.

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The 2003 report displays a slightly more pessimistic situation than in 2002. Key comparisons reveal that Europe is making progress in only 3 of the 11 areas selected as comparative indicators of EU and US performance. The example of patent is very significant of the gap, as the US is submitting more applications in Europe than Europeans are themselves. Also the state of European patenting in the US is considered as very weak.

Public expenditure in R&D is another area of concern, as the gap between the US and the EU has been widening since 2001, despite some signs of recovery. However, Europe has halved the EU/US gap in ICT expenditure since 1996 and has also increased its share of 'value added' manufacturing in the high-tech sectors.

The EU remains ahead of the US with regard to the number of its graduates in sciences and technology, but this may not last. Nevertheless, although Europe as a whole lags behind the United States, leading EU countries (i.e. Sweden, Finland) are ranked ahead of the US and Japan for seven key indicators of innovation. Europe's most innovative regions are found in Sweden, Finland, the Netherlands and Germany.

ESBA shares the concerns expressed in this report over a widening gap between the US and the EU. ESBA supports a more focused R&D policy that will allow European researchers not only to study within the EU, but also to stay and work in the EU. The reality is that, much too often, young European graduates leave the EU because working conditions in the EU are seen as a disincentive. ESBA supports all measures that will allow inventors with patenting their inventions in Europe and in the US.

Innovation spirit will only be spread over Europe as soon as innovation policies will be more widely based on tax incentive schemes rather than public funds distribution. Most R&D programme remain too complex for the vast majority of SMEs, including SMEs with innovative potential.

IN BRIEF

EU / Public Procurement : Successful conciliation on the simplification of public procurement rules

Representatives of the European Parliament and the Council of Ministers reached an agreement on December 2nd on the modernisation of the EU Public Procurement Directives (conciliation procedure). The Directives impose competitive tendering for public contracts, transparency and equal treatment for all tenderers to ensure that the contract is awarded to the tender offering best value for money. The main point of concern was the circumstances in where social and environmental criteria would be taken into account in attributing contracts. The agreement will now need to be ratified by the Parliament and by the Council.

More info :

<http://europa.eu.int/rapid/start/cgi/guesten.ksh?paction.gettxt=gt&doc=IP/03/1649|0|RAPID&lg=EN&display=>

EU / Budget : Agreement on a EUR 100 billion Budget for 2004

EU countries and the European Parliament agreed on 24th November on an EUR 99.7 billion budget for 2004, This budget is the first one that takes into account the entry of 10 more member states, for which a spending of 5 billion euros is foreseen. It also includes 155 million euros in reconstruction aid for Iraq. The European Parliament is expected to give its definitive approval of the budget at second reading in mid-December.

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More info :

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=MEMO/03/239|0|RAPID&lg=EN

EU / Environment : Adoption of report on Environmental Liability in second reading

The report by Toine Manders (ELDR, the Netherlands) on the Environmental Liability Proposal was adopted by the Legal Affairs Committees on 2nd December (2nd reading), with no major changes to the Council Position. A compromise amendment including the SME provision was accepted. One of the key amendments that have been accepted is that a company should not bear the cost of environmental damage when it held a permit at the time the damage was caused; or where the company's activities were believed to be safe for the environment according to scientific and technical knowledge at the time of the damage. Other amendments concern tighter deadlines for the introduction of a regime of mandatory insurance, more binding wording to ensure that the competent administrative authority takes preventive and remedial actions in cases where the operator fails to act or cannot be identified. The report is expected to be adopted by the European Parliament in its Plenary session of December .

More info:

http://wwwdb.europarl.eu.int/oeil/oeil_ViewDNL.ProcedureView?lang=2&procid=5985

EU / Consumer : Unfair Commercial Practice proposal debated in Committee

The report for opinion by Philip Whitehead (PES, UK) was debated during the Environment, Health and Consumers Committee meeting on 1st December. The discussion addressed the definition of "average consumer", the legal basis of the proposed directive, the level of harmonisation that should be reached, mutual recognition and the so-called "black list". The proposal, adopted by the Commission on 18th June 2003, is expected to be adopted by the lead committee (Legal Affairs and Internal Market) by the end of February 2004.

More info:

http://wwwdb.europarl.eu.int/oeil/oeil_ViewDNL.ProcViewCTX?lang=2&procid=7184&HighlightType=1&Highlight_Text=unfair{ SPACE }commercial{ SPACE }practices

EU / Environment : First Environment Policy Review adopted by the Commission

The first Environment Policy review, adopted by the Commission on 3rd December, reports on developments since 2001 and highlight current priority issues in the EU and national environmental policies. The Review emphasises the need to speed up the pace of reforms to improve the state of the environment in Europe and internationally.

More info:

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1648|0|RAPID&lg=EN&display=

EU / Social affairs : Council Agreement on Social Security legislation

The Council reached an agreement on 1st December on a new Regulation co-ordinating social security systems in the EU. The new Regulation (proposed by the Commission in 1998), will make it easier for workers and their families to move from one Member State to another, whether for professional or private reasons, without losing social security entitlements.

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The principle of equal treatment is reinforced to ensure that the rules apply to all European Union citizens who are insured (employed or self-employed workers, pensioners, civil servants, students or non active persons). The new piece of legislation is expected to enter into force in 2006

More info:

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1633|0|RAPID&lg=EN&display

EU / Taxation : Progress report on removal of cross-border tax obstacles

A report on various measures to remove the tax obstacles affecting businesses operating across frontiers within the EU has just been released. The Commission confirms its commitment to address specific tax obstacles in the short term, and to work on a more wide-ranging long-term solution of allowing companies to use a single company tax base (taxable profits) for all their EU-wide activities. Ideas for a pilot scheme that would allow SMEs to use the tax rules of their home state for computing their EU-wide taxable profits are also presented. The Commission's report will be discussed at a Company Tax Conference in Rome on 5-6 December.

More info:

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1593|0|RAPID&lg=EN&display

EU / Internal Market : Consultation opened on cross-border payments

A consultation paper on a "Single Payment Area" has just been published by the Commission, with the aim of making it as easy, cheap and secure to make a cross-border payment by credit card, payment card, electronic bank transfer, direct debit or any other means as it is to make a payment within one Member State. Responses are invited by 31 January 2004.

More info:

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1641|0|RAPID&lg=EN&display

EU / Business : Business statistics report 2003

The "European Business, facts and figures – 2003 edition" has been published. The report aims to provide a standard set of information for industrial and service activities within the EU, tracing the major developments of output, employment and external trade. European Business is divided into three main sections, including a general overview of the structure of the EU's business economy, a sectoral breakdown of industrial activities, and a sectoral breakdown of service activities. For the first time the publication contains data on acceding countries.

More info : <http://europa.eu.int/comm/eurostat/Public/datashop/print-catalogue/EN?catalogue=Eurostat&product=KS-BW-03-001--C-EN>

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EU / Commission : Conference on Challenges to European competitiveness, industrial performance and policy responses, Brussels, 9 December 2003

Policy responses to get Europe back on the Lisbon track, including industrial policy measures tailored to sector-specific needs, and the likely shape of an integrated strategy to enhance enterprise competitiveness, will be debated at a conference organised by the European Commission.

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More info:

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1636|0|RAPID&lg=EN&display