



CECOP

CICOPA Europe

**European Confederation of
Worker Cooperatives,
Social cooperatives and
social and participative enterprises**

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CECOP's response to the Commission consultation
on the "Small Business Act" for Europe.

CECOP – CICOPA Europe (European Confederation of Worker Cooperatives, Social Cooperatives and Social and Participative Enterprises) is an international non profit association grouping national organisations in 17 countries which in turn affiliate over 60 000 cooperative and participative enterprises in industry and services, the vast majority being SMEs, and employing 1.3 million workers across Europe. Among the main sectors of activity, we find metal industries, mechanical industries, construction and public work, wood industry and furniture, white goods, textiles and garments, transport, media-related activities, social services, education and culture, environmental activities, etc. Most of them are characterised by the fact that the employees in their majority are members-owners, while some of them are second-degree enterprises for SMEs. Furthermore, several thousands of those enterprises are specialised in the reintegration of disadvantaged and marginalised workers (disabled, long-term unemployed, ex prisoners, addicts, etc).

1. Key considerations

Before reproducing our response to the on line questionnaire under section 2 below, these are the key characteristics which we consider the SBA should have.

- The SBA should include all type of enterprises and should differentiate between different categories regarding the size (e.g.: micro enterprise), the activities (e.g.: social integration enterprises) or the legal form (e.g.: cooperative societies). The European definition of SMEs needs to be updated and, in particular, should take into account the cooperative form.
- In the SBA, priorities and actions should be defined coherently and in relation with the other Commission initiatives such as the communication on the "*promotion of co-operative societies in Europe*" (COM(2004)18).
- The SBA should be set up on the same structure as the Commission's legislative and work programme with strategic and priorities initiatives. It should be legally binding.
- The SBA should *stipulate* SME development policies at national, regional and local level. In the formulation of such policies, one should beware of the dangers of 'think small first': in particular, this policy direction should not be promoted at the expense of economic pluralism, by which different forms of enterprises coexist, nor of the promotion of instruments of cooperation and economies of scale among SMEs, such as horizontal groups and cooperatives *of* SMEs;
- The SBA should lead to a simplification of the administrative procedures in order to lighten the burden of the SMEs
- There should be complete impact assessments of the projects undertaken under the SBA, including impact on cooperatives enterprises.
- The SBA should indeed support innovation, but with a broad conception of the term. Indeed, innovation should not be restricted to the methods of production or technology, as mentioned in the communication on the CIP (Com(2005) 12 final). It also has to do with corporate governance, sustainable development and finding an economic answer to social issues. It should also include incentives for R&D and the use of patents, as well as a global systemic working approach and the creation of new structured commercial networks.
- In the field of the establishment and the development of SMEs in general and co-operative SME' in particular, two key elements - advisory services and financing - should be duly taken into account in the SBA.
- Enterprise support services should be promoted and should integrate the specificities of cooperative societies and employee-owned enterprise forms.
- Among the various business support services, a key one is management advisory services and training.
- Policies that aim to facilitate the financing of SMEs should not only concentrate on the startup stage but also on the development stage of the business, as well as on the business transfers to employees (worker by out). Due to their structure, cooperatives SMEs depend of their own capital or credit financing and on this last issue they are facing the general lack of knowledge of the characteristics of cooperatives by credit institutions. SBA should promote innovating experiences between relevant stakeholders (including national administration) to facilitate cooperatives SME financing. The European Investment Bank' list of financial intermediaries could also be enlarged to intermediaries

specialized in the financing of co-operatives and participative enterprises.

- The SBA should lead to an improvement of collection and coordination of the statistics on SMEs with Eurostat, with a sectoral classification based on NACE 0,3 and the inclusion of data on cooperatives.
- A legal instrument to enable SMEs to act at European level is necessary but should be flexible, simple, respect workers' rights and cooperatives principles.
- The SBA should focus on public procurement and particularly on the access of SMEs to public procurement and with the consideration of some social clauses which SME' would introduce in tenders. Like its US counterpart, the SBA should encourage the participation of SMEs to public procurement.¹, leading to to the introduction of specific quotas for SMEs like it is practiced by the different public administration in the US.
- The SBA should examine the potential role of some SME'- and some cooperative SME' in particular – in the Services of General Interest and in the restructuring of some public services. The cooperatives rooting in the local dimension and member-based character are particularly important features in this regard. SMEs working in this field should be fully integrated in the internal market while the specificities of SGI in terms of accessibility, quality, universality and long term sustainability should also be taken into account.
- The SBA should promote educational programme on entrepreneurship and take in account the different form of SMEs including cooperative SMEs. There is a clear lack of education in the specific fields of cooperative enterprises and, more generally, in the need for cooperation in entrepreneurship.
- The transfer of business is a key issue for the SME'. It must be facilitated and fostered in order to secure the economic sustainability of the projects. SBA should promote different models such as the transmission of enterprises to their employees, subject to the submission of projects to strict viability studies.

¹ 1 “the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government (including but not limited to contracts or subcontracts for maintenance, repair, and construction) be placed with small business enterprises, to insure that a fair proportion of the total sales of Government property be made to such enterprises, and to maintain and strengthen the overall economy of the Nation”: US Small Business Act, § 1 a)

2. Response to the on line questionnaire

GENERAL QUESTION

What are the most important problems that European SMEs are facing and which prevent their growth?
How to tackle them?

The heavy administrative burden hampers the growth of SMEs, and thence also of their employment level. At the European level, many barriers prevent SMEs from finding information, partners and accessing public procurements.

Difficulties concerning the access to qualified labour and to low cost sources of financing.

The constitution of own funds through financial plans which are necessary for the development of small and medium-sized firms. This is a fundamental problem about which there are no sufficient solutions proposed by the EU.

The following list of policy areas has been developed to get more specific feedback on a number of issues. However, it does not prejudge the structure of the future “Small Business Act” for Europe, nor is it exhaustive.

1. BETTER REGULATION FOR THE BENEFIT OF SMES

The Commission has an ambitious strategy for better regulation and has set the target of reducing administrative burdens arising from EU legislation by 25% by 2012. However, SMEs still bear a disproportionate regulatory and administrative burden in comparison to larger businesses. In this context:

1.1 Is the current EU SME definition an obstacle to targeting support for SME growth in the right way?

Yes

The European definition of SMEs needs to be updated. The present criteria (numbers of employees and/or turnover) are no longer sufficient. For the sake of efficiency, criteria should be adapted to the activity sector such as it is in the USA. The various forms of SMEs, with their definitions, should also be spelt out, such as cooperatives, partnerships, family businesses etc. As far as cooperatives are concerned, the ILO definition (approved by all EU member states) should appear (a cooperative is “*an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.*”²)

Moreover, certain categories of cooperatives such as business transfers to the employees or social cooperatives that employ disadvantaged or disabled persons should access the SME status without conditions of size or turnover.

1.2 In addition to the systematic application of the subsidiarity and proportionality principles in legislation (see question 6.2), could differentiation regarding the way legislation is elaborated and applied according to the size of the company be useful (e.g. lower fees, fewer reporting requirements, thresholds or longer transition periods)?

² ILO Recommendation 193/2002, art 2.

Very useful

1.3a Do you consider that directly applicable EU-level legislation in certain areas creates a disproportionate and unnecessary administrative burden on SMEs?

Yes

In particular, employment and health and safety legislation often represents a big burden for SMEs. EU directives are often applied to the letter of the law regardless of enterprise size, whereas SMEs should be applying the principles i.e. applying them in a way appropriate to the resources of the enterprise. This gives an unfair advantage to larger enterprises that can afford more sophisticated internal processes.

Other particularly difficult fields are the quality management criteria and the access to procurement contracts proposed by wholesalers and public administrations.

1.3b Would excluding SMEs from such direct application of EU legislation be a solution?

Yes

1.4 Would the introduction of common commencement dates for all SME-relevant legislation coming into force and/or publication of an annual legislation statement be useful for SMEs?

Very useful

1.5 Do you think additional focused measures to alleviate the administrative burden on SMEs would be useful?

Yes

We propose the creation of practical guides adapted to SMEs and the planning of the accompaniment for their use.

1.6 Would you suggest any other obstacles or additional issues to address?

The revision of the European definition of SME is not planned for 2009 despite the fact that it is a key notion within the framework of the establishment of SBA (see 1.1. above). Thus, it would be advisable to approach this problem as of now, moreover seems to be the wish of the future French presidency.

We note that to access European funds, the elaboration of projects is sometimes a quite complicated process and often requires the use of consultancy companies. It would be necessary to simplify the working procedures.

Concerning the exclusion of SMEs from direct application, we should add that member states should be guided as to how directives are applied. E.g. the working time directive was intended to allow employees to refuse to over work. In the UK, it has been turned round to mean that employers must prove they are preventing employees from overworking or be prosecuted. What should be a simple principle has become a bureaucratic nightmare for SMEs.

2. PUTTING SMEs AT THE FOREFRONT OF SOCIETY

Ensuring full recognition by society of the role of entrepreneurs

An important remaining obstacle to more competitiveness and growth in Europe has been identified in the lack of entrepreneurship and in particular in the ability of small businesses to grow. EU SMEs' role in society as a major source of employment, of economic growth and innovation needs to be better understood and recognised. Surveys which show that 45 % of Europeans would like to become their own boss compared with 61 % in the US prove that more needs to be done to encourage entrepreneurship as a career choice. In this context:

2.1 Do you see a need for additional measures in the Member States or at EU level to stimulate entrepreneurship through education?

Yes

2.2 Is entrepreneurship sufficiently reflected in school curricula?

No

First of all, there is a lack of information in the educational programme about SMEs. the education to entrepreneurship should include all forms of enterprises, including the cooperative form.

Secondly, it is necessary to give opportunities to the students to discover and be acquainted with different types of enterprises, and in this respect the development and employment potential of the cooperative form should be highlighted.

Indeed, there is a lack of education in the specific field of cooperative enterprises, and this in spite of the fact that, according to ILO Recommendation 193/2002, approved by all EU member states and mentioned in the EC Communication on the Promotion of Cooperative Societies, "*national policies should notably (...) promote education and training in cooperative principles and practices, at all appropriate levels of the national education and training systems, and in the wider society*" (art 8. 1. f). In cooperative education, students should be aware of the possibility to establish cooperative SMEs, but also cooperatives **among** SMEs. Apart from formal education on cooperatives, students' cooperatives constitute an excellent educational tool in this respect.

2.3 Do you see a need for the media to take a stronger role in fighting negative stereotypes towards entrepreneurship?

Strong need

2.4 Would you suggest any other obstacles or additional issues to address?

There is a strong need for measures to stimulate entrepreneurship including all the forms of entrepreneurship - sole trader, partnership, limited company and cooperative. The cooperative form of enterprise and its advantages in terms of local development, creation of added value, employment creation and social inclusion, are not sufficiently known nor taken into account by the European and national authorities. In particular, we suggest establishing a package of recommendations regarding incentive measures for the cooperative societies.

Many EU citizens, when trying to establish an SME, are too frightened to 'go it alone', do not have the right sort of friends for a partnership, lack the skills to form a company but would be more amenable to forming a cooperative.

Concerning the role of the media, the media broadcasts the 'lone hero' stereotype and this discourages many people who never learn that entrepreneurial activity can be cooperative. Moreover, an important stereotype, which can be observed mainly in the new member states of central and eastern Europe, is the conception according to which cooperatives are an obsolete form of enterprise, or even a remnant of communism (whereas they are developing strongly not only in Western Europe, but in all other major economies, such as the US, Canada, Japan, Brazil or India).

Support programmes for the transfer of SMEs, in particular to their employees, are still largely insufficient, in spite of many positive references to such processes in Commission documents, including recently (1994 Recommendation on the transfer of small and medium-sized enterprises (94/1069/EC, 1998 Communication "on the transfer of small and medium-sized enterprises (98/C 93/02), experts' report of the Best Procedure Project (2003), Communication "on the promotion of co-operative societies in Europe" (Com(2004)18)). The public supports in this domain should not be considered as an obstacle to competition.

More practically, despite recent improvements, including the implementation of the Services Directive by the end of 2009 which obliges Member States to simplify and streamline their procedures and formalities, setting up a new business or transferring an existing one may still be too complicated. EU SMEs need in particular the knowledge and core competences that are essential for the successful transfer of business ownership. It is also important to tackle the problem of bankruptcy and the stigma that it generates and to give a second chance to entrepreneurs who fail non-fraudulently. In this context:

2.5 Would it make a significant difference to further reduce the time and costs for registering a company?

Yes

2.6 Do you think it would be useful to propose additional measures to facilitate business transfer and tackle bankruptcy?

Very useful

2.7 Would you suggest any other obstacles or additional issues to address?

Transfers of companies either by a third party or by their own employees often meet problems of a fiscal nature. Specific fiscal policies should be granted for such processes, and should be made compatible with state aid policies on the basis of the fact that they are not an obstacle to competition, since they are aimed at rehabilitating companies so that they can acquire or recover their competitiveness.

In this respect, we request that the SBA include policy guidelines to member states to foster business transfers to the employees, in particular under the cooperative form, both in the case of enterprises in crisis, and in the case of enterprises without heirs. Thousands of viable SMEs close each year due to ownership succession failure where a business transfer to employees has not been explored. The European Commission has repeatedly highlighted the advantages of such business transfers in recommendations and policy papers. Our experience is that those processes can attain a high level of success provided they are accompanied by the necessary level of enterprise support (training, financing, advisory services), both at the level of state policies and from within the cooperative system itself. Several hundred business transfers to their employees under the cooperative form have taken place successfully over the last 20 years across Europe within the framework of the organisations affiliated to

CECOP.

Concerning the need to further reduce the time and cost for registering a company, all forms of enterprises should be included, unlike what happened recently in the « business start up procedure » project of DG enterprise, from which cooperative enterprises were explicitly excluded in spite of the fact that they exist and are subject to specific legal provisions in all member states.

Helping SMEs acquire the skills they need

Skills and competencies are key for SMEs and in particular for the craft sector. However SMEs are often negatively affected by shortages of skilled labour and do not benefit from the possibilities offered by cross-border mobility to enhance their skills potential. They suffer in particular from limited exploitation of information and communication technologies (ICT): they lack the necessary skills to use the new technologies and have difficulties coping with a plethora of business processes and ICT systems. In this context:

2.8 Do EU education systems deliver the necessary basic skills needed by entrepreneurs?

No

2.9 How adequate are the existing measures for recognising qualifications at EU level?

Not very adequate

2.10 Do you see the need for cross-border mobility programmes for entrepreneurs and apprentices?

Strong need

2.11 Would the development of a programme to foster the e-skills of entrepreneurs at EU level be useful?

Very useful

2.12 Would you suggest any other obstacles or additional issues to address?

The EU education system usually does not deliver basic skills. In this respect, please refer to our response to question 2.2. above. It should be added that it is not only education to the cooperative legal form (as one of the models to choose from within the European variety of economic forms) that is lacking, but education to the need for cooperation – and not only competition - in successful entrepreneurship. It should be thought that cooperation in entrepreneurship can materialize, among other formulas, through the establishment of cooperation structures among SMEs, such as cooperatives of SMEs.

We suggest the implementation of uniform EU requirements concerning the acquisition of basic skills by entrepreneurs. SMEs lack business strategy skills. Many SMEs fail due to this inability to change. The strategic management skills required by SMEs are not the same as large businesses where more formal planning processes are possible because there is some degree of control over the market. SMEs require 'emergent strategy' which can adapt to changing market conditions. In particular, better harmonization would be needed among member states concerning the implementation of Regulation 2005/36/EC on the recognition of professional qualifications. Moreover, there is a need to promote the NACE 0.3 sectoral listing, for its relevance in e-commerce and enterprise statistics.

SMEs typically lack financial management and personnel management skills both causing them to be less competitive. The European Union still lacks cross-border mobility in education, labour but also entrepreneurship, and even more so at the SME level. Many Europeanization projects among cooperatives of SMEs could see the light if proper funding was available for such projects.

We also strongly believe that the language training courses for and among SMEs should be financed by the EU. With over 20 official languages, it is impossible for SMEs to Europeanise if they do not have the necessary language skills.

3. FACILITATING SMES' ACCESS TO MARKETS

Supporting SMEs to go beyond their local markets and better use the Single Market

The Single Market guarantees access for enterprises to a wide common market operating according to a common set of rules. However, it is clear that SMEs do not use the potential that the Single Market offers. Only 8% of them report export activities. To tackle this issue, the European Commission will propose a “European Private Company” statute. But SMEs also lack information on business opportunities and applicable rules in another Member State. They also face difficulties when complying with taxation rules and when participating in, and benefiting from, European standardisation which helps to allow them to do business abroad and to innovate. In this context:

3.1 What are the areas where standards are not yet widely applicable and where SMEs would benefit from them?

1) Public procurement rules. At the same time, we request the EU to establish guidelines so that national public administrations set quotas for SMEs in public procurement, as is the case in the US Small Business Act. It would be necessary to taken into account the French idea, shared by Germany and Italy to obtain a dispensation for SMEs within the framework of the renegotiation of the multilateral Agreement on the Procurement Contracts (APC) of the WTO.

2) European Private Company, which however could put the European Cooperative Society in jeopardy; thus there should be an opening for cooperatives in the EPC.

3) Technical capacities. But it should not lead to downwards standardization. SMEs, and in particular cooperative SMEs, have nothing to win with a fall of technical and professional demands. There should be a development of standards in technological development, R&D promotion, and the improvement of cooperation with Universities and Research Centres in order to facilitate the internationalization of SMEs.

4) At the same time, standards should be also maintained and improved in security, hygiene, prevention and working conditions.

5) Higher standards in human resources, continuing education and qualification are also needed.

3.2 Do you see a need to increase the participation of SMEs and their representative organisations in standardisation and improve the dissemination of standards?

Strong need

3.3 Do you see a need for improving the situation of SMEs in the area of direct and indirect taxation; if

yes, which measures would be the most significant? In particular, should VAT rules be further reviewed?

A revision of VAT rules would be useful as well as a standardization of the external cost of work. It would be also a good incentive to create a mechanism whereby a VAT cutback is foreseen for SMEs investing in R&D.

3.4 Which additional measures would you suggest to help SMEs to better use the potential of the Single Market including the EEA and Candidate Countries?

The ability of SMEs to network internationally in the EU and EEA needs to be facilitated. SMEs across Europe have great difficulties to find customers, suppliers or partners in other states. The European information centres are unknown to most SMEs.

It would be necessary to think of new instruments such as "agencies" that are capable of unwinding a role of scouting opportunities of every SMEs and, thence, on the basis of their specificities and objectives, of putting them in connection with the world of the research (Universities, Research Centers, etc.).

We also propose grant schemes concerning financing support for participation in international exhibitions and active networking between customers and suppliers and between potential partners.

Facilitating SMEs' access to public procurement

The public procurement market in the EU is estimated to be worth around 16% of EU GDP, which represents a huge market. Some 42% of the value of public procurement contracts above the thresholds of the EU Directives already goes to SMEs. The Commission is convinced that while reserving procurement quotas for SMEs is not necessary, practical difficulties should be addressed to further improve SMEs' performance in public procurement. In this context:

3.5 Do you see a need to improve SMEs' access to public procurement?

Yes

It is necessary to make the applications easier and to have a sufficient access for SMEs in public procurement.

The Commission should propose binding guidelines for member states' national administration to issue quotas for SMEs in public procurement, as is the case for the US SBA.

The principle of a reserved quota in public procurement for innovative SMEs should be proposed (innovation encompassing not only technical, but also organisational and managerial innovation).

Often SMEs, including cooperative SMEs, face the problem of delays and payment guarantees in public procurement: this problem should be solved.

Social clauses should be spelt out for enterprises specialised in employing disadvantaged and disabled persons, such as social cooperatives, independently from the national regimes regarding the minimum percentage of those workers out of the total workforce of the enterprise.

Public Private Partnerships (PPP) reserved to large enterprises should be limited, and provisions allowing efficient competition for markets for the PPP operator, including SMEs, should be foreseen.

There actually tend to be fewer and fewer opportunities for SME suppliers.

3.6 Would increased transparency of EU procurement opportunities below the thresholds make a difference (e.g. through a voluntary database disseminating procurement opportunities, central databases in the Member States or a broader use of electronic platforms)?

Yes

3.7 Would you suggest any other obstacles or additional issues to address?

These actions to facilitate the SMEs access to public procurement have to be more specific about the level of application: European, national, regional and local.

Encouraging SMEs to tap opportunities outside the Single Market

Fast-growing markets both in the EU neighbourhood and beyond also present an untapped potential for many European SMEs. But they are not easy to access for SMEs. Complex regulatory and legal environments, linguistic and cultural barriers, lack of knowledge of potential market and difficulties in identifying the right partners need to be overcome. In this context:

3.8 In general, how can SMEs be helped to go global? Which countries/areas should be given priority?

By establishing groups of SMEs or cooperatives of SMEs that can provide the latter with the necessary economies of scale to face globalisation.

By setting up support structure in the country of origin and in the targeted country, also geared towards the identification of business partners, suppliers and customers.

It would be adequate to analyse the possibility to create or develop new structured commercial networks and to help SMEs operate by considering the European market as a domestic market.

It would also be necessary to develop a global systematic working approach in order to support SMEs in countries targeted for their activity such as China, India, Mercosur countries (Brazil, Argentina etc), Maghreb countries etc. This would include the organisation of a set of operators (banks, systems of insurances, etc.) and the promotion and organisation of transnational groups of SMEs.

The co-financing of SMEs to trade fairs in other parts of the world should also be markedly improved.

3.9 Is there a need to establish European Business Centres in some fast-growing countries?

Yes

In particular in the countries and regions mentioned under 3.8 above.

3.10 Do you see the need for new programmes supporting SMEs entering these markets, following the example of Gateway to Japan and the Executive Training Programme?

Yes

4. SUPPORTING SMEs' ACCESS TO FINANCE AND INNOVATION

Improving SMEs' access to finance at EU and national level

Getting a company off the ground or expanding it requires money and raising the right kind of finance can be a major difficulty for Europe's SMEs. On the one hand, risk aversion makes investors and banks shy away from financing start-up SMEs. On the other hand, SMEs would benefit from a better understanding of finance, and need effective support when accessing outside finance. The EU already provides support to SMEs which is available in different forms such as grants, loans and, in some cases, guarantees. Support is available either through the Competitiveness and Innovation framework Programme (CIP), or the Structural Funds (including the JEREMIE initiative). In addition to the many State aid instruments already available to support SMEs, the Commission is currently working on new State Aid rules to increase the possibilities to support SMEs and to simplify procedures (Block Exemption Regulation). In this context:

4.1 How could public policies and instruments to facilitate SMEs' access to finance be improved (e.g. awareness, procedures, cost, or better adequacy of products)?

The EU funding programme "JEREMIE" is important as a new microfinance initiative.

It would be necessary to change the logic which is behind the procedures and the better adequacy of products: such logic is often perceived as one of repression of incorrect attitudes through severe controls. Thence those instruments, instead of facilitating the access to the financing, actually often makes it more complicated.

The support to the development of the employee savings in SMEs to strengthen their own funds becomes an inescapable imperative, in follow-up of the former community initiatives notably PEPPER.

There should be an improvement in the facilitation of guarantees and venture capital. In the field of production cooperative SMEs, several non-banking financial tools (venture capital, guarantee funds, participative bonds etc) have been created. They foster the constitution of own funds in the enterprises and, by generating trust, have a lever effect on banks (especially on banks dedicated to SME project such as the cooperative banks). Those instruments, which are at the roots of thousands of jobs being created (in enterprise start-ups or development projects) or saved (eg in business transfers to their employees), should be clearly promoted in European public policy recommendations, which is not at all the case at present.

4.2 What are the main problems SMEs face in accessing various EU support programmes such as the 7th Framework Programme for Research and Development, the Competitiveness and Innovation Framework Programme (CIP) or the Structural Funds (including the JEREMIE initiative)?

As mentioned above, the EU funding programme "JEREMIE" is an important microfinance initiative. However, at present, the community aid programmes present too complex procedures with regard to the skills of small and medium-sized firms.

The priority lines of the community programmes concerning technological innovation should be better redefined, so that it becomes a real support measure to SMEs.

It is also important that there be more cohesion between different EU funding schemes, such as CIP (Competitiveness and Innovation Framework Programme) and structural funds. In this regard, If DG Regio is again thinking of launching local development initiatives, it is important that SMEs take part in them.

4.3 What are the main obstacles for SMEs in accessing micro-credit (less than 25000 euros)?

Such level of microcredit is rare among cooperative SMEs unless they create their own financial instruments, which should be strongly encouraged at the EU level as mentioned under 4.1. above.

4.4 Would you suggest any other obstacles or additional issues to address?

There is a need for more programmes to improve the competence at the organisation level related to the elaboration of the application form and other documents required in the projects. A good opportunity in this direction could be the support to the initiatives coming from the federating structures (unions and associations) of SMEs. In the field of industrial and service cooperative SMEs, which is ours, the federations have proved to be a fundamental element in enterprise development, because of the service and assistance which they provide either directly or indirectly through other institutions which they promote.

Encouraging a knowledge-based economy

SMEs need to become more competitive through strengthening their innovation potential when developing new products and services or to find more efficient ways to deliver existing ones. New ideas need to be properly protected if their originator is not to lose out, and SMEs need to be aware of how to do so. In this context:

4.5 Is there a need to help SMEs deal with IPR protection, to improve awareness and provide support services for SMEs to protect their innovation?

Strong need

4.6 What are the most significant problems SMEs face in the use of patents?

The most significant problems is the lack of financial resources. In spite of the reform of the European protection as regards patents, the cost of follow-up in the national multi-level and the complexity of the procedures are too heavy for a SME notably outside the EU.

SMEs often cannot afford the process which can take years before it is safe to begin selling and generate returns on the investment.

In a global economy, Intellectual Property Rights is critical to protect returns on investment. The 'knowledge business' model with overseas manufacturing and outsourced distribution is a key European model. But it leaves SMEs vulnerable to losing control of their intellectual property. Large businesses routinely exploit SME inexperience and financial weakness to take the ownership of their ideas.

'Commons' principle like open source software to prevent large business privatising cooperative and community innovation should be promoted.

4.7 Would you suggest any other obstacles or additional issues to address to further enhance the innovation capacity of SMEs?

Set up a European patent which protects enterprises at the European level and an attractive tariff adapted to the size of SMEs in the European Patent Office.

5. TURNING THE ENVIRONMENTAL CHALLENGE INTO OPPORTUNITIES FOR SMEs

Climate change, scarcity of energy supplies and sustainable development are examples of key challenges for SMEs which have to adopt more sustainable production and business models just as larger companies do. But the demand for environmentally friendly products and services also opens the way for new business opportunities. However, lack of information, insufficient expertise and scarcity of financial and human resources create a specific challenge for SMEs in complying with environmental legislation and fully exploiting the opportunities for new “green” markets and increased energy efficiency. In this context:

5.1 How could SMEs best benefit from policy measures on a sustainable industrial policy such as voluntary standards for particularly environmentally friendly products?

The voluntary implementation of such standards should be encouraged by financial measures.

In particular, the development of such standards in producers’ co-operative SMEs should be covered in governmental policies and programs

In the renewable energy market many SMEs have collapsed due to changing state grant regimes and many SMEs pioneering new products cannot build enough custom while larger businesses take advantage of the market building of those SMEs

There should also be a specific tax system adapted to the effort, which is proportionally more expensive for SMEs in this domain, than for the large-sized companies.

5.2 Would Community support for energy audits in SMEs be useful?

Useful

5.3 Do you see the need for facilitated access to the European Environmental Management and Audit system (EMAS)?

Strong need

5.4 Would you suggest any other obstacles or additional issues to address?

Community support would be useful for energy audits. However, It needs regulating. In some member states, this being done by cost reduction consultants providing a poor, expensive and inappropriate service.

6. ENHANCING THE IMPLEMENTATION OF EU SME POLICY PRINCIPLES

The European Charter for small enterprises, the Modern SME policy and various Council conclusions established a number of principles that constitute the basis for SME policies both at European and national level which are now fully anchored in the Lisbon Strategy for Growth and Jobs. These principles, such as following a ‘Think Small First’ approach when elaborating and applying legislation, consulting systematically SME representatives, evaluating the impact of forthcoming legislation on SMEs or providing appropriate business support to SMEs, need to become irreversible and systematically applied both at Community and national policy level in line with the Growth and Jobs Strategy. In this context:

6.1 What is the right way to agree on principles of SME policy across the EU and to ensure their implementation at EU and Member States level? Is there still an untapped potential within the European Charter for Small Enterprises Process?

The danger is that, with this mainstreaming of ‘think small first’, one actually promotes one type of company: the pluralism of enterprises must be furthered if the European economy is indeed a plural one. Diversity of enterprise types improves economic stability. Sometimes individual entrepreneur thrives in rising markets, while cooperatives may show their strength even in depressed markets. In this respect, special measures to promote the development of worker and producers’ co-operatives should be adopted.

It is necessary to help the representative organisations (such as federations) become stronger and improve their lobbying actions.

6.2 Would a systematic application of the subsidiarity and proportionality principles at EU level help to further strengthen the application of the ‘think small first’ principle?

Yes

6.3 Would you suggest any other obstacles or additional issues to address?

Concerning the application of subsidiarity, “common principles” should be set up whereby one fundamental principle would be the pluralism in the enterprise forms.

The preliminary consultations in drafting the legal norms about SME must be real and adequate.

The principles of setting up cooperative SME are specific. That is why specific application of the general principles of subsidiarity and proportionality is necessary.

Nowadays, there is a major risk to ignore the specificity of the cooperative model within EU. We consider that, at the European Commission level, it would be necessary to take stock of some historical realities concerning indivisible reserves and limited interest on member financial contributions etc; without this specificity, cooperatives would lose their identity and comparable advantages as compared to other categories of SMEs.

In formulating governmental policies concerning the development of cooperative SME, more efficient policy concerning financial support including guarantee funds should be produced.

We wish to propose a development programme for cooperative SMEs based on worker ownership at the European level, which would complete the already various proposed measures, by adapting them to the specificities of this sector.