

A strong European policy to support Small and Medium-sized enterprises (SMEs) and entrepreneur's 2015-2020

Public consultation on the Small Business Act (SBA)

Wallonia (Belgium) Contribution



Time to move into top gear in SME policy

Priorities:

- Wallonia supports the idea of focusing on **five key areas** for the next SBA, namely facilitating SMEs' access to finance and to markets, reducing administrative burden, promoting entrepreneurship and address the shortage of skilled workers. Nevertheless, it is also necessary to ensure the integration of the related plans, the Entrepreneurship 2020 Action Plan and the Green Action Plan, to provide a strengthened and integrated SBA.
- The new version of the SBA has to put the "Think Small First" principle as a priority and has to build on these **key areas of action** to bring answers to the new challenges for **SMEs' growth and job creation**. These challenges should be **key priorities** of the SBA 2.0:
 - Strengthening the industrial base in Europe
 - Supporting SMEs to address energy and environmental challenges
 - Offering SME a favorable environment to allow them to innovate and to access new technologies
- The SBA 2.0 must anchor the general principle that the SME dimension needs to be integrated into all EU policies (enterprise, energy, climate, innovation, fiscal, and employment ...policy).
- Wallonia would like to point out that if 'skills and competences' become the fifth priority, the new SBA should have a specific chapter and recommendations about it. That is why we ask the Commission to divide the 8th principle of the new SBA into two. Indeed we believe that innovation on one side and qualification and 'skills and competences' on the other side are two distinctive topics. For us it is the best way for MS to get the importance of 'skills and competences' within the SME policy scope. Innovation should also receive a stronger focus – taking also into account all forms of innovation.

Lessons from the SBA so far:

- Wallonia asks the Commission to focus on the issue of “growth without employment”. Indeed, the SME Performance Review team Working Group has pointed out the fact that the total value added generated by SMEs has already surpassed its pre-crisis level and is now expected to rise by 2.8% in 2014 and 3.4% in 2015, while employment remaining, however, 2.16% below the 2008 level. That is why we think that the overall driver for the new SBA should not focus on growth only but also on the means that help our SMEs to grow and to create new jobs, especially for the younger workers, and on the creation and development of new – innovative and green-companies.

Administrative burden

Think small first:

- We argue for more ambitious EU governance if we want to create a favorable framework enabling our enterprises to create jobs. That can only happen if SMEs operate in a SME-friendly environment. That is why the “think small first principle” is so important and has to be part of all EU policies.
- We support the idea that the public administration should become more responsive to SMEs’ needs by increasing the use of the ‘only once principle’ and e-government solutions, including in public procurement.
- We are not opposed to the idea of fastening the creating and licensing processes for SMEs. Nonetheless, it seems difficult to set thresholds. Indeed, as administrative decisions are sometimes taken at different levels (national, regional or even local), it may slow-down the process.
- We encourage the Commission to continue to simplify the EU regulatory framework to ease the work for SMEs. The top 10 legal Act needs follow up and successors in the future.

SME test:

- For Wallonia, the SME test could be a good tool to help policy makers limiting unnecessary burdens on SMEs.
- Moreover, evaluating exactly the cost in time and money for SMEs of a new regulation is extremely difficult. Indeed, regulations are taken at different levels (national, regional or even local). Imposing a systemic evaluation of each new regulation will not only slow down the legislative process, which is already quite long, but also cost a lot.
- Reminding the fact that the larger part of the administrative burden derives from procedures designed by the public administration, which often are not written within the laws, it is often more efficient to reduce administrative burdens to ease these procedures rather than redrafting existing legislations.
- The Commission will have to take into account the conclusions that will be drawn in 2015 by the SME Envoys Network, which is working on the subject.
- The Commission should ease the work of SMEs inside the Internal market. That is why we need coherent EU policies going beyond the simple impact assessment for new policies. The use of

competitiveness proofing and “Think small first principle” should be further used when developing new EU legislation and policies, not only to minimize negative impact on industrial competitiveness and SMEs, but also to design adequate accompanying measures if necessary and enhance expected positive impacts on industry and SMEs of the relevant policies. Wallonia looks therefore forwards to read the conclusions that will be drawn out of the “Public consultation on the revision of the Commission's Impact Assessment guidelines”.

Bottlenecks in national legislation:

- For Wallonia, a good analyze of the most burdensome national and regional legislations by the ‘users’ could be interesting. Nonetheless Wallonia does not consider that ‘social security regime’ and ‘labour legislation’ could be identified by the Commission as a ‘bottlenecks’ that ‘should be addressed’. It remains national’s competences to identify the key bottlenecks to address.

Access to finance

EU Financial instrument:

- The Commission has to ensure an easy access for SMEs into Horizon 2020 and COSME’s financial instruments (and more largely EIB funds) either directly or through financial intermediaries such as banks or regional financial operators in order to make full use of all the EU funds available.
- Considering the leverage performed and the complementarity between national/regional systems and the guarantee system of the EIF, we plead for a system of counter-guarantee by EIF of guarantees granted by the regional level (and not a direct guarantee by EIF on bank loans), which allows a more efficient use of European budgets.
- Wallonia supports therefore the idea of strengthening the promotion of EU financial instruments, and enhancing their visibility and readability for SMEs. Under H2020, the Commission should take all necessary actions to reach the objective of allocating at least 1/3 of the budget to RDI driven SMEs and small midcaps, in a manner consistent with their respective needs.
- Wallonia is also in favor of small and very small enterprises which are representative in volume of the local economy and (self-)employment. In this respect, actions should be strengthened to facilitate access for the smallest to financing (particularly micro-credit) in early and growth stages, through guarantees and loans.
- More generally, we think that further efforts must be done to reach the objective of 20% budget allocation from LEIT and societal challenges in Horizon 2020 for SMEs.
- The Commission has to ease the access to finance for green innovations (energy and resources efficiency) because it has been proven that the banking sector is more reluctant to lend money in this sector despite of the fact that it is one of the best drivers to improve our competitiveness.
- More generally, financing innovation and commercialization of innovation by SMEs is a key element to foster growth and support the EU objective of re-industrialization. EU instruments should help SMEs to bridge the “valley of death” in going to the markets. The Commission and EASME are more specifically invited to further develop the SME Instrument particularly in Phase 3 and to foster an adequate participation of SMEs in the forthcoming Fast Track to Innovation initiative.

- The European website 'Access to finance' is a useful tool and deserves to be further developed to encompass all funding programmes and instruments available for SMEs.
- Access to finance is especially difficult for SMEs to engage in eco-innovation, where the perceived commercial risk is greater. It is needed to strengthen measures funding eco-innovation in the specific pillars of Horizon 2020 "Addressing Societal Challenges" and "Industrial leadership. The Commission may also develop technical assistance programs to help SMEs and the financial sector to develop bankable projects, assess their bankability and implement projects receiving funding risks. Measures facilitating eco-innovation procurement and pre-commercial procurement could also play a role.

Banking sector:

- We ask the Commission to impose to the banking sector, as in Belgium, a compulsory feedback for SMEs when the banks have declined their credit application. Even in the framework of the Bale III reforms, the banking sector has to play a bigger role in financing the real economy.
- Moreover, banks should systematically inform enterprises when they use European funds to finance them.

Alternative source of financing:

- We encourage the Commission to keep exploring new ways of financing even if in general SMEs find mainly financing through the banking system.
- The added value of the Commission would be to identify good practices in other MS.
- The Commission should also make sure that a unique regulatory framework would be put in place throughout Europe. Rules should be the same everywhere to ease transnational investment as in the crowdfunding for example.
- We encourage the development of transregional sectoral funds (private public partnership).

Promoting SMEs' access to markets

a. Within the EU Single Market

EEN:

- EEN is one of the main tools to promote SMEs' access to market. The Commission has therefore to make sure that the network is able to fulfill all its new missions, including those under Horizon 2020, with the means allocated and the qualifications required.

European efficiency excellence Center:

- The Commission shall support European SMEs to improve their resource efficiency in a cost-effective manner and acquire new skills and knowledge as part of the Green Action Plan. More broadly it should become a guideline for all the SME policy.

- The Commission should precise what does it means by *“the European efficiency excellence Center and its partners should cover 80% of the European Economy”*.
- Wallonia asks for ambitious objectives in this policy area. So, beyond actions on Capacity building, it will be necessary to develop actions truly enabling SMEs to take advantage of the transition: raising awareness, implementing pilot projects related to the development of new sectors / new business models , building on the clusters, developing funding opportunities for eco-innovation,...
- Wallonia looks forward for the publication of the guidebook on the Green Action Plan.

Clusters:

- As member of the Vanguard Initiative, Wallonia strongly supports the development of an ambitious EU clusters policy as driving force for smart specialization and industrial policy agenda. We recall the main results of the policy expert workshop on cluster policy organized by the Initiative in October 2014¹:
- A renewed EU Cluster policy is key for re-industrialisation and in supporting global competitiveness and answering societal challenges. It is closely driven by the smart specialisation agenda. EU Cluster policy should therefore be positioned as part of the wider EU agenda and linked to the EU’s Industrial Policy Roadmap. It should be a key aspect of the Europe 2020 strategy review.
- Regional Clusters must be recognized as an essential tool to support SMEs in their innovation processes and internationalization strategies. This non-profit mission must be considered as such.
- Supporting the generation of world-class clusters linking regional cluster nodes will foster the emergence of new EU, global and cross-sectoral innovative value chains. A combination of bottom-up entrepreneurship and innovation dynamics in regional clusters with a European ambition for industrial renaissance is the most effective way of addressing global competitiveness and societal challenges.
- We need a more result-oriented approach to cluster policy, stressing how clusters will mobilise resources (a o SMEs) and incentivise interaction within and across regions, mobilising a critical mass of entrepreneurial and innovation potential, bridging the gap to markets and fostering a more user- and demand driven approaches. Impact on business competitiveness and economic transformation through internationalisation, investment and innovation at the EU level should be the main objectives.
- Cluster platforms should be supported as strong leverage for fostering SME’s participation in EU collaborative projects and internationalisation activities. Promoting new ways of involving business through bottom-up driven cluster networks and co-creation platforms should be at the heart of the new EU Cluster Policy. A better alignment between EU top-down initiatives (PPP, ETP, EIP, ...) with bottom-up processes at the regional level should also be achieved in that perspective.
- A stronger focus on EU cluster policy across relevant EU policies would address the missing links in support of cluster-based projects and bridging the gaps between cluster-specific actions and broader instruments. All relevant supporting tools and instruments should be activated in a

¹ <http://www.s3vanguardinitiative.eu/activities/vi-policy-experts-discuss-future-eu-cluster-policy-growth>

coherent way in that perspective (e.g. Horizon 2020, COSME, ESIF, EIB/EIF, important projects of EU common interest).

- Wallonia supports European Initiatives fostering SME growth through clusters dynamics (like INNOSUP 1 and Cluster go internationalization).

b. Outside the EU borders:

- We do agree that the Commission should continue to gather and disseminate amongst the Member States the most effective measures and the best practices supporting SMEs internationalization in order to contribute to the continuous improvement of regional/national strategies and actions.
- The Commission could also share the information with the EU Partner Countries.
- Continuous expansion of the EEN abroad may appear as counterproductive since it makes more difficult the local branding of the network which was originally based on the European big market idea. Moreover, the expansion should take more into account the already existing activities of international trade promotion at the regional level.
- We question the impact of the TTIP on the job and the value added creation based on the NAFTA historic facts.
- If the TTIP should be signed, Wallonia asks the Commission to choose and then fix the highest 'quality standards' with the United States.

Releasing the entrepreneurial and innovation potential for growth

Innovation

- As already mentioned, more attention should be paid to the support of innovation in SMEs, and to innovative entrepreneurship in the SBA. A more coherent approach towards start-up and digital start-up should be ensured through stronger synergies between the SBA and the digital agenda.
- By adopting a broader approach to innovation, encompassing creativity, non technological innovation, demand and user-driven innovation, service innovation, the EU policies and programmes would allow a more inclusive approach towards SMEs in innovation dynamics. Specific actions should be developed in that perspective, notably in Horizon 2020.
- The experience of Wallonia in promoting creative economy (through the Creative Wallonia program, currently tested as a large scale demonstrator within the project Wallonia, European Creative District) could be further exploited with a view to disseminate new approaches to support to innovative entrepreneurship, creative economy and innovative ecosystems.

Entrepreneurship

- Entrepreneurship must remain a key priority of the SBA. Indeed, the original purpose of the SBA was to increase the number of entrepreneurs in Europe. Europe still needs more entrepreneurs

and more entrepreneurial spirit. Therefore, it is relevant that the SBA 2.0 includes the recommendations of the Entrepreneurship 2020 Action Plan.

- The development and improvement of entrepreneurial skills is crucial for supporting entrepreneurship and especially for the survival and growth of European SMEs. However, it seems that so far, the Commission has mainly focused on the skills of workers.
- Moreover, the efforts for awareness actions to the entrepreneurial spirit among young people should be pursued. This also applies. Wallonia has a significant experience for several years in this field and available for dissemination.
- Wallonia supports cooperatives development because these types of enterprises have proven to be more resilient during the crisis than traditional ones.

Erasmus for young entrepreneurs:

- Wallonia supports the development of this program even if the returns on the means allocated for it could be higher.

Bankruptcy, second chance, and transfer of business:

- It is crucial to keep working on 3 topics: avoiding bankruptcy, the second chance, and the transfer of business.
- The possibility of buying an existing firm is not enough present in entrepreneur's mindset. Transferring businesses is, and will be, a key challenge for Europe to maintain its enterprises and jobs. Therefore, regarding the 4 proposals in the consultation, here is our position: (1) National action plans on business transfers and one-stop shops: we fully agree and underline that Transeo has already worked on the topic and has expertise to share in this respect. (2) Quality standards for on-line markets: the best practices to set up and manage efficient platforms must be confirmed by a EU scientific study. The results must then be spread among the 28 Member States Ministries of Economy and competent SME transfer agencies. Transeo will start soon a EU Commission project in this respect. (3) EU wide networking between researchers and practitioners: totally relevant and this is one of Transeo's core activities (among others Transeo Academic Awards) (4) EU platform for universities focusing on business transfer: totally relevant, also a focus of Transeo.

Green Action Plan:

- Green markets and environmental challenges are an opportunity, not a threat for SMEs.
- Action in this area opens up significant economic opportunities, improve productivity, will reduce costs, boost competitiveness through the development of eco-innovations, new business models, opening of new market opportunities and international development.
- The transition to a greener economy goes beyond European SMEs' competitiveness. It becomes a matter of survival for them.
- That is why, we warmly welcome the implementation of a Green Action Plan for SMEs even if we regret the lack concrete and budgeted roadmap of implementation of recommendations. Besides Wallonia regrets the lack of importance given by the Commission on the principle 9: « Turning

environmental challenges into opportunities» to enable an effective and comprehensive implementation of the Green Action Plan. So we recommend the GAP to be integrated into the SBA 2.0.

- We welcome measures facilitating market access for green SMEs. Such measures could allow eco-innovative SMEs to develop global answers to current and future social challenges.
- We welcome measures involving clusters in the transition towards a resource efficient economy and a circular economy, involving SMEs in their dynamics.
- More awareness would be required to demonstrate to entrepreneurs the opportunities of a resource efficient economy and a circular economy. Measures to promote resource efficiency should also include all components of the circular economy, namely: the eco-design, industrial symbiosis, the economy of functionality, recyclingBeyond self-assessment tools, SMEs also need support enabling them to develop measures, based on the diagnostic, with little or no cost
- It would be useful that the Commission would put in place tools to support SMEs in the development of business-related services, new business models, innovation in services, ... It is important to develop more support to support SMEs to convert to eco-innovation.
- Issues related to the skills and training play a vital role in the development of eco-industries but it is also to expand the scope of actions to all SMEs to ensure this economic transition.

Reinforcing skills development to overcome the shortage of skilled labour

- We ask the Commission to divide the 8th principle of the new SBA into two. Indeed we believe that innovation on one side and qualification and competences on the other side are two distinctive issues even if they are intercalated. For us it is the best way for MS to get the importance of competences within the SME policy scope.
- While the action of Member States and Regions remains crucial in the fight against youth unemployment, this is not enough. The European Union must provide an integrated and common answer, by linking measures in favor of youth employment with an ambitious and job creating European industrial policy. The support to the emergence of new, sustainable and innovative value chains, embedding industry and service sectors, in line with a renewed education and training strategy could foster a more inclusive approach to youth employment, building on new skills required to develop a knowledge-based and creative economy.
- More generally, the development of an EU industrial policy promoting a strong, diversified and competitive industrial base in Europe offering growth and quality jobs is needed. It must constitute a central piece of the EU recovery strategy, which should build on an ambitious vision for industry in Europe ('A Third Industrial Revolution'), with a clear target of reindustrialization. New impetus must be given to industrial investment, and a long-term perspective on new market creation is necessary to accelerate recovery.
- The transformation of the economy will have a huge impact on the functioning of the labor market and on skills and competencies needs. Clear articulation between those aspects and industrial policy priorities is required so as to allow swift transition and employment-rich growth (ensure higher levels of investments in skills, better matching of demand and supply, anticipation of needs,...).



- Promoting innovative and social but also entrepreneurship, creative skills can provide career options for young people.
- We do not believe that the only use of the ESF will solve the unemployment in Europe. The EU needs a more integrated strategy building around industrial value chains and a framework that allow enterprises to prosper and grow.

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