

## Policy Brief

### *The role of regions in the implementation of the Small Business Act for Europe*

This Policy Brief introduces the possibilities that regions have to support the implementation of the Small Business Act for Europe.

The regions play a key role for the success of the SBA. In its communications on the Small Business Act in 2008 and 2011, the European Commission made a distinction between actions to be implemented by the Commission itself and those actions for which the Member States are invited to play a part. But the measures described under the ten principles of the SBA also offer a wide range of options for implementing individual measures at regional level.

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#### **1. What is the Small Business Act (SBA) for Europe?**

The Small Business Act for Europe, adopted in June 2008, reflects for the first time the political will of the European Commission to recognise the central role of small businesses and to codify it in a coherent framework for the EU and its Member States.

It aims to improve the fundamental approach to entrepreneurship in our society and to anchor the 'Think Small First' principle in European politics and administration. The SBA should help companies to grow stronger and more quickly. European SMEs should receive better, more targeted support and encouragement, so that in the long term they can maximise their potential for creating sustainable growth and more jobs.

The Small Business Act for Europe applies to all SMEs and includes the following ten principles and a variety of measures:

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded. Entrepreneurial interest should be fostered, particularly among young people and women.
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance, promoting a positive attitude in society towards giving entrepreneurs a second chance.
3. Design rules according to the 'Think Small First' principle. 36% of EU SMEs report that red tape has hampered their business activities over the past two years.
4. Make public administrations responsive to SMEs' needs. Electronic government and one-stop shops for all SME needs are the key ideas for implementation.
5. Adapt public policy tools to SMEs' needs: facilitate SMEs' participation in public procurement processes and make better use of State Aid possibilities for SMEs.
6. Facilitate SMEs' access to finance (risk capital, micro-credit and mezzanine finance) and develop a legal and business environment supportive to timely payment in commercial transactions (one out of four insolvencies is due to poor payment practices).
7. Help SMEs to benefit more from the opportunities offered by the Single Market. The Enterprise Europe Network is one instrument to ensure this.

8. Promote the upgrading of skills in SMEs and all forms of innovation. Support measures should encourage SMEs to carry out research, including within transnational cooperation projects.
9. Enable SMEs to turn environmental challenges into opportunities. Suppliers of environmental technologies are primarily SMEs.
10. Encourage and support SMEs to benefit from the growth of markets. SMEs should be helped to benefit from globalisation and EU enlargement.

## 2. Why a regional SME policy?

An approximately 23 million SMEs in the EU are the main driving force for economic growth, innovation, employment and social integration in the regions. These in turn benefit from a dynamic SME sector, among other things, as a result of greater economic dynamism, more jobs and a positive environment that stimulates entrepreneurship thanks to role models. Given their links to their own region, SMEs display a high level of loyalty to their location and are involved in the region within many areas of society. It therefore makes sense for regions to pay particular attention to the development of medium-sized, small and micro-enterprises in the region and to pursue an SME and economic policy geared to their specific strengths, to particular regional circumstances and to economic, technological and demographic change processes.

For this reason the Commission encourages the regions to implement the principles and actions to the extent that they can.

## 3. Why should the SBA be implemented also on regional level?

The regions play a key role for the success of the SBA. In its communications on the Small Business Act in 2008 and 2011, the European Commission made a distinction between actions to be implemented by the Commission itself and those actions for which the Member States are invited to play a part. But the measures described under the ten principles of the SBA also offer a wide range of options for implementing individual measures at regional level.

Local and regional authorities are often closer to the companies and have better information on the regional economic structure and better understanding of the needs of SMEs and their support requirements.

Thus regions can adopt an active role according to the institutional and legal arrangements in each Member State. They can become active, for example, in education and training, in promoting entrepreneurship, in providing advice and financial support for small business and an SME-friendly administration.

Some European regions have already undertaken measures, on their own initiative, to support and to implement the Small Business Act at regional level. These initiatives are important for the rapid and effective implementation of the principles and actions of the SBA.

## 4. Which actions can be implemented on regional level?

The regions have particular opportunities in the area of creating a business-friendly environment and taking the 'Think Small First' principle into account in all statutory regulations and administrative decisions.

One of the most important objectives of the SBA is creating **an environment for entrepreneurship** in which entrepreneurs and family businesses can thrive and young people's interest in self-employment is awakened. At regional level, strategies can be developed for mentoring and support measures that contribute to an increase in the number

of business start-ups by women and migrants. Support for business transfers and successions is becoming increasingly important.

When it comes to the principle of ensuring that honest entrepreneurs who have faced bankruptcy are given a **second chance**, regions which make funding decisions can ensure that entrepreneurs brave enough to start up another company are given the same treatment as first-time start-up entrepreneurs. Another possibility available to regions for supporting companies is to ensure that entrepreneurs do not need a second chance because they have been given help in good time when they have encountered any difficulties.

In the implementation of the '**Think Small First**' principle, regions mainly have opportunities to take action with regard to reducing the administrative burden on SMEs, like a single point of contact for supporting service companies when it comes to submitting applications to the authorities and obtaining permits, or contacts to whom SMEs can report regulations they consider to be disproportionate or an obstacle to their activities.

Regional and local governments are major contracting authorities. They therefore have many direct opportunities for designing **public procurement** processes in an SME-friendly manner below the thresholds and for facilitating the **participation of SMEs**, e.g. by dividing contracts into lots, to enable even small businesses to submit a tender.

Free access to public procurement processes without fees or subscriptions may lower the threshold for the participation of SMEs in public tenders.

Difficulty in **accessing finance** is one of the main obstacles to growth for SMEs. This relates not just to funding from the European cohesion policy, but also to the provision of venture capital, loans and quasi-equity financing.

The regions also have important tools available to them for supporting companies with one of the main principles of the SBA – the **internationalisation** of SMEs.

Small businesses are often not aware of how they can gain a competitive advantage by investing in **environmentally efficient processes**. Information campaigns at regional level and providing advice can enable SMEs to make the most of these business opportunities.

Other areas of the SBA in which the regions can also support SMEs include **upgrading skills and innovation and facilitating access to knowledge**.

## 5. Small Business Act and Interreg Europe

Regions that are responsible themselves for shaping the programming of the Structural Funds have many opportunities to focus this funding on support for SMEs. Some regions have already participated in a number of Interreg Europe projects that focus on individual principles like internationalisation, business transfer, access to financing and resource efficiency.

The contribution of these projects to a regional SME strategy based on the SBA and to more targeted support of SMEs can be enhanced through exchange of experience and transfer of know-how on current initiatives and projects across the EU.

The Interreg Europe Policy Learning Platforms will facilitate such exchange and transfer and help regional actors develop tailor-made approaches.

**Links:**

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act\\_en](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act_en)

For further information on the possibilities of the SBA on regional level see the guidebook published by the European Commission in all European languages:

<http://bookshop.europa.eu/en/regional-implementation-of-the-sba-pbNBBN14002/>

*# InterregEurope #policylearning #SMEs #EuropeanPolicy*

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