



**COUNCIL OF
THE EUROPEAN UNION**



Council conclusions on SME policy for growth and employment

**2715th COMPETITIVENESS (Internal market, Industry and Research Council meeting)
Brussels, 13 March 2006**

The Council adopted the following conclusions:

"THE COUNCIL OF THE EUROPEAN UNION:

1. RECALLING that the Commission Communication to the Spring European Council "Working together for Growth and Jobs – a new start for the Lisbon strategy"¹, the Integrated Guidelines² (2005-2008) for the re-launch of the Lisbon Strategy, and the Community Lisbon Programme³ submitted in May 2005, underline the key importance of SMEs in the context of the Lisbon mid term review;
2. RECALLING the important policy messages with regard to small enterprises contained in the Council conclusions on "stimulating entrepreneurship - European Charter for small enterprises" of 7 March 2005⁴, "research and innovation, growth and employment" of 28 November 2005⁵, as well as in the contributions from the "Competitiveness" Council to the Spring European Council in 2004 and 2005⁶;

¹ doc. 5990/05 ECOFIN 28 SOC 34 AG 4 MI 6 COMPET 14 IND 8 RECH 14 EDUC 11 ENV 43.

² Council Recommendation 2005/601/EC on the broad guidelines for the economic policies of the Member States, O.J. L 205, 06/08/2005, p.28-37.

³ doc. 11618/05 ECOFIN 261 SOC 322 AG 19 MI 107 COMPET 165 IND 47 RECH 163 EDUC 121 ENV 374 TELECOM 83 REGIO 46.

⁴ doc. 6811/05 (Presse 42), p.10.

⁵ doc. 14155/05 (Presse 287), p.9.

⁶ docs. 8584/1/04 REV 1 COMPET 29 REV 30 POLGEN 8, 7134/05 POLGEN 12 COMPET 42 RECH 50.

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3. RECALLING the key importance of SMEs in the diffusion of more sustainable production and consumption patterns and the resulting need for more investment in knowledge-based skill and competitiveness;
4. NOTES that evidence shows that SMEs, and in particular micro-enterprises, are disproportionately affected by administrative burdens and recalls the conclusions of the Competitiveness Council meeting of 28 and 29 November 2005 on better regulation;
5. WELCOMES the proposed approach to SME policy contained in the Commission's communication "Implementing the Community Lisbon Programme - Modern SME policy for growth and employment"⁷. This highlights the SME contribution to the Lisbon objectives and the need to integrate the "Think Small First" principle into Community policies, underlines the need for partnership between the European, national and regional level when designing and implementing measures for the benefit of all types of SMEs, including social economy enterprises and calls for the Member States to assume their full responsibility in the implementation and follow-up of the measures included in the Communication;
6. STRESSES the benefits for SMEs of a well functioning internal market, paying special attention to the service sector which is crucial for growth and employment;
7. STRESSES the importance of wide involvement of SME stakeholders and SME representatives in the policy-making process both at the national and Community level to ensure the relevance of the measures proposed, as well as their efficient implementation;
8. ACKNOWLEDGES the potential of Community programmes, in particular the Commission proposals for the 7th Research Framework Programme⁸ and the Competitiveness and Innovation Framework programme (CIP)⁹ for SMEs, both currently under negotiation at the Council, and of the Structural Funds.
9. WELCOMES THE COMMISSION'S INTENTION TO:
 - Provide a single coherent framework for SME policy, in order to give greater visibility to SMEs and to the public in general of measures and initiatives for unlocking the full potential of all types of SMEs;
 - Step up its efforts to complete the internal market, with special attention being paid to services;

⁷ doc. 14434/05 ECOFIN 351 COMPET 247.

⁸ doc. 8087/05 RECH 80 ATO 45 COMPET 68 CODEC 266.

⁹ doc. 8081/05 COMPET 67 RECH 78 ENER 55 ENV 164 TELECOM 27 ECO 124 CODEC 264.

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- Focus on improving access to finance for SMEs, strengthening the Community's role in addressing market failures, increasing the promotion of good practices and fostering the development of public-private partnerships;
- Carry on the work on Better Regulation following the principle of "Think Small First" to ensure that the needs of SMEs are fully and systematically taken into account when screening and conducting integrated impact assessment of forthcoming legislation and by consulting all relevant stakeholders on new Community legislation;
- Organize the 4th European Conference for Crafts and Small Enterprises in early 2007, special attention having been given to the integration of crafts and small enterprises from the new Member States into the Single Market;
- Take fully into account the need for consideration to be given to amending existing state aid rules reflecting market failures relevant to SMEs and at simplifying administrative procedures (*inter alia* via an increased de-minimis rule and, more importantly, wider block exemptions);
- Take into account SME needs in the field of Intellectual Property Rights and Counterfeiting;
- Implement more efficient mechanisms for a regular and comprehensive dialogue with key SME stakeholders, especially representative SME organisations;
- Review progress achieved in the implementation of the modern SME policy communication by organising an annual high-level conference.

10. INVITES THE COMMISSION TO:

- Ensure that the "Think Small First" approach is the guiding principle, while bearing in mind the three pillars of sustainable development when assessing the impact of existing and forthcoming legislation on SMEs at the Community level; bring forward specific proposals for reducing the burden of EU regulation on SMEs through its programme of simplification, and assessing administrative burdens using the EU common methodology;
- Bring forward specific provisions to encourage SME growth and development, such as longer transition periods, reduced fees, simplified reporting requirements and exemptions;
- Ensure that this approach takes into account all SMEs, traditional enterprises as well as enterprises with high growth potential ("gazelles");
- Improve the role of the SME Envoy in fostering the application of the "Think Small First" principle in all Community initiatives and programmes;

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- Propose measures for more efficient participation of SMEs in the European standardisation process and take an active part in the implementation;
- Review the public procurement rules and practices, taking into account the specific needs of SMEs, in order to facilitate their access to public procurement markets and practices;

11. INVITES THE MEMBER STATES TO:

- Follow the "Think Small First" principle in the implementation of Community legislation as well as national legislation, as SMEs suffer disproportionately from administrative costs in comparison to larger companies;
- Improve the regulatory environment for SMEs in order to enable them to create more jobs, including by making public procurement rules and practices more SME-friendly;
- Consider appropriate action for encouraging SME cross-border business activities;
- Improve SMEs' competitiveness by completing the Internal Market in line with the re-launched Lisbon Strategy, in particular in the services sector, *inter alia* by swiftly implementing the new Directives on public procurement to improve SMEs access to public procurement markets;
- Make better use of the cohesion policy funding to promote the key priorities in the field of SME policy according to the general objectives of the new Lisbon strategy and corresponding national priorities;
- Facilitate the opportunities for SMEs of making better use of co-operation between research institutes and the business community;
- Strengthen the measures to promote a more entrepreneurial culture and the skills to encourage more people to consider a career as entrepreneur, including through entrepreneurship education and training at the appropriate level of education;

12. INVITES THE MEMBER STATES AND THE COMMISSION TO:

- Promote a coherent, pragmatic and well coordinated approach on the European and national level towards policies aimed at unlocking the full potential of SMEs, which have already, through their success, demonstrated their ability to innovate continuously; encouraging the prospects for expansion and job creation of micro-enterprises and the self-employed;

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- Involve on a regular basis all relevant SME stakeholders in the policy-making process, building on the recommendations of the project on stakeholder consultation¹⁰ and, wherever relevant, integrate systematically also representative SME-organisations, into their advisory expert committees, high level working groups and other appropriate fora, building on the experience and best-practices already identified in this domain, notably through the European Charter for Small Enterprises and the Entrepreneurship Action Plan;
 - Encourage the internationalisation of SMEs and cross-border cooperation between SMEs;
 - Follow up on the progress of SME-related measures, including in the areas of the European Charter for Small Enterprises and report explicitly on the results in the progress reports on their national reform programmes;
 - Support micro enterprises, including one-person-enterprises, in order to tap their potential regarding growth and employment;
 - In adopting key Community programmes such as the Competitiveness and Innovation Framework Programme (CIP) and the 7th Research Framework Programme, ensure that SMEs are put in a position of fully benefiting from the programmes' added value. In particular, this should be achieved through appropriate and user-friendly modalities for their participation."
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¹⁰ Consultation with stakeholders in the shaping of national and regional policies affecting small businesses (Best Procedure Project, October 2005).

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