

Open Days Week 2008

UEAPME Workshop:

***How SMEs and micro enterprises can become effective actors of
Cohesion Policy***

Keynote speech by Commissioner Danuta Hübner

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9:00-9:15

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Ladies and Gentlemen,

It is a great pleasure for me to be here today and to open this interesting event.

First of all, I would like to thank the *European Association of Crafts and Small and Medium Sized Enterprises* for their active involvement in the Open Days by organising this important workshop.

But it is even more important that you, businessmen and – women, are here today. This only confirms that the interest of the business community in the Open Days is constantly growing, as participation figures indicate. A great number of workshops during this week relate to issues of direct concern to SMEs, such as entrepreneurship, access to finance or innovation.

I am aware that some of you might have the feeling that 'Brussels' cares too little about small firms or microenterprises. Maybe this is so because you think of the Commission as a big and inert bureaucracy. But let me reassure you.

My first message today is that SMEs, and I explicitly include microenterprises in their definition, are a top priority on the Commission's agenda. And they are at the heart of Cohesion Policy, too.

We all know that SMEs are a central pillar of the European economy and regional development. 99% of businesses in the EU are SMEs, producing 58% of our output and providing two-thirds (67%) of all private sector jobs. Almost all net job creation originates in SMEs.

A thriving SME sector is essential for growth, job-creation and innovation. SMEs are a stable backbone of regional and local economies and therefore also essential for regional catching-up.

Recognising their importance has led the Commission to adopt the 'Small Business Act' (SBA) last July. Our wish is to see the "think small first" principle firmly anchored across the European Union. We also wish to see public administrations at all levels, including the regional and the local levels, being supportive for SMEs. And we need more entrepreneurial spirit in our societies – this includes higher societal recognition and esteem for undertakers. I am glad that Cohesion Policy will be one of the key drivers towards this end.

And this brings me to my second message. Regions and local authorities are very well placed to serve the interests of SMEs. That's why we work in close partnership.

This is why we have asked you to be our partners in designing and implementing Cohesion Policy programmes. We need you to directly take part in our policy to bring it closer to your real concerns. We have designed our governance system accordingly. All regional and local actors, including businesses and their stakeholder organisations participate in all phases of programming, and notably in the programme monitoring committees. SMEs are thus given an explicit voice in the strategic direction of Cohesion Policy programme

My third message is that Cohesion Policy supports a large scope of SME activities with tailor-made instruments. You can get support for all phases of the business cycle, including start-up, growth and innovation. This is particularly important for ensuring that creative ideas first translate into the creation of new young businesses which then become dynamic and sustainable. You are also free to choose

from a wide range of supported activities, including entrepreneurship, access to finance, innovation, related business support services or the development of human resources.

I am aware that some of you believe our new focus on R&D and innovation in Cohesion Policy effectively excludes crafts and SMEs due to some alleged priority for the "high-tech" end of innovation. But this is not true. Apart from product innovation, we equally support process or organisational innovations. In particular for catching-up regions, it is the diffusion of technology which raises productivity and where SMEs are important potential clients.

Apart from innovation, the competitiveness of many SMEs in a globalized world hinges crucially on different forms of co-operation or networks. Clustering is one of the promising avenues, and inter-cluster networks are even more promising. This helps internationalize SMEs and plug them into to global supply chain. But Cohesion Policy can offer other tailor-made packages of support including co-operation and exchange of best practice, such as the networks of Regions for Economic Change initiative. In general URBACT and INTERREG programmes aiming at inter-regional or cross-border co-operation are open to you.

Access to finance is often quoted as a major obstacle for new or small firms. To overcome precisely this, together with EIB, we have created the JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises), which also concerns micro-businesses. One of the key ideas is that JEREMIE makes use of the managerial experience present in financial institutions. This brings much needed skills and knowledge directly into the enterprises. JEREMIE or

JEREMIE-type actions have been included in more than 85 operational programmes, either at national or regional levels.

Moreover, you are certainly aware of the Commission's microcredit initiative to fill an important financial gap. A huge number of individuals in Europe is waiting for a micro-loan to start a business. We estimate that an additional 700,000 micro-loans could be disbursed in Europe, if we had the intermediaries, the capital and an improved environment. We are working on this together with the EIB and our initiative should be operational at the beginning of 2009.

Having listened to all this you might wonder about the financial part. The good news is – and this is my fourth message - that Cohesion Policy is the largest provider of Community funds for SMEs. Between 2007 and 2013, the European Regional Development Fund (ERDF) and the European Social Fund (ESF) are expected to invest some €55 billion into business support. While half of this investment is not directly related to the size of the business, at least €27 billion is explicitly targeted at SMEs. Supported activities directly benefiting SMEs include entrepreneurship, access to finance, business infrastructure and support services, innovation, human resources or networking. When we look at the figures in more detail, up to 65% (or €17.5 bn) will be dedicated to technology or innovation activities of SMEs. Of the remainder, 14% (or € 3.8) are planned for ICT activities in SMEs, 12% (or €3.2 bn) for start-ups and 9% (or €2.5 bn) for eco-friendly projects.

Nothing prevents you to also tap the largest pot, € 86 bn or a quarter of Cohesion Policy funds earmarked for R&D and innovation.

I would say that the menu is rich. The game is now yours. Come up with your ideas and projects, contact your regional or national

authorities and you will become not only part but even an essential driver of our policy's success.

Now you might argue that our procedures are heavy and cumbersome. That you cannot possibly access these funds since you have no spare capacity to deal with bureaucratic burdens. After all, you have some real business to do.

Our aim is to bring 'Brussels' as closely to your doors as possible. That is why Cohesion Policy is decentralised, why your contact points are the national or regional managing authorities. Sometimes, however, we cannot exclude gold-plating at Member State level. But we work together with them to minimize red tape. Moreover, the Commission is committed to cutting down unnecessary administrative burden by 25% by 2012 as planned in the 'Better regulation' package.

My last message is that business organisations, such as *European Association of Crafts and Small and Medium Sized Enterprises*, are crucial mediators between potential entrepreneurs or growing businesses on the one hand and public authorities or research institutions on the other hand. Activities in this context can include for example raising awareness amongst SMEs about available funding, facilitating networking between different players or voicing SME interests in the Cohesion Policy programme monitoring committees. Experience shows that there is still scope to intensify the involvement of SME stakeholders in the delivery of Cohesion Policy. In this context, an active and timely articulation of SME concerns is vital.

While it is our current task to ensure that SMEs benefit fully and effectively until 2013, we have begun to reflect on the future Cohesion Policy from 2014 on. First ideas will be tabled in an orientation paper in spring 2009. I would like to invite you, the business community and

all SME stakeholders, to actively participate in the forthcoming discussions, given that SMEs will continue to play a central role in tackling future challenges such as globalisation, the growth of the knowledge based economy, overcoming social polarisation or managing demographic change.

In the turbulent world of extreme financial and economic insecurity, this European policy provides an anchor of long term stability to local and regional economies, and in particular to SMEs through constant improvement of investment environment and guaranteed stream of financial support.

To conclude, the decentralised and inclusive nature of Cohesion Policy offers unique opportunities to small and medium sized enterprises. It is therefore vital that not only all SME stakeholders play their active role but that Member States and regions commit themselves to put SME issues high on their agenda. I therefore note with pleasure that the discussions in this workshop will include a large number of speakers from different Member States and regions, including both SME organisations and public authorities.

I wish you all fruitful debates and personal contacts.

Thank you for your attention.