

Contribution to the consultation on the Small Business Act (SBA) 2015-2020

Name of the Organization: Cooperatives Europe asbl

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Cooperatives Europe is the voice of cooperative enterprises in Europe. On behalf of its 83 member organisations from 33 European countries across all business sectors it promotes the cooperative business model in Europe. Its members represent 123 million individual member cooperators owning 160.000 cooperative enterprises and providing jobs to 5.4 million European citizens - a force for economic growth and social change.

I- General remarks

Cooperatives Europe welcomes the European Commission's initiative to present a Small Business Act for Europe for the period 2015-2020. Since the launch of the SBA in 2008, Cooperatives Europe has always been supporting the adoption and implementation of a strong European policy for SMEs.

We are happy that we have started this constructive on-going dialogue with the European Commission through for example the SME Envoy network, the SBA follow-up meetings. This is a topic of particular concern for EU cooperatives.

Cooperatives Europe is particularly pleased to see that, contrary to previous documents related to the SBA, this time the consultation refers explicitly to cooperative enterprises. This, together with the adoption of the European roadmap for cooperatives, is a positive signal from the Commission, which is supporting our business model.

In order for policies to be effective, Commission's initiatives, priorities and actions will have to be defined coherently and in relation with each other; this must be the case for the SBA and the cooperative roadmap as well. If the focus of the "new SBA" to be published in 2015 is SMEs growth, then it is essential to design it coherently and in relation with the other Commission policy

initiatives having an impact on growth, such as the mid-term review of the EU 2020 strategy, the European Semester etc. The European Commission needs to create a more coherent and integrated approach where different measures reinforce each other instead of having the opposite effect.

An important element is lacking in the consultation document: investment. Investment, by which we mean productive investment, and which should be clearly distinguished from purely speculative financing, is one of the key instruments in favour of sustainable, smart and inclusive SMEs growth. The “new SBA” should give a central place to investment and give a strong signal in this sense to Member States

Cooperatives Europe also welcomes the fact that the consultation is organised in different EU languages: we are convinced that providing stakeholders or citizens with the possibility to use their native language or a language with which they are familiar will increase people’s involvement and commitment.

Cooperatives Europe supports the five pillars that are presented in the consultation document. However, we believe that energy efficiency and renewable energy should be considered important elements contributing to competitiveness and sustainability. As such, they deserve a more important place within the SBA.

Cooperatives Europe is of the opinion that the SBA rightly focuses on the start-up stage of new businesses, but misses to properly address the development stage of the business, which is as delicate as the start-up and would therefore deserve more attention.

The Commission should set up a joint monitoring committee on the implementation of the SBA, involving representative of SMEs, including representatives of Cooperatives Europe. Specific SME envoy meetings could be used to inform on the progress.

II- Specific issues

A) Reducing administrative burden

If the ‘Think small first’ principle is increasingly applied, SMEs including Small Medium Cooperative Enterprises (SMCEs) still need simpler and competitive framework conditions. It is not only about less regulation, but also better regulation.

Cooperatives Europe supports all initiatives that remove barriers, or facilitate fast-track procedures in setting-up a business or aim at giving a second chance. This being said, we consider that:

- a) It is essential that all business types are taken into consideration;
- b) Third parties rights have to be protected

Cooperatives Europe fully supports the Commission’s intention to strengthen the consultation of SMEs and of their representative organisations in order to ensure that SMEs’ concerns are taken into account at a very early stage of EU and national policy making. Cooperatives Europe will be happy to contribute to this work.

Any regulatory proposal should undergo an impact assessment and, when relevant, it should take more in consideration parties that it will affect. Special attention should be given to enterprises of all legal forms, not limiting the impact assessment to ‘enterprises’.

From Cooperatives Europe point of view, an EU-wide campaign on cutting red tape is not the only relevant priority; equally important is to focus on identifying and addressing bottlenecks in national legislations, in particular those concerning SMEs.

B) Accessing finance

Financing remains one of the key obstacles to overcome for SMEs. It is true that SMEs have a hard time accessing external finance, especially when they are in the start-up stage or when they innovate.

Regarding SMEs, some barriers are linked to the current economic context, while others are linked to the lack of understanding of the cooperative business model.

Because of their very nature, SMEs have no or only limited access to venture capital or other capital markets. As a matter of fact cooperatives are companies with share capital but their purpose is to serve their members-stakeholders as users of their services, i.e. they are created to satisfy specific members' needs and not with the purpose of remunerating capital (they do not have a profit maximisation economic objective). This structural difference combined with their strict governance rules make them far less attractive to financial investors.

Developing alternative sources of finance are particularly relevant for SMEs that had often had to put in place their own non-banking funds to provide financing for cooperative. Crowdfunding could be a suitable financial instrument but only in cases, when the product or service offered is targeting the whole society (public goods).

Cooperatives Europe also thinks that Commission, together with the EIB and the European Investment Fund (EIF), should examine the possibility of creating together with other stakeholders in the cooperative sector, specific financial instruments to promote the development of SMEs. In this context we would like to understand how the recently presented Juncker investment plan could contribute to address these bottlenecks.

Cooperatives Europe supports the objective to strengthen the collaboration with financial institutions to raise awareness about European financial instruments. We remind that acting locally, cooperative banks are particularly adapted to providing services to small and local businesses which fit their needs. We would therefore suggest supporting local cooperative banks to play an increasing role as intermediaries for EU programmes.

In order to achieve the long-term financing objectives set by the EU, any European or national financial initiative willing to promote cooperatives should acknowledge the needs of the latter and contribute through existing intermediaries, such as the development funds created by the cooperative organisations, when they exist.

C) Promoting SME's access to market

Internal market:

Cooperatives Europe supports further integration of the internal market so that it is accessible to all types of SMEs and that it is therefore necessary that the remaining barriers for EU cross border activities are abolished.

Objectives suggested within the consultative document should integrate the plurality of business models. Therefore Cooperatives Europe is of the opinion that the European Enterprise Network should include a cooperative dimension, which would enable it to respond also to the needs of cooperative businesses. This is not the case at the moment.

Cooperatives Europe supports the objective of the creation of European Resource Efficiency Excellence Center. We nonetheless wonder how this initiative could give a contribution to those that already exist at national level. It should be coordinate and organised taking into account that if the beneficiaries are acting at local and regional level.

Cooperatives Europe also welcomes the announced new clusters strategy. In some highly industrialized European regions, like Italy's Emilia-Romagna region and Spain's Basque Autonomous Region, cooperatives have established strong industrial clusters and horizontal groups owned and controlled by their constituent cooperatives. Today they make up a very high proportion of the regional economy (around 15% of Emilia-Romagna's GDP).

Outside the EU borders:

SMEs are a key factor to improve European competitiveness on international markets. For this reason they must be supported in developing their cross boarder activities.

Nevertheless, while Cooperatives Europe considers relevant to pursue an objective to increase the access of SMEs to third country markets, setting a specific target (such as an increase up to 20%) would neither be realistic, nor effective.

Cooperatives Europe supports the Commission's proposal to create stronger links between various EU programmes and initiatives. However, alevel playing field for all types of businesses must be ensured.

Cooperatives Europe would recommend a support programme for cooperation and partnership strategies in extra EU market that could be implemented through all representatives' business organisations.

Cooperatives Europe believes that measures to support SMEs growth outside the borders of the EU, should be more targeted, through sectoral approaches for example. Different business models should also be included regularly in the programmes.

Creating targeted policy measures for mid-range enterprises of all forms should be encouraged at EU and national level.

Cooperative groups are an entrepreneurship model stimulating cooperation and partnership strategies between SMCEs. Such a cooperation instrument enables SMCEs to face the challenges of globalization, to internationalise and be more competitive. Such cooperative groups, which are horizontally and not vertically integrated, should be supported and promoted by the "new SBA". This type of business combination could be applied to other types of SMEs, as groupings or cooperatives of SMEs.

D) Releasing the entrepreneurial innovation potential for growth

We agree that it is important to foster an entrepreneurship culture and mind-set in Europe, and we are convinced that entrepreneurial endeavours must be recognised and supported.

Through entrepreneurship education young people are provided with the skills and knowledge that are central to developing an entrepreneurial culture.

In the European Union, however, educational systems are shaped upon the traditional investor owned enterprise. They do never take into account that there are different business models, including the cooperative one, each of which equally deserves attention in school curricula. By promoting all types of enterprises in schools, young people would instead be able to make a knowledgeable choice when it comes to creating a business.

In the long term, by investing on the promotion of an entrepreneurship culture that includes all types of businesses in the educational systems, business actors, public administrations, consulting firms and all stakeholders will benefit as well. This would enable all of them to provide effective answers to entrepreneurs' needs.

An entrepreneurship culture that really encompasses all business forms is a necessary feature of a healthy business environment and a key factor for growth and development.

Cooperatives Europe also supports the promotion of entrepreneurship among young people and strongly invites Commission to include in the next SBA actions at national or European level that would support the setting up of new SMECs by young people. Not only this would contribute to youth employment, but it would also respond to young people's interest in business models that are oriented to sustainability and democratic governance.

Cooperatives Europe agrees and supports the specific focus on business transfers but we call on the Commission to mention specifically business transfers to employees, including in the suggested national action plans on business transfer. The potential of business transfers to employees under the cooperative form is underexploited. It is to be noticed that it should not be limited to enterprises risking bankruptcy but to all types of business transfer, such as 'healthy' businesses having no successor. Worker buyouts are also interesting tools to foster the workers' entrepreneurial spirit. The "new SBA" should also encourage specific measures facilitating business transfers to employees and employees' buyouts such as direct financial and training in cooperative management and governance for the future worker-owners.

Regarding the promotion and support to business management innovative model, Cooperatives Europe underlines that cooperatives are very often the basis of new innovative management solution. For instance, the business and employment cooperatives created in mid-90' allow entrepreneurs to test and sustain their activity while ensuring advices and benefiting of salary.

E- Reinforcing skills development to overcome the shortage of skilled labour

Cooperatives Europe shares the opinion expressed by the Commission that the education and training system should better prepare and integrate workers to the skilled labour market and respond to the need of craft and SME's enterprises. As presented during the SME Envoy meeting in Vienna, vocational education and training promotion makes the transition from school to work easier and is a way to ensure employability among young people. Cooperatives Europe supports Commission's intention to work to create a better image of skilled crafts and technical jobs in the SMEs. Cooperatives Europe would suggest to foster the recognition of competences gained during non-formal and informal learning at work.