

## **The benefits of the Digital Agenda for SMEs: towards simplification, enhanced cross-border trade and diversified access to finance**

**-6 October 2011-**

### **Executive summary**

As part of the SME Week, that took place in Brussels and in all 27 member States, ACCA (the Association of Chartered Certified Accountants) and UEAPME (the European Association of Craft, Small and Medium-sized Enterprises) jointly organised on 6th October 2011 at the European Parliament a high level conference on “the benefits of the Digital agenda for SMEs: towards simplification, enhanced cross-border trade and diversified access to finance”. Hosted by Dr Paul Rübig, MEP, the event showcased and shared best practices, illustrating that the digital agenda can be used as a tool to remove administrative burdens, help with cross-border trade, and remove access to finance barriers for SMEs. The event also debated how remaining obstacles could be removed and future policy options.

On the occasion of this event, ACCA launched its report called ["A digital agenda for European SMEs"](#).

### **Main conclusions:**

- The digital agenda can help small enterprises take full advantage of the opportunities available in the Digital single market and be able to compete with international players. It is however crucial to raise further awareness of its benefits as its potential is still largely unexploited by this category of users.
- The event started with a series of case studies covering a broad range of issues for which the Digital Agenda is impacting SMES. This included concrete examples of improved efficiency through cloud computing and softwares supporting compliance for EU SMEs, better access to cross-border trade through e-commerce and the interconnection of business registers, as well as better access to finance through online peer-to-peer lending.
- All case studies highlighted that technical and legal hurdles still to doing business in the (Digital) Single Market still remain. These include data privacy and security, not so user friendliness of the applications, costs, lack of choice and difficulty to identify the liability, delivery of ordered goods in case of online transactions and payments, lack of IT skilled entrepreneurs and users, VAT and rates issues, rules of origins, etc. In all these domains the Digital Agenda could be deployed more effectively.
- The most highlighted point was the lack of trust that results from lack of awareness and knowledge of the existing opportunities as well as perception of risk and potential threats. The Commission and the European Parliament indicated that they are very committed to work towards a balanced and homogenous business framework, especially in the field of e-business, e-invoicing, e-skills and access to finance, but stressed that they cannot do this alone; all stakeholders and a proper implementation at national level are needed to make this a reality. Decision makers were however warned to be careful not to over regulate and to propose only coherent and necessary measures.
- All participants also stressed that the Digital Single Market, which is still very fragmented, will be a decisive tool to enhance EU SME's competitiveness and allow

them to unleash their potential. It is already proven that SMEs are growing twice faster once they have embraced the Digital economy.

- Speakers finally underlined the very important role that intermediaries and advisers such as accountants and small business associations had to play in terms of raising awareness amongst the SME community.

### Main highlights of the discussions

#### **Welcome speech by the host, Paul Rübig, MEP**

- Think small first is the motto. A crucial aspect for SMEs is selling the product and making profit out of it. ICT, which has brought and is still bringing a lot of change in the world and revolutionises it as it breaks down barriers, is an essential tool to enable profit in extending SMEs market's perspectives.
- We have to get more knowledge on ICT based solutions that are already - and will further - be offered by the Digital Single Market, not only in the short, but also in the long term. What is best now might not last long so we have to be ready for change and other options when necessary. We need to be ready to change our habits and work altogether towards a fully interoperable e-environment that will allow European SMEs to take their fair share in cross-border trade.

#### **Key note speech : Constantijn van Oranje, Member of the cabinet of Neelie Kroes, Commission Vice-President and Commissioner in charge of the Digital Agenda**

- SMEs are the backbone of the economy, that is why they raise a lot of political interest and a lot of attention is given to SME across all EU programmes. The DAE is relevant to SME and vice versa, but there is no specific chapter. For DAE policies SME play a vital role as drivers of ICT development, generating new ideas and innovation, e.g. e-health, Internet of Things, micro-systems.
- A recent visit of VP Kroes to Silicon Valley brought interesting insights. No one talked about SME like we do in EU (entrepreneurs, start ups, ventures, etc); possibly as it was not size that defined them and they most of them intended not to stay 'small' or 'medium sized'; they were not seeking public support, but focussed on getting VC funding, coaching.
- When prompted about the role of government the response was very similar to what we hear in the EU (at least in ICT sector): 'leave us alone', reduce compliance costs, as well as administrative and reporting burden, make research programmes easily accessible (think small, keep burden light) ensure an open and competitive (single) market. The whole area of (public) innovation procurement is also important for SMEs; where in the US the SBA is a good practice to follow.
- The European Commission can do better, for example by agreeing a common cloud strategy, improving (electronic) public procurement, simplification (easier access, shorter time to pay, more targeted to user needs) of our RTD&I programmes and structural funds, standardisation of business reporting (SBR). The Commission can also be a catalyst to bring stakeholders together; in this context he mentioned the Innovation Partnership on Active and Healthy Ageing.
- A lot can be done 'for' SME, but we should not do things 'to' them; sometimes doing less is also an option. It is better to invest in SME and to procure their research, services and products than to subsidise them. Finally, we should not ringfence and protect SME, as being an SME is not a goal in itself; they may want to grow.



Moreover, in the global online markets staying small too long may not even be an option.

**Roundtable *The digital agenda: a tool to remove administrative, cross-border trade, and access to finance***

**Moderated by Luc Hendrickx, Director Enterprise Policy and External Relations, UEAPME**

- The message from the SMEs is not “leave us alone” but “give us the respect we deserve for what we are doing, for the jobs we create, for what we bring to society.”
- People think too often that SMEs have to grow. First we have to find out what growth means, and it may vary from who you are speaking to. Moreover, sometimes if SMEs grow too much, they lose control; growth should only stay an option. SMEs should be given the possibility to grow but growth should not be imposed.
- Numerous SMEs are fearful about security on the Internet.

**Removing administrative barriers through cloud computing- Mark Lange, Senior Policy Counsel, Microsoft**

- Mark gave the example of an SME based in Ireland – Tradefacilitate - using cloud computing in order to become a global player and to grow quickly. They saw greater opportunity to use technology to automate information exchange for international trade transactions.
- The biggest problem for SMEs is the red tape, which becomes even bigger when trading internationally. Progress has been made for the last 20 years but there are still barriers remaining. The use of online service for paper free transactions is an opportunity and progress need to be made on this aspect.
- Tradefacilitate started with service running on its own IT infrastructure. It required capital investment and in-house staff, and it was difficult to achieve required levels of security and reliability. Tradefacilitate’s expertise was the trade transactions, not data centre management. Consequently they decided to commercially deploy on a public cloud platform (Windows Azure), whose advantages were the scale (they can expand its computing resources to meet any level of demand), the pay per use, the agility (company personnel focus on areas of their expertise to improve service), and security and reliability. They then experienced a tremendous boost and they have become a leading global e-trade service.
- Asked about privacy policy during the Q&As session, he stressed that cookies are part of the business model for some consumer services, but not typically for B2B transactions. For more delicate services, it exists highly secured encryption system, which are not linked to cookies. What is mandatory for any user is to check privacy policies, which will vary based on types of service, and be informed how data will be protected or can be used. He also stressed that he can live with a high level of data protection, but what is really needed is consistent regulation at EU level, but also globally.

**Facilitating cross-border trade through e-commerce - Stefan Krawczyk, Senior Director and Counsel Government Relations Europe, eBay EU Liaison office**

- Stefan gave the example of a young man from a family business who inherited his parents shop decided to open a website, and could sell online products that his winter clients were willing to order at distance. Once opened and gone on eBay his business had a thriving boost, most of his sales were cross-borders. This kind of story is repeated thousands of times on the Internet.

- A lot of people buy electronic goods across border, even if it may be less easy when using the guarantee. E-commerce is the absolute driving force and if you have the right platform you have trust and traffic of online shoppers.
- SMEs are vital for eBay. The reverse is also true: 7 to 9% within the EU is cross border e-commerce, in e-Bay it is 3 times more (about 350 000 SMEs).
- Some people just want to stay a SME and to innovate in this type of structure. They need an environment where they can exercise their business, so it is crucial to remove the remaining hurdles.
- He fully subscribes to the principle: less is better. To go forward, we need to carefully think what we need to do and what we should not do, what we should regulate and what we should not regulate.
- The main issues are competition, trust, and convenience. IN a trusted environment, SMES can be the drivers of cross-border trade.

#### **Interconnection of business registers, Yves Gonner, Director Registre de Commerce et des Societes du Luxembourg**

- The mission of Business Registers (BR) is to be recipient of information and documents filed in pursuance of European and National legislation, and information provider offering services to businesses and professionals. They are reliable partners and source of official information for SMEs. It is important to know better the business partner: company information (Legal information, Documents, Financial information) and company status (Court decisions and Respect of filing obligations), whilst ensuring legal security in business transactions.
- From a cross-border perspective, BR are confronted with two different challenges: foreign customers ask for national register information in order to secure and facilitate cross-border trade and transactions, and European legislation requires registers to communicate with each others. A strengthened collaboration among BR would be beneficial to European businesses, e.g. the exchange of information on the relationship parent company / foreign branches.
- However European businesses experience difficulties in understanding the legal value of documents and information provided by the different registers as national legislations differ, and official information (company extract) is mostly provided in national languages. Necessity to interconnect BR has been recognized since many years by the BR community and European businesses would strongly benefit from a standardized set of official company information (company profiles, company officials, etc.) available on a multilingual basis.
- A communication system among BR based on a voluntary and informal basis is at present not working at full satisfaction. There are merits, though. Significant efforts and investments have been done in order to implement an IT platform that is now fit to support interregistry communication. It is possible to have basic standardized information delivered by BR, documents and it is multilingual. More clarification is needed regarding the legal status, the legal framework of the network in the future, as well as guideline regarding communication among BR. Ensuring financial stability of the network is also an important issue.

#### **Empowering SMEs to better access to finance - the example of online peer to peer lending - Jean-Christophe Capelli, CEO Friendsclear**

- The current banking system is in crisis. Citizens lack confidence in banks but what is worse is that banks lack confidence in SMEs. Investors are looking for new ways:

more transparent, more direct, and that the money used would be 'useful'. It has led to the rise of "social" or "peer to peer" (P2P) finance, where individuals rather than financial institutions lend to or invest in small businesses.

- Equity investment platforms (P2PVenture) such as Crowdcube, Wiseed, are a way to have small business angels, even for very small amounts invested (minimum of 100euros)
- Small Business loans platforms (P2PLending, social lending or crowd funding), such as Lending Club in the US, Funding Circle in the UK and FriendsClear, loans to individuals or SMEs.
  - These are still small investments but gains can be attractive for investors. the system is easy and the entrepreneur usually partly reimburses every month. The amounts are often too small (from 100euros for 3000/4000euros to 5000 euros for projects until 25000 euros) for banks to invest in, not because these investments are risky but because it is not efficient enough for banks to do so, they are not profitable. This is a form of micro-credit for Northern countries.
  - Banking costs are cut: due diligence performed by a collaborative work between investors and social networks allows to leverage an unprecedented volume and depth of information on entrepreneurs and their projects. With no middleman, there is a better return for investors and at the same time cheaper access to finance for entrepreneurs.
  - Loans default rates are kept low - and lower compared to regular banks - because of the peer pressure caused by the fact that everything needs to be on the Internet ( high transparency).
- Some areas still need to be improved.
  - Lack of standardisation among European countries: banking regulations are very different among Europeans countries and P2P platforms are experiencing a lot of difficulties in launching projects in other countries. It may not appear so different but in practice these little details become important; banking is a particular area where it is better to be based locally as well.
  - Financial transparency in an online world is fundamental. We need better (positive) credit scoring / rating in some European countries (both for entrepreneurs themselves and SMEs). Hi-quality financial reports and forecasts are required, even for SME's and micro-entities because it is essential for the lender to have the sufficient amount of information. We need investors, incubators, consultants , and accountants to help the SMEs.

**Software as a service: supporting compliance for EU SMEs, Caterina Berbenni-Rehm, CEO of PROMIS@service Sarl**

- The PROMIS® Service is what can be defined as 'the memory of a company'. It is an electronic handbook which supports SMEs to achieve compliance following the major legal and standard requirements. It helps structuring and sharing organisations' internal and institutional Knowledge. PROMIS® is multinational, multilingual and multi-client enabled, with online interactive collaboration between SMEs, consultants and interested parties (e.g. suppliers, public authorities, banks). It is a generic framework to build and offer interactive services with sector- and theme-oriented turn-key solutions for micro SMEs, with high level of trust and confidence based on security, high quality, trusted community building and, offering



a balanced regulatory framework with clear rights regimes. Finally, its innovative business model, offers adequate protection and remuneration for rights holders.

- The goal is to simplify complexity. Online interactive communication is very effective - this tool has numerous benefits:
  - SMEs can easily decide what knowledge they would like to share or not, in the organisation and outside. Transparency and efficiency are enhanced throughout the organisation; time and cost are saved with proven return in investment. It is user friendly since everything needed, is available with just a click. Safety is improved, as well as preparation for certification.
  - Institutions have the opportunity to disseminate and transfer content and knowledge in the SME organisation up to task level.
- The CEO of PROMIS@Service also highlighted the importance of multilingualism, presenting the PROMISLingua project ([www.promislingua.eu](http://www.promislingua.eu)), funded under the CIP-PSP programme, which aims at translating, localising and rolling out the existing PROMIS® online integrated process management solution (at present available in English, German and Italian) in additional six languages (Spanish, French, Portuguese, Greek, Romanian and Hungarian), in order to deliver a cost-efficient and easy-to-use internet based service enabling SMEs to comply with Safety, Health, Environment, Quality and other Regulations at European and international level. UEAPME is a strong and committed partner in the project, together with INMARK, LINGUATEC, INOVAMAIS, INCDPM, ATLANTIS, R-TECH and PROMIS@Service.
- During the Q&A session, Caterina stressed that Internet needs trust. To increase trust, e.g. in case of an Internet attack, we should not entirely rely on technology, therefore PROMIS@Service offers the possibility to download back-ups.

**Key note speech Daniel Calleja-Crespo, SME envoy, Deputy Director General, DG ENTR**

- In times of financial crisis, we have to come back to the real economy, i.e. SMEs. The principle 'think small first' of the impact for SMEs should be broadly taken into account.
- ICT revolution is one of the stronger drivers for innovation and is relevant to every sector. European SMEs grow two times faster when they embrace the Internet. We have a huge potential here, the Commission has the task then to create a favourable environment to help them unleashing their potential.
- E-business:
  - Unlike other concepts, e – business has already been discussed and it has been applied for 20 years. However, because of a lack of interoperability, the regulatory and technological environment remains fragmented. The European Commission is supporting and encouraging industry to the pursuit of interoperability along industrial value chains; it would accelerate information flows, enable and catalyse access to the market, improve business intelligence and better relationships with customers, as well as increase cross-border transaction.
  - We need to increase the awareness on its benefits and we need to identify the best practices. The European e-Business Support Network for SMEs (eBSN) established by the European Commission gathers decision-makers and public policy experts in the field of e-Business to share information,

identify obstacles and shape strategic policy orientation for the uptake of e-business. It is a tool to make existing e-business policies more consistent and inspire new measures with EU value-added.

- E-invoicing:
  - It is a central business process in all supply chains, instrumental for cash flow and liquidity. It has a great potential for cost savings especially for SMEs. But in order to enable its application at EU level, we need to remove the regulatory and technical barriers still existing, notably across borders.
  - We need the full commitment of Member States to promote e-invoicing and working towards convergence so that e-invoicing becomes the norm by 2020.
  - Some obstacles remain: e-invoicing has to be at the same footing as a paper invoice and e-invoices are produced in a wide range of formats and this hinders the smooth transfer from one part to another.
- E-skills:
  - Having up to date e-skills is very important. However there is a competence shortfall between the current and needed competence levels of IT professional and practitioners and an insufficient number of skilled people in the labour market or in an occupational segment.
  - Many EU initiatives have been successfully developed, such as the EU eCompetence framework, and an initiative on cloud computing, cyber-security and green-IT with focus on e-skills needs for SMEs,. In March 2012 a European e-skills week in order to promote these e-skills will be organized.
- Access to finance:
  - The Competitiveness and Innovation Framework Programme (CIP) financial instruments are implemented for the Commission by the European Investment Fund (EIF) on a trust basis. It could be through the SME guarantee facility (SMEG) or through equity financing. 60% of venture capital funding of CIP is focused on SMEs operating in ICT – showing the importance of ICT for innovation and growth. Acting at EU level is not enough, Member States are needed for real implementation and raising awareness amongst young innovative SMEs, but also traditional ones.
  - Mr Calleja-Crespo is the EU SME envoy and coordinates 27 national SME envoys, open to business representation. They are committed to improve access to finance for SMEs.
- The European Commission is committed to improve and to pursue the full implementation of the Digital Agenda, fully committed to unleash the potential offered to SMEs by ICT solutions, but they cannot do it alone, collaboration from Member States, industry, ICT professional, SMEs advisory community is crucial. Coordinating smart policy actions is the only way to achieve breakthrough solutions.

**Panel debate: What policy options at EU, national or local level to optimise the use of the Digital Agenda for SMEs**

**Moderated by Robin Jarvis, Head of Small Business Affairs at ACCA and a member of the European Banking Authority (EBA) Banking Stakeholders' Group**

- Robin presented the ACCA report ["A digital agenda for European SMEs"](#).

- He stressed that accountants are SMEs most trusted advisers, because of their professional knowledge and because of the long trusted relationship built.

**Magdalena Ochej- Łokuciejewska, Head of Competitiveness Unit at the Ministry of Economy of Poland, Chair of the Internal Market Working Party**

- The digital agenda represents 5% GDP and ICT contributes to the effectiveness of all other business sector.
- E-commerce is of strategic importance but numerous obstacles still persist. Because of different legal regimes in EU Member States, half cross-border transactions do not come into effect. The key regulation on e-commerce is in place but it is implemented differently and both entrepreneurs and customers are uncertain when conducting online transactions. The refusal to deliver outside certain Member States, the refusal to accept credit card outside certain Member States lead to lack of possibility to choose freely between various providers in the various Member States. Appropriate legal and technical systems are necessary and implementation should be fast and coherent.
- The recommendation from the PL PRES is to develop favourable framework conditions for e-services and e-trade in legal, technical, logistic and economic respect, with particular regard to regulatory solutions aimed at stimulating competitiveness of European companies and increasing security of concluding online transactions.
- Second thing is to reduce the administrative burdens for entrepreneurs and facilitate running the business activity, which is particularly important in the difficult economic conditions and in the ICT development era, where existing regulations are incompliant with the needs of new technologies
- On the Single Market forum last week in Krakow, e-commerce was discussed. Participants agreed that education and information of all actor are strongly needed and that we must increase the confidence between businesses, SMEs and consumers, to provide effective mechanisms in solving problems, that legal clarity was needed, to update European legislation on copyright and data protection, to eliminate legal barriers, and to avoid discrimination and have a better enforcement of the rules of origin.

**Harrie Temmink, Deputy Head of unit online services, DG MARKT**

- In principle, if an entrepreneur meets the requirements of the country of origin, he is free to offer his services or goods to another country and this country of destination cannot impose barriers (the Internal Market clause of Article 3 of the E-Commerce Directive), with some exceptions.
- The public consultation on-e-commerce showed that there is no call on the European Commission to propose a revision of the E-commerce Directive. On 7 December the European Commission will, however, present a communication on e-commerce and other online services, indicating what the EU should do to tackle barriers to the online sale of goods and services. The communication will be built on existing policies and documents such as the Digital Agenda, Europe 2020, and The Single Business Act.
- Trust is fundamental but you cannot regulate trust in itself, only what it may be related to, e.g. legal certainty, transparency.
- The communication will in particular address problems with payments and postal services. :



- Payment is a very important issue for trust. The public consultation identified the following concerns:
  - lack of choice for both customers and entrepreneurs,
  - costs - often too high for electronic payments, both for traders and consumers,
  - security: 35% of all potential users do not dare making online transactions,
  - responsibility – e.g. refunds when the consumer never receives the ordered – and paid - product
  - The Commission plans to launch a Green paper on payments systems in Europe (end 2011).
- Delivery. Postal is also a most difficult issue. The business models are in place e.g. for track-and-trace services but do not always work as it should. Complaints have been made about high costs in cross-border situations, refusal to supply, unreliable services. The Commission will launch a green paper on parcel and express delivery services.
- Other issues to be dealt with in the communication are:
  - On enforcement: a study from the European Consumer Center indicates that many websites do not meet requirements of EU law (e.g. VAT number, name, address, e-mail, phone, etc.). On awareness: the European Commission is working on how to assist SMEs in particular on the knowledge of going online, e.g. envisaging working on a list of 10 issues that SMEs would need to know to do so. About the issue of clearance of VAT, rates vary and it can be perceived as a discrimination but it is extremely difficult to harmonise this area, even if the Commission will do its best. The VAT regime needs to be adapted to the online environment.
  - In addition, the European Commission will come up with ambitious proposals on ADR/ODR

**Franck Boissiere, Team coordinator e-businesses and Digital Single Market, DG INFSO**

- There is no specific section for SMEs, it is mentioned here and there, because the objective is not to make a ghetto for SMEs but to ensure that what is proposed is good for SMEs. The value of ICT is not in the ICT sector but when it is used in traditional sectors.
- Very little progress has been made to promote cross border trade for SMEs. However the Commission is currently doing a going local exercise in the various member states and their regions to discuss the needs of the ICT users and communicate on best practices in place in other Member States. This is giving a lot of insight that will be used to improve the legal framework..
- A “Connecting Europe Facility” programme will be proposed in the coming weeks; it would be the digital infrastructure that the EU needs for its future sustainable competitiveness (9 billion to deploy broadband).
- Accountants can be useful to raise awareness in the small business community on the existing ICT tools and serve as proxy.
- Growth in the future will depend more and more on harnessing Information Technology. We need a digital single market, which will benefit each and every European by using the possibilities of e-commerce.



**Concluding remarks Andrea Benassi, Secretary General of UEAPME**

- As highlighted in the ACCA report there are important gaps in awareness and confidence levels among the SME sector. The lack of interoperability of skills is a problem.
- The general approach in the Digital Agenda is 'Think small first'; it should be the same in all EU policy. It is therefore very important to keep this in mind while improving the e-commerce framework. We must support the process while preserving SMEs competitiveness.
- The advisers community at large - including accountants and small business organisations, is vital for SMEs.
- He calls on the European Commission, member state governments and the IT industry to actively engage with the advisory community if a critical mass of SMEs is going to be reached.

For further information, please contact:

Cécile Bonino

Public Affairs and Media Relations -EU ACCA

Email: [Cecile.Bonino@accaglobal.com](mailto:Cecile.Bonino@accaglobal.com)

Telephone: +32 (0)22861137 /+44 (0)7809595008