



Only strong and dynamic SMEs
can lead Europe out of the crisis



UEAPME Memorandum
to the European Parliament
for the upcoming elections

November 2008

➤ FOREWORD

With the European Small Business Act (SBA) the European Institutions have finally recognised the dominant role Crafts and SMEs play for Europe's economy. Even if UEAPME would have liked to see a stronger commitment to respect the formulated principles for an adequate SME policy (i.e. by an Inter-Institutional Agreement), the SBA must be seen as a major step forward and it is now on the next European Parliament, the incoming Presidencies and the next European Commission as well as the national governments to demonstrate that they have understood what SMEs in Europe really need.

With this "UEAPME Memorandum to the European Parliament for the upcoming elections", we want to summarise the most important policy actions that are needed to allow SMEs to master the current crisis and to fully use their potential for growth, job creation and innovation. Craft and SME association all over Europe will judge the political programme of candidates for the European Election (June 2009) against these needs for European policy actions. At the same time, we invite the incoming Czech Presidency to do its utmost to continue the quite successful crisis management by the current French presidency and to start the economic recovery process in Europe.

The present European Parliament has demonstrated its important role for a successful European Craft and SME policy. Revisiting the [UEAPME Memorandum for the last Election of the European Parliament](#)¹, which focused on the review of Lisbon Strategy and the need to unlock the growth potential of SMEs, it is clear that significant progress and improvements in the support of SMEs' needs at European were made.

The compromise on the Services Directive and the Recognition of Qualification requirements, the reform of the Stability and Growth Pact, progress on the implementation of the "Think Small First" principles, an SME-friendly implementation of Basel II, the enhanced participation of SMEs in standardisation and a common understanding about labour market reforms (flexicurity principles) are the most important achievements and count on the positive side of the scoreboard for the current EU Parliament. On the more negative side, Europe failed to find solutions for the European patent and for working time, to remove tax barriers within the Internal Market and to find adequate solutions for reduced VAT rates. The scoreboard gives overall a positive result: UEAPME sees solutions or at least progress as regards 37 out of 50 concrete demands made ahead of the last election to the European Parliament.

However, the progress made during the last years will be not enough to allow Europe's Crafts and SME to master the current crisis. All institutions at European, national and local level must do their utmost to re-stabilise the financial markets and to support economic growth. The question of what Europe must do to overcome the financial turmoil and to ensure a recovery of Europe's economy will be at the centre of the upcoming election campaign and will not only keep busy the incoming Presidency but also the new European Parliament.

The Economic Recovery Plan recently released by the European Commission is a positive step, but it falls short on some important aspects. For instance, the Small Business Act is mentioned half-heartedly throughout the text. If it is meant to be a serious contribution to economic recovery, the rescue plan must include an action plan on the implementation of the Small Business Act.

With this memorandum, we want to present concrete proposals on what is needed to allow SMEs to lead Europe's economy out of the current crisis.

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Secretary General

¹ http://www.ueapme.com/docs/pos_papers/2004/040428_EP_final_en.doc



In order to master the current economic crisis, European crafts and SMEs call on the EU institutions to:

- Help SMEs to survive the credit crunch
- Provide support for an economic recovery
- Provide SMEs with space to breathe
- Protect SMEs against unnecessary burdens
- Strengthen SMEs' competitiveness at all levels and foster SMEs' cross-border activities

➤ **CRAFTS AND SMEs NEED SUPPORT TO SURVIVE THE CREDIT CRUNCH**

The current and ongoing financial turmoil has significant negative effects on access to finance for SMEs. Credits and loans are not obtainable or only available under unacceptable conditions as regards price and collaterals. SMEs, which are not responsible for this crisis, must not pay the price for the difficult financial situation. Everything must be done to avoid a decrease of economic activity (investments, production and consumption) because of a lack of finance.

Therefore, UEAPME asks all European Institutions to re-stabilise the financial markets by:

- *providing sufficient amount of liquidity to the financial markets;*
- *providing guarantees to interbank lending operations to restart the financial market, which came close to a standstill;*
- *ensuring sufficient refinancing of SME loans (EIB, national intermediaries, guarantee schemes);*
- *increasing the public guarantee facilities for SME loans (EIF and national institutions);*
- *ensuring that any public support for banks is given in favour of their customers and not in favour of their shareholders;*
- *reforming the global regulatory system for the financial market (including rating agencies) to avoid the repetition of such crises in future (increase of transparency, no off-balance operations);*
- *ensuring that the financial markets are better targeted to real economy than to financial speculations;*
- *including deposits from small enterprises in deposit guarantee schemes.*

➤ THE RIGHT POLICY MIX TO SUPPORT THE RECOVERY OF EUROPE'S ECONOMY

The financial crisis has already triggered significant negative effects on the real economy and Europe will be in a recession at least in the first half of next year. Discussions about the right policy reply will dominate both the EP election campaign and the incoming Czech Presidency.

The recovery must be supported by policies which aim to bring back confidence to all economic actors and to stabilise economic demand, without endangering fiscal stability in the long run. The SME sector represents not only 99.8% of all enterprises, 67,1% of employment and 57.6% of added value (last data available from 2005), but was also the most dynamic part of Europe's economy during the last years as regards growth, job creation and innovation. Consequently, Crafts and SMEs have to – and will – play an important role if Europe wants to master the economic crisis.

Therefore, UEAPME asks all European Institution to contribute to a policy mix, which:

- *uses any room for further rate cuts by the European Central Bank;*
- *lets the in-built automatic stabilisers work;*
- *uses the possibilities provided by the Stability and Growth Pact to increase public investments without endangering the long term targets for budgetary consolidation;*
- *stimulates additional private demand by setting the right incentives, i.e for. energy saving investments in private houses;*
- *avoids the bailout of industries which are experiencing structural problems or facing overcapacity;*
- *stimulates public and private demand by investments in infrastructure (research, training, ITC, transport) also via Public-Private Partnerships (PPP);*
- *avoids any inflationary second round effects on prices coming from wage increases not in line with productivity growth;*
- *uses the extended possibilities offered by the new State aid regulations to support SMEs with public support programmes;*
- *provides the necessary flexibility of labour markets to keep as many persons employed as possible.*

➤ CRAFTS AND SMEs NEED MORE SPACE TO BREATHE

Craft and SMEs can only use their full potential for growth and job creation if unnecessary administrative burdens are avoided and the remaining barriers to markets are removed. The European Small Business Act provides the principles for an effective policy in line with the needs of small enterprises and an encompassing catalogue of concrete measures to be taken at all levels to improve the business environment and to give SMEs enough space to breathe.

A key contribution for achieving an SME-friendly environment is a change in the perception of the role of entrepreneurs and risk-taking: entrepreneurship and the associated willingness to take risk should be applauded by political leaders and the media, and supported by administrations.

Therefore, UEAPME asks all European Institution to fulfil the commitments made in the framework of the Small Business Act and to implement the announced principles and actions – the sooner, the better:

- *Legislation and programme planning at all levels must respect the "Think Small First" principles, if they have any effect on small enterprises. This means that rules must respect the majority of those who will use them. This includes independent impact assessments for small enterprises, systematic consultation of representative Craft and SME associations, the "only once" principle and the introduction of common commencement days.*
- *The essential and valuable role of the representative business organisations must be fully recognised. In addition, such organisations have to be systematically integrated, whenever relevant, into all European advisory expert committees, high level groups and other appropriate fora.*
- *Consultation of the representative business organisations must remain the rule; clear and transparent criteria have to be set to assess the result of direct and internet consultation;*
- *The participation of SMEs in public procurement procedures must be facilitated.*
- *Tax systems must be reformed to make investments more attractive and to strengthen private consumption.*
- *The pilot project on reduced VAT rates for labour intensive services, which is an effective measure to fight undeclared work, must become definitive and be open to all Member States.*
- *Internal market barriers resulting from 27 different tax systems, which are prohibitive for small enterprises, must be removed by a common tax base or by mutual recognition of the home tax system.*
- *Business transfers must be made easier via new financial products (i.e. mezzanine instruments), consultative services and favourable tax provisions.*
- *The existing rules on late payments must become more effective and include also business-to-consumer relations, in order to improve the financial situation of SMEs.*
- *Access to, retaining and improvement of competences should be facilitated.*
- *Better enforcement of the correct implementation of European legislation.*

➤ **AVOID ANY UNNECESSARY BURDENS FOR CRAFTS AND SMEs**

Even if the European Commission is implementing since two years a better legislation and simplification programme, which aims to reduce administrative burdens coming from EU regulations by 25% until 2012, small enterprises have not witnessed concrete improvements so far. This programme will only be successful if all European Institutions and the Member States increase their implementation efforts and if other burdens will not be created in the meantime.

Therefore, UEAPME asks all European Institutions to avoid any unnecessary administrative burden for SMEs and to remove administrative burdens for SMEs whenever possible, as already agreed in the European Charter for Small enterprises. This cannot be achieved through simplistic proposals. Simplification and better regulation require first and foremost a cultural shift, a change of mindset among civil servants, public authorities and the legislator in general.

The actual standards in the fields of environment, health and safety, consumer protection and others create too often high administrative burdens and compliance costs, especially for smaller companies. Such burdens and costs should not be reduced or abolished by exempting small enterprises from such rules and standards, but by simplifying the procedures.

Therefore, the proportionality principle should be applied as a basic rule whenever SME policy is concerned. This principle means that SMEs should be treated differently according to the level of dangerousness and risks they may impact.

The needs and particularities of SMEs have to be taken compulsorily into account in all relevant policies, programmes and negotiations at EU and national level.

Furthermore, the current economic downturn must lead to a review of all pending legislation, which may put further – and unnecessary – burdens on small enterprises. Policy projects that were started in good economic times must therefore be re-assessed and checked against the new reality.

Therefore, UEAPME asks all European Institutions to review and reassess the following pending pieces of legislation, which may be especially burdensome for SMEs:

- *The “Sustainable Consumption and Production Action Plan”, which includes:*
 - *the recast of the Eco-design Directive: UEAPME pleads for the application of the extension of the scope of this directive to serial products only. Moreover, UEAPME would like the EU Commission to establish a procedure to finance SMEs’ technical involvement in the Eco-design scheme;*
 - *the revision of the EMAS Regulation: UEAPME pleads for strengthening the SME-friendly provisions and for the abolishment of new concepts which will result in further red tape for micro and small businesses, such as the concept of environmental performance and environmental performance report;*
 - *the revision of the Eco-Label Regulation: UEAPME asks for an overall reduction of the costs, in particular the costs of the technical tests required in order to show the respect of the criteria, and an enhanced added value of the Eco-Label scheme as a market instrument;*
 - *the new policy on Green Public Procurement (GPP): UEAPME is concerned that SMEs might be discriminated because of GPP due to the fact that SMEs generally cannot afford the complex and costly audit systems or certification measures required by them. Moreover, GPP criteria, in order to be feasible, should be based on existing initiatives on the market.*

The Action Plan aims to set up a system based on new, stricter minimum requirements in environment and energy policy for products to be put on the markets, coupled with a revised energy labelling scheme and with quality thresholds for public procurement. UEAPME would like the EU Commission to set up a framework to inform and prepare SMEs to the use of new eco-efficient concepts, such as life cycle analysis, in their production process, which still represent a revolution for most of them. This could be done by strengthening and fully implementing the existing Environmental Compliance Assistance Programme (ECAP).

- *the Renewable Energies Directive;*
- *the Energy Performance of Buildings Directive;*
- *the Construction Products Regulation;*
- *the Collective Redress for Consumers;*
- *the new proposal for a non discrimination directive outside the labour market;*
- *the revision of the Maternity Leave Directive;*
- *the revision of the Working Time Directive;*
- *the revision of the Euro vignette Directive on heavy goods vehicles.*

➤ **MEASURES TO INCREASE THE COMPETITIVENESS OF CRAFTS AND SMEs AT ALL LEVELS AND STRENGTHEN THEIR ACTIVITIES OUTSIDE THE EU**

Crafts and SMEs will only be able to lead Europe's economy out of the current crisis if their capacity to growth, innovate and create new jobs is enhanced.

Therefore, UEAPME asks all European Institutions to increase the competitiveness of the Crafts- and SME sector by:

- *improving access for small enterprises to standards and existing technologies at affordable prices and conditions;*
- *creating a Community patent and an EU-wide jurisdictional system for patents;*
- *using the possibilities given by the new State aid regulation to provide innovation support measures;*
- *providing sufficient financial means notably through the ESF and EGAF for effective training measures, especially for facilitating transitions of persons becoming unemployed during the current crisis;*
- *designing labour market reforms, in line with the joint principles of flexicurity;*
- *supporting the anticipation of skills needs in relation to the creation of new jobs;*
- *promoting the mobility of young people in vocational education and training and notably of those in alternating training schemes such as apprentices;*
- *strengthening the implementation of the Environment Compliance Action Programme (ECAP) in close cooperation with SME organisations;*
- *better co-operation between the Member States in the fight against organised crime affecting SMEs; more specifically a coordinated action is needed against misleading business directories;*
- *completing the internal market for goods and services, in order to create a level playing field for SMEs;*
- *introducing a general rule on duty to act in accordance with the principles of good faith and fair dealing, which applies to both professionals and consumers;*
- *prolonging the Block Exemption Regulation on motor vehicle distribution and servicing after 2010.*

SMEs, micro and craft enterprises play an essential and fully recognised role for the development as well as the competitiveness in the regions and for the economic and social stability of the territories. In many places, they represent the most important possibility, sometimes the only one, to create new jobs especially in critical areas like city centres, suburban areas and rural territories.

Therefore, UEAPME asks all European Institutions to:

- *Engage in a close dialogue with representative organisations of SMEs, micro and craft enterprises to define together new rules of territorial governance and the priorities of the future*

European cohesion policy. These rules and priorities should follow the "horizontal subsidiarity" principle, by which policymakers at all level – EU, Member States, regions, local authorities – must work with representative economic and social actors when taking measures in their policy field;

- *Support the development of an "economy of proximity" to increase the competitiveness of enterprises active mainly on local markets, which are and will remain a key source of local employment;*
- *Reinforce the development of small and micro enterprises in the structural funds and in the new cohesion policy, and create a more efficient rural policy in favour of all local economic forces;*
- *Favour an innovation policy that is better adapted to the reality of small enterprises, including medium, low-tech and non-technological innovation processes, which are typical in small enterprises.*

Only 8% of SMEs are involved in export. This shows that there is a clear need to help European SMEs to access foreign markets, but also to ensure fair competition at international level.

Therefore, UEAPME asks all European Institutions to:

- *make progress in bilateral and multilateral trade negotiations for further reducing tariff and non-tariff, tax and regulatory barriers to trade;*
- *strengthen the protection against unfair competition, especially by adapting the existing trade defence instruments such as anti-subsidy and anti-dumping better to the reality of SMEs, which can not deal with the amount of information required to prove the damage;*
- *provide SMEs with better information and qualified advice when they considering going international;*
- *continue the efforts in the framework of the Market Access Partnership (MAP) in order to improve the SMEs' access to third country markets, specially to the neighboring countries.*

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