

Position Paper

UEAPME¹ framework position on Sustainable Development and SMEs

I. The EU policy context

UEAPME's work in Sustainable Development comprises the environment and climate policies as well as the environmental aspects of energy policy that have an impact on SMEs. UEAPME endorses the principles of Sustainable Development that regard social, economic and environmental issues as inseparable and interdependent and hence advocates for a regulatory and policy framework that strikes the right balance between environmental protection and the SMEs' competitiveness.

SMEs are important players in the transition towards a resource-efficient economy as they represent 99% of EU companies and contribute to 2/3 of private sector employment as well as to nearly 60% of the added value in Europe's economy. Therefore they should have a central role in the major EU strategies for growth, competitiveness and resource-efficiency, in particular, in the implementation of the **Europe 2020 Strategy** and its flagship initiative for a resource-efficient Europe.

The guiding program on European environment policy until 2020, the **7th Environmental Action Programme (7th EAP)**, recognises the fact that SMEs need specific assistance with the uptake of new technologies and that the specific needs of SMEs while implementing REACH have to be taken into account. In spite of this, UEAPME would have liked the 7th EAP to endorse a set of support measures for SMEs structured in a comprehensive policy framework (*as explained under section II below*).

In the framework of the current revision of the **Small Business Act (SBA)**, UEAPME welcomes the Commission's political will to recognise the central role of SMEs in the EU economy and keep and further develop the SBA as the policy instrument to promote SMEs and entrepreneurs in the period 2015-2020. However, it is regrettable that, despite this policy intention, the review of the SBA is not highlighted in the Commission's 2015 Work Programme. SME policy needs a broad, horizontal approach contained in a new SBA and should not be fragmented in other policy sectors. In this revision exercise, we have seen the 10 principles of the SBA converted into priority sectors and as a result, the very relevant principle IX "*Turning environmental challenges into business opportunities*" no longer exists. Considering this situation, the leadership that the EU has and will have worldwide in the area of sustainability, the different impacts that environmental and energy policies/legislation have on SMEs, as well as the business opportunities for small enterprises, UEAPME is of the opinion that sustainability should be fully embedded in all selected priority sectors of the revised SBA.

II. Turn environmental challenges into business opportunities for SMEs

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](https://ec.europa.eu/transparency/regexp1/index.cfm?do=grouping.grouping&id=55820581197-35).

The big bulk of SMEs are still traditional SMEs. As the Flash Eurobarometer 381 “SMEs, resource efficiency and green markets”² found out, SMEs might have taken one action to improve their resource efficiency.

Due to their specific characteristics (small size, limited human and financial resources), SMEs need a friendly regulatory framework in place that includes, where appropriate, support measures in order to take further actions in greening their businesses and enhancing their efficiency in the use of resources (e.g. purchase energy-efficient equipment, produce less waste, use recycled materials, etc.). Only with these measures SMEs will be able to take full advantage of the business opportunities of the resource-efficiency economy.

a. Friendly regulatory framework for SMEs

More than half of SMEs (55%) encounter difficulties when trying to improve their resource efficiency, particularly complex legal or administrative procedures (26%)³.

Legislation in the field of Sustainable Development should not lay down unrealistic targets, costly Life Cycle Analysis or expensive registrations and permits. As stated above, legislation needs to abide by the main principles of sustainability.

At the same time legislation has to be designed taking into account the characteristics of SMEs. UEAPME asks the EU and Member States to endorse the “Think Small First” principle, which means that the starting point for all legislation (new and revised) should be micro and small enterprises. Layers should be added when it is necessary to take into account extra demands for bigger enterprises, instead of making exemptions for SMEs or excluding them. This principle should be used consistently throughout the whole regulatory and implementing process.

Likewise, any regulatory proposal should be subject to neutral and independent ex ante and ex post impact assessments (IA), including a compulsory SME-Test. The SME test has to be used effectively, along all the legislative steps at EU level. Member States should also be encouraged to systematically introduce the SME-Test or an equivalent system.

UEAPME hereby would like to reiterate its demand to conclude an Inter-Institutional Agreement in order to fully respect the key principles of the SBA, among them the “Think Small First”, “Only Once”, Impact Assessments, and “Proportionality”⁴.

b. Support measures addressed to SMEs

Awareness raising

SMEs should benefit from awareness-raising campaigns in order to understand how a new measure would impact upon their activities and how they should adapt accordingly. The EU should promote such campaigns in cooperation with the Member States and business organisations. The right information can convince a micro-company to make the right investment in an environmentally-friendly technology or in a less energy-consuming production process. Many small businesses fear this kind of investments since their return will only happen in the long term. The Environmental Compliance Assistance Program (ECAP) adopted in 2007 was an excellent programme that unfortunately failed to provide information and assistance to SMEs due to the lack of ownership at the national level.

Technical assistance

² Published in December 2013 : http://ec.europa.eu/public_opinion/flash/fl_381_en.pdf

³Flash Eurobarometer 381.

⁴ UEAPME position on the Public Consultation on the Small Business Act – A strong European policy to support Small and Medium-sized enterprises and entrepreneurs 2015-2020 of January 2015 : http://www.ueapme.com/IMG/pdf/UEAPME_Position_Paper_on_SBA.pdf

SMEs wishing to implement resource-efficiency improvements in their businesses should be supported through technical assistance schemes offered for free or at a reduced price at local level. Most SME organisations can provide tailored technical assistance to their member companies. Moreover, due to their long-standing existence and reputation, they can be the right interlocutor to government authorities, banks and other private investors. Therefore SME organisations should be taken as one of the main counterparts of the actions/programmes at EU and national level to provide technical assistance to SMEs in order for them to become more sustainable. For those national or branch SME organisations not being able to provide such assistance, capacity building should be envisaged at EU and national level. For instance through capacity building programmes SME organisations could receive funds to create an environmental service department, their staff could be trained so as to provide advisory services, they could receive best practices from SME organisations in other countries, etc.

Improving SME's financing possibilities

In the current financial crisis, government grants or tax incentives (such as reduced VAT) have been mostly swept away.

It is important SMEs can raise finance for their resource efficiency investments. In this respect, the financial sector needs to become more SME-friendly and aware of resource-efficiency considerations. Specialised staff in financial institutions is needed in order to properly evaluate green projects from SMEs.

Moreover, specific financing available from the European Investment Fund is managed through big national banks, which are not the traditional partners for SMEs in most Member States. This, together with the lengthy procedures, prevents SMEs, and particularly most micro-companies, from benefitting from this financing. This situation should be solved by allowing also smaller, more SME-oriented banks (local and cooperatives banks) to play an intermediary role.

Apart from this, as also suggested by the final report of the Energy Efficiency Financial Institutions Group (EEFIG), efforts have to be sped up in order to increase alternative forms of finance available at local level enabling SMEs to face the upfront costs of becoming more sustainable.

Fiscal policy

UEAPME supports the introduction of tax incentive schemes to encourage SMEs to make environmentally friendly investments (e.g. waste or water treatment or adoption of environmental voluntary schemes such as EMAS or Eco-label or energy efficiency improvements). It is equally important not to allow the introduction of fiscal barriers to the creation of decentralised systems of energy production such as the proposal to tax the self-consumption of energy from renewable energy sources in Spain.

Access to the right skills

There are skills mismatches in the labour markets. SMEs are in some cases expecting to hire more employees with environmental expertise but such employees are often not available. Some green skills may not be related to new jobs but to the upgrading of the existing skills of employees. With regards to lifelong learning, SMEs are informally training their employees and "on the job training" is the most widespread form of lifelong learning, but should be better recognised and supported. Further financial incentives are needed and EC financial instruments like the European Social Fund should better support green job promotion and upgrading skills under the new programming period.

These measures would not only enable SMEs to adapt to the requirements of the resource efficiency and low-carbon economy but would also contribute to reduce the SMEs' environmental impact and at the same time help them remain competitive.

Although not presenting a comprehensive policy framework, the **Green Action Plan (GAP) for SMEs**⁵ with its list of concrete actions is a good initiative to improve SMEs' resource efficiency. In spite of this, UEAPME is keen in being also involved in the implementation of the actions. UEAPME's national SME organisations have a solid and knowledgeable network at national and regional level and thus their active participation in some of the GAP's actions will be crucial to the success of the Action Plan.

c. The role of voluntary instruments:

According to some estimations, the environmental impact of SMEs may be rather high and in order to reduce it and at the same time boost their competitiveness, it is sometimes convenient to use voluntary instruments such as the Eco-label or EMAS. It is, however, important that voluntary instruments remain available for SMEs at their discretion and do not become *de facto* obligations. It is equally important to keep the implementation of such instruments as SME friendly as possible by not introducing administrative burdens that end up in expensive and time-consuming procedures for small companies.

Currently the pilot phase of the Product Environmental Footprint (PEF) and Organisation Environmental Footprint (OEF) is ongoing until the end of 2016. UEAPME appreciates the Commission's eagerness to take SMEs on board in the pilot phase. In spite of the good intentions, the participation of SMEs on the works of each pilot does not seem to be working. The documentation circulated in the different pilots is too technical and long for SMEs. UEAPME seizes this occasion to reiterate the importance that the final reports of the testing phase on PEF and OEF also have an SME perspective and inform objectively on the application of these procedures to SMEs.

If after the pilot phase, the PEF and OEF become policy instruments even on a voluntary basis, crafts and SME will have to comply with them as a result of the demands of bigger companies applying them. This means that they will be confronted with time-consuming and expensive requirements. In our opinion, the PEF and OEF methodologies should be tested extensively on SMEs and make sure they are workable for them before they are put in place.

With regards to the 50% target for Green Public Procurement as set in the 7th EAP, UEAPME warns of the fact that SMEs will have difficulties in fulfilling such criteria unless the procurement practices are improved. SMEs demand that:

- the announcement of the environmental criteria is made long enough before opening the tender so as to enable them to develop their products and services accordingly.
- the public sector should have better information about what kind of products are in the market and what kind of environmental, energy efficiency or any other criteria they can realistically set.
- to achieve this, the public sector and enterprises should have closer cooperation and the public sector should carry out market surveys.
- proving the products or services offered fulfil the criteria should not cause unreasonable administrative and financial burden nor be a barrier for SMEs taking part in public procurement.

UEAPME reminds that the environmental criteria are only one issue among others. Small businesses don't often answer to public-contracts deals because they consider them too complicated and time-consuming. We must bear in mind that small businesses cannot invest time in answering a public contract, especially when they do not have the expertise and the resources required.

⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions on the Green Action Plan for SMEs "Enabling SMEs to turn environmental challenges into business opportunities"(COM/2014/0440 final)

UEAPME recommends that, in addition to the EU-Ecolabel or to the nationally recognised environmental labels like the Nordic Swan, environmental labels issued by professional organisations can also be taken into account in public procurements. This could avoid “labeled companies” to give evidence of their good environmental behaviour again when applying for a public tender thus saving time and money.

III. Enhance the governance of SMEs in Sustainable Development policies

The traditional forms of top-down government have given way to less hierarchical governance instruments, which rely more and more on non-state actors. Governments have understood that when dealing with societal issues it is important to work with intermediary organisations. Although, the model of multi-level, multi-stakeholder governance pioneered within the EU is a good one, UEAPME believes it could be improved at the technical and political level in the area of sustainability.

Likewise, UEAPME supports the introduction of an environmental dimension in the European Semester as demanded by the Environment ministers. It can significantly contribute to stimulating the opportunities for growth offered by resource efficiency as stated in the Council conclusions of October 2014. We also agree with the Council Conclusions of 6th March 2015, in which Ministers considered that it was necessary to take full advantage of the synergies between environmental policies and policies in other fields through a mix of instruments and initiatives, such as greening the tax systems, promoting research and development and taking into account the special needs of SMEs.

Technical level:

UEAPME demands a fair representation of SMEs in consultative committees on environmental/energy policies compared to environmental and consumers’ organisations. Even though, UEAPME is in most cases invited to participate in these consultative committees, the problem lies in the fact that the documentation circulated in such committees is too technical and long for SMEs. Unfortunately this situation has already happened in the past with similar kinds of documents dealing with the Eco-Label, the Eco-design and the Product and Organisation Environmental Footprint (PEF and OEF).

It is very difficult to find in our network people with the technical expertise and English language knowledge to provide feedback on such papers. In the past, some organisations gave these tasks to external consultants, whom they paid for. But this is no longer the case due to the financial crisis. Therefore, a solution should be found to enhance the SME representatives in such Committees.

Political level:

UEAPME participates at the meetings of the Network of SME Envoys with the EU SME envoy, national SME envoys and other EU-business organisations. These meetings address enterprise policy issues of relevance for SMEs as well as Sustainable Development related-policies. The Network has an important role in exchanging good practices and securing active enforcement of SBA principles.

At national level, though, the consultation and involvement of the representative SME organisations often has to be improved. Representative SME organisations at national level must be recognised as legitimate representatives of small and medium-sized enterprises and thus, as the important stakeholders in Sustainable Development-related policies.

UEAPME is keen in being recognised at the highest political level in the field of Sustainable Development and calls on the Juncker’s Commission to avoid mistakes of the past. UEAPME deplored the fact that the former Commission did not respond to its numerous demands of being part of the European Resource Efficiency Platform (EREP), whose recommendations were taken on board by the Commission and did unfortunately not contain the SMEs views.

UEAPME hereby asks the EU institutions to better involve SMEs organisations in the decision-making process. In this line, UEAPME would be very keen in participating systematically along with the NGOs at the Informal Environment Councils. In this way, the EU institutions would grant SMEs their deserved importance in the transition to the resource efficiency economy.

IV. Conclusions

The new European Commission and the new European Parliament should place SMEs at the forefront of the major policies on growth and sustainability for the coming years. The new Circular Economy Package to be presented by the end of 2015 should grant SMEs a central role. Likewise, SME representatives should be considered as the right interlocutors in the field of sustainability both at the highest political level and technical level, where their contributions must be recognised and supported.

Moreover, the demand for a comprehensive policy framework for SMEs in the field of Sustainable Development remains valid. In this line, the GAP for SMEs is the right instrument to offer such support measures for SMEs. Nevertheless, it should do so in a comprehensive and structured manner and by taking on board UEAPME and its network of SME organisations in its implementation.

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