



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



UEAPME priorities  
for the Czech Presidency

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## ➤ INTRODUCTION

European enterprises are seriously affected by the current financial and economic crisis. Policies that aim to master these crises and to support a recovery of Europe's economy must be the main focus of the incoming Czech Presidency of the European Union. Having in mind the dominant role Crafts and SMEs play in Europe's economy, it is evident that such a recovery cannot happen without strengthening the SME sector.

With the European Small Business Act (SBA) the European Institutions have finally recognised Crafts' and SMEs' dominant role. 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 up to the incoming Presidencies and the Member States to demonstrate that they have understood what SMEs in Europe really need. The upcoming Czech Presidency will have the unique chance to shape this policy – but to do so, it will have to tackle the real needs of European Crafts and SMEs.

In this document, UEAPME wishes 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. 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.

**In order to master the current economic crisis, European crafts and SMEs call on the Czech Presidency to:**

- Help SMEs to survive the credit crunch and provide support for an economic recovery
- Provide SMEs with space to breathe and promote entrepreneurship
- Protect SMEs against unnecessary burdens

➤ **HELP SMEs TO SURVIVE THE CREDIT CRUNCH AND PROVIDE SUPPORT FOR AN ECONOMIC RECOVERY**

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 calls on the Czech Presidency to help in re-stabilising financial markets by:**

- *Ensuring that any public support for banks is given in favour of their customers and not in favour of their shareholders;*
- *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 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 calls on the Czech Presidency to contribute to a policy mix, which:**

- *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.*

## ➤ PROVIDE SMEs WITH SPACE TO BREATHE AND PROMOTE ENTREPRENEURSHIP

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. It will be up to the Czech Presidency to ensure that these intentions become actions in the next months.

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 calls on the Czech Presidency to act 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 and the “only once” principle.*
- *Business transfers must be made easier via new financial products (i.e. mezzanine instruments), consultative services and favourable tax provisions.*
- *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.*
- *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.*

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

**Therefore, UEAPME calls on the Czech Presidency to increase the competitiveness of the Craft and SME sector by:**

- *Making progress on a Community patent and an EU-wide jurisdictional system for patents;*
- *Promoting 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;*
- *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.*

## ➤ PROTECT SMEs AGAINST UNNECESSARY BURDENS

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.

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 calls on the Czech Presidency to start a process to review and reassess the following pending pieces of legislation, which may be especially burdensome for SMEs:**

- *The recast of the Eco-design Directive so that it only applies to serial products;*
- *The revision of the EMAS Regulation with stronger SME-friendly provisions and less red tape;*
- *The revision of the Eco-Label Regulation with less costs and more brand value for SMEs;*
- *The new rules on Green Public Procurement (GPP) to avoid complex and costly audit systems or certification measures;*
- *The Renewable Energies Directive without additional rules on professional qualifications;*
- *The Construction Products Regulation with simplified procedures for small and non-series products;*
- *The new proposal for a directive on non discrimination outside the labour market, which is better dealt with through non-binding and supportive measures;*
- *The revision of the Maternity Leave Directive; UEAPME does not see any need to increase the duration of maternity leave and disagrees with the increase of payment allowances;*
- *The revision of the Eurovignette Directive on heavy goods vehicles, which might trigger a further increase in transport costs without achieving the desired environmental improvements.*

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