

Position Paper

UEAPME¹ position on the Discussion Paper “Ideas for a new policy following the five-years anniversary of the SBA.”

Introduction.

UEAPME warmly welcomes the initiative from the European Commission and of the Lithuanian Presidency to reflect on a SBA based SME policy for the coming years.

Member States and the EU have made too slow progress on the “Think Small First” principle. Therefore, UEAPME does not see the usefulness of a “review” of the SBA if it is not aimed at giving it a new impetus. UEAPME recommends to analyse Member State by Member State the progress made and indicate priority actions for the future. The same should also be done at European level according to the following principles:

- SME policy should cover not only innovative, high growth, internationally active SMEs, but also the “basic fabric” of our economy (those providing day-to-day products and services to citizens);
- Targets should be defined and follow up given to the progress in implementing measures to reach these targets;
- Check which activities are already in place and support exchange of best practices among authorities and SME organisations;
- Involve SME organisations in the conception, implementation and dissemination.

1. What should be the key message and the structure of the new SME policy?

- a) *Should the focus be put on measures which help SMEs to grow and create employment?*
- b) *The SBA 2008 included 10 principles and actions to implement them. The review of 2011 selected four priority areas (access to finance, access to markets, smart regulation/cutting red tape and entrepreneurship) and introduced a new governance system. What should be the structure of the new SME policy?*

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=groupDetail.groupDetail&id=55820581197-35).

UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES

EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE

EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES

UNIONE EUROPEA DELL'ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

The main message and aim of this policy should be to further implement and respect the SBA and its review and to make the SBA more effective. This can only be achieved in involving more and better the representative SME organisations in this process. Any SME policy should take into account the heterogeneity of the SME community and therefore should focus on all types of SMEs, with a particular attention for the smallest ones.

The 10 principles and actions are not fully implemented and successful yet, so the SBA-implementation should be continued and an evaluation on the progress on the 10 principles at EU and national / regional level should be conducted in a systematic way.

The guiding principle should be the coherent application of the real "Think small first" principle which is not a reality yet at European, national or local level, and so far it is not correctly interpreted. The real "Think small first" principle means that the starting point for all legislation (new and revised) should be the smallest enterprises, and add layers when necessary to take into consideration extra demands for bigger enterprises, instead of making exemptions for SMEs or excluding them. This principle should be used consistently and with more ambition throughout the whole regulatory and implementing process. Applying this principle will reduce the need for exemptions for SMEs and will dramatically ease administrative burdens. The principle is extremely important but the result is heavily depending on how it is interpreted in the regulatory or implementing situation.

This principle is what SMEs are asking for in order to be free to work in a better environment, with better regulation, less bureaucracy, effective public support and full respect for their role.

UEAPME asks the Council to launch at least an Inter-Institutional Agreement (IIA) to fully apply the main principles of the SBA, in particular the Think Small First, making it fully applicable and legally binding in Europe. This will show to Member States how to anchor the TSF principle in their policies, in full respect of subsidiarity and proportionality.

For UEAPME every SME policy should be a holistic one, while at the same time highlighting the main challenges and problems, being access to finance, reduction of administrative burdens and better regulation and access to markets. In each EU policy the TSF should be ensured and implemented.

2. Should we continue and reinforce the existing priorities?

a) Communicating and disseminating information on SME policy

The Small Business Portal provides a single entry point to SME-relevant information. A database of all SBA good practices of Member States is publicly available. A yearly European Enterprise Promotion Award rewards best SBA practices in Member States. Over thirty TV magazines of EU SME success stories have been broadcast and are available online.

➤ *Is this enough? Should something else be developed?*

A lot of existing information does not reach the SMEs. In addition too often this (European) information is not available in all national languages. Entrepreneurs need to get the information brought to them in a language and form that addresses their specific needs and doesn't ask too many efforts to see the necessity or added value of the message or information.

Every communication and dissemination action should therefore be done by involving the representative SME organisations and sectorial organisations.

UEAPME repeats it demand to have financial support for the exchange of best practices between member states and national SME organisations.

b) Better Regulation and administrative burden reduction

Simplification of legislative and administrative procedures and the application of the SME Test in impact assessments have been at the core of the Commission's action since 2008.

- Do you agree that the simplification, burden reduction and application of the SME Test remain priorities?
- What can the Commission do to assist Member States to better integrate the "Think Small First" principle as part of national law and policy making procedures?

Guiding principle should be the real "think small first" approach as defined above.

National authorities should inform better and update the services of the European Commission on the implementation of the European legislation regarding SMEs. All measures should be taken to avoid gold plating. The use of regulations instead of directives could be envisaged on a case by case basis. Civil servants involved in the council working groups should also be involved in the transposition process at national level.

More evidence based policy should be the rule. Therefore independent and transparent Impact assessments should be introduced (not only by the Commission but also by Council and European Parliament) which through a global approach assesses the direct and indirect consequences on the economic, social environmental impact as well as the competitiveness of the SMEs. SME organisations should receive the necessary financial means to collect data and to provide it to the Commission. Better consultation of the representative SME organisations is necessary especially in an early stage also on the draft impact assessments and also on delegated acts. A lot of progress could be made through the application of the "only once" principle in administrative issues.

Public authorities and civil servants should refrain from a bureaucratic approach.

To improve the situation, it is also necessary to introduce the reduction target of 25 % of the administrative burdens as a net target. UEAPME also advocates for a wider approach, which means focusing on the full regulatory burden instead of just the administrative burdens. Without a net target, an improvement in one area will continue to be consumed by increased burdens in other areas and SMEs will not notice any improvement even if the figures look better.

c) Facilitating access to finance

The economic situation has highlighted the importance of the new initiatives to improve SMEs' access to finance, including via capital markets and encouraging investment through fiscal policies as set out in the review of the SBA.

- Do you agree that access to finance should remain a priority?

YES – it has to remain a key priority – focus has to be given to the development of new instruments (supported by EU programmes and structural funds) for SME lending and SME equity – including fiscal measures.

- Do you agree that the Commission should explore ways of encouraging the development of alternative sources of SME finance, such as crowdfunding, peer-to-peer lending, supply chain financing or trade finance, by identifying and eliminating regulatory obstacles?

Alternative sources are not able to compensate for difficulties with loan, equity and mezzanine finance – therefore, priority has to be given to the traditional forms and not to alternative, which will never play an important role for the overwhelming majority of companies.

SME friendly revision of the De minimis regulation – Given the importance of the De minimis regulation as an exemption instrument for SME finance UEAPME is highly concerned by the Commissions recent draft of the new De minimis regulation. In particular by:

- Introduction of duration limitation requirements for guarantee agreements, which will restrict adequate support for investment loans.
- new definition of “undertakings in difficulty”, which will significantly restrict the number of enterprises eligible under De Minimis

d) Promoting SMEs’ access to international markets

The Commission has taken some actions to promote and facilitate access to international markets for SMEs.

- Do you agree that the Commission should continue disseminating and promoting information about the most effective measures supporting SMEs internationalisation based on its interaction with Member States?
- Do you agree that the Commission should further strengthen services offered by third country EEN partners and their interaction with European based EEN members?

SMEs have always been confronted with persistent obstacles which limit their international development. Therefore a policy of accompanying SMEs is necessary. SMEs need tailored and personal advice at a regional level. The representative SME organisations have to be more involved in order to guarantee that the specificity of SMEs is taken into account.

The Enterprise Europe Network (EEN) has to be evaluated and reformed. The modalities of its territorial implementation should reflect the diversity of SMEs and should lead to synergies and coherence with the role already played by the representative SME organisations.

e) Entrepreneurship

Following the experience gained from implementing the SBA and the recently adopted Entrepreneurship 2020 Action Plan, policy actions and projects can be suggested in the areas where progress has been limited, e.g. bankruptcy and second chance

- Can we set targets and monitor progress in the areas of bankruptcy, second chance and transfer of business (for example, aim at limiting the failure rate by 80% after five years)?

Targets are not suitable in these cases, but feedback on progress made should be given for every principle of the SBA. One has to take into account that entrepreneurship is risky. Measures should be taken to create a good entrepreneurial environment, including supporting SMEs to professionalise. The right balance should be sought between promoting a second chance and prevention, which is one part of a second chance policy and in any case better than setting a target. In addition attention should be paid to good practices in place in the field of assistance to entrepreneurs in difficulties or that went bankrupt.

Transfer of business should be one of the priority subjects discussed under this chapter given the fact that throughout Europe in the coming 15 to 20 years one third of our SMEs will have to be transferred.

f) **Green action plan for SMEs**

In the SBA Review the Commission proposed to set up a specific framework to allow SMEs to participate in a resource-efficient economy and to reap its potential. The Commission plans to present before end 2013 a Green Action Plan for SMEs.

- Do you agree that green markets are an opportunity, not a threat for SMEs?

In UEAPMEs view we would rather say that “Green markets can be an opportunity for SMEs”.

Two main groups of companies should be considered. There are companies that already develop "green" products and services, that wish to do so or that are in a natural position to develop such products or services. On the other hand there are companies for whom the development of "green" products and services cannot and will not be the priority, who will continue to provide "classical" products and services, but who could strongly benefit from "greening" their process in regards to their use of resources, in particular energy and other raw materials.

Three basic conditions should be taken into account:

1. There is a rising demand for green products and services. It holds opportunities for SMEs in a variety of sectors
2. Costs for energy and raw materials are rising. This makes resource efficiency – an important element in the greening of processes - also interesting for businesses which provide „classic“ products and services and who are either not interested or for whom it makes little sense to shift to greening their offers
3. The main focus must be sustainability covering a wide range of aspects, especially such aspects that are already present in companies.

The European Union has an important role to play to creating the right incentives to attain relevant policy objectives. If “green markets” become an opportunity or a risk will to an important extent depend on “green tape”. It is essential to avoid overburdening in particular small enterprises. There are an increasing number of European rules and regulations aiming at fostering the greening of products and services. Lamentably, frequently they also increase costs and the administrative burden particularly for small enterprises. Consequently, it is important that SME-specific measures are foreseen in these rules and regulations.

- What measures could be proposed to help SMEs to reap the benefits of the green economy?

UEAPME believes that a range of support services should be in place and that these services should be available at local/regional level, so as to facilitate SMEs accessing them. There can be no one-stop-shop improving every SME's resource efficiency.

1. Green Awareness-raising tools

Often SMEs underestimate the savings potential and the positive environmental impacts of resource efficiency investments in their businesses. Awareness-raising is therefore a key to implement resource efficiency measures in a larger number of enterprises.

Awareness is particularly needed in the field of energy savings. In the future, local awareness campaigns on climate action strategies could be interesting for SMEs.

2. Green Counselling & Coaching

SMEs should be offered continuing guidance of a person/institution from public agencies or business associations, chambers or consultants. Counselling and coaching in the field of resource efficiency should be - at least partly- subsidised.

The advice should be tailored to their business' characteristics, instead of the one-size-fits-all approach.

Example: The "cellule eco-conception" of the Belgian's Union de Classes Moyennes (UCM) provides tailored-advice to SMEs in a wide-range of sectors on how to integrate environmental considerations in the way they manufacture their products or provide their services.

This is a service subsidised by the Brussels Region Capital. In Austria, the services of the Austrian regional Economic Chambers ("Ökologieberatung"), are also subsidised, in this case, by the federal government ("KMU-Scheck" through an energy and climate fund).

3. Green Training

It goes a step further than awareness-raising. It consists of training addressed to the staff. The aim is train the employees (and/or entrepreneur) to put in practice the actions that will lead to the reduction of the environmental impact of the company (i.e. less resource use, less waste, etc).

Example: The WIFI, the Wirtschaftsförderungsinstitut, an education institution linked to the Austrian Federal Economic Chamber is offering courses for professional use; Around 3.000 have benefitted from environmental/resource/energy training courses.

4. Green Access to finance

Private banks are reluctant to finance resource efficiency-related investments. They usually perceive these investments as non profitable because the sums involved are not too high (EUR 20,000-25,000).

In many instances, banks also lack of specialised staff to evaluate investments projects in resource efficiency for SMEs. The training of bank employees to objectively assess such investments would definitely help.

It would help if resource efficiency investments would be foreseen in the yearly business plan. The investment would not be considered as an extraordinary expense and thus financing might turn up to be easier. Financial incentives should be granted to businesses when such investments are made.

3. What new policy initiatives should we include?

a) Help SMEs to increase employment

SMEs are the engine of European employment: 85% of new jobs in the private sector were created by SMEs. If each of the millions of EU SMEs hired one or more persons on a permanent basis, this would solve Europe's unemployment problem. Action to tackle the high unemployment rate among young people in the EU is one of the political priorities. The conclusions of the European council of 27-28 June 2013 are very relevant and useful for the promotion of this action.

- The Commission could propose incentives to SMEs to create at least one new job which would be covered by a young or long-term unemployed person through better use of existing mechanisms (e.g. European Social Fund). Do you agree with such an initiative?

According to UEAPME financial incentives could be an adequate means for supporting the hiring of certain categories of people such as long term unemployed and notably young people. For young people this is to a large extent covered by the new Youth Employment Initiatives and the Youth Guarantee which concern not only hiring but also providing traineeships, apprenticeship places or further training for young people. However financial incentives alone are not the solution.

Without the right economic environment, productive investments and market reforms notably on the labour market, small enterprises will not hire additional staff. It should also be accompanied by reforms of education and training systems in order to be more responsive to labour market needs, proposing more and better quality vocational education and training, invest more in work-based learning and apprenticeship systems. The ESF should also help to ensure better transition between education and work by focusing on guidance, information and counselling in order to channel young people towards sectors in need and tackling the skills mismatch.

Furthermore the ESF should also support the need for continuous training notably in small businesses, another important area for ensuring the employability of the workforce. This should also apply to young people not possessing basic skills or the right skills requested on the labour market.

But, as experience in various Member States has shown, the best means for creating new and sustainable jobs especially for young people is employment friendly labour markets with the necessary degree of flexibility to lower recruitment barriers for enterprises, especially SME and create job opportunities.

- The Commission would take action to help SMEs find skilled workforce, e.g. through a better use of the existing EU instruments such as EURES as indicated by the European Council on 28 June. How could Member States support this?

UEAPME welcomes the recent reform of EURES and the ESF for its financing. The EURES upgrading is an important initiative for supporting a better match of skills demand and supply and foster cross border mobility among the EU including for young people also by offering traineeship and apprenticeship places. Member States could support it and make best use of EURES by publishing more vacancies and providing more timely information. As key labour market stakeholders national, regional or local social partners should have the possibility to be active partners in EURES.

b) Create incentives for SMEs to grow

Growth and competitiveness imperatives will without doubt remain and gain in importance in the coming years. This must be reflected in our SME policies.

- Do you deem it necessary to evaluate how the Internal Market has worked for SMEs up until now, identify potential existing barriers (e.g. lack of harmonisation, delays in e-single market, “gold-plating”, and bad quality of transposition of EU legislation) propose policy measures accordingly?
- Do you agree with the need to support SMEs towards building new value chains and industrial diversification, e.g. by providing incentives for cross-sectoral cooperation amongst SMEs through cluster animated projects to unlock further growth potential?

Gold plating, administrative obstacles, lack of enforcement, late or incorrect implementation of legislation still hamper the functioning of the internal market. The Commission and the Member States have to take up their responsibility in improving the situation.

The “Cloud initiative” of the Commission has to be continued and cyber security for SMEs has to be taken seriously. Supporting measures in this field for SMEs are necessary.

The transparency and accessibility of standards has to be improved in order to increase the use of standards among SMEs in order to improve the quality, performance, interoperability, and innovation capacity of SMEs across Europe and to reduce their costs.

The Commission should ensure adequate representation of SMEs in the European standardisation system including by providing sufficient financial support and should ensure adequate representation of SMEs in the standardisation process.

4. How can we improve governance?

The SME Envoys' network with rapporteurs to present the priority areas, is already an excellent platform of cooperation with Member States and stakeholders and offers the possibility to promote the exchange of good practices.

- Would you agree to prioritise the work of the network of SME Envoys, e.g. by selecting 1-3 priorities (for example by using the TOP10 results) per year to

be discussed at the Envoys' meetings and to set up targets and monitor progress regularly?

UEAPME prefers that the SME-envoys meetings would be more open to current legislative work and dealing with files that are on the political agenda. The Commission should ensure that the SME envoys consult and meet with the national representative SME organisations before each meeting.

The European Parliament should be involved in the meetings of the SME envoys. In order to strengthen the link with the national SME envoys and their national organisations, web streaming of the SME envoy meetings could be envisaged.

- The Lisbon Treaty represents a new opportunity for a constructive dialogue between SME organisations and the EU institutions. The representative SME organisations must be recognised by the Commission as the legitimate representatives of the enterprises and as the main source of stakeholder consultation. In addition the valuable and irreplaceable role of the intermediary representative SME organisations has to be fully recognised and supported.

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