

# Position Paper

## UEAPME<sup>1</sup> 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.

### 1. Introduction<sup>2</sup>.

As the SBA has definitely taken the SME agenda forward at EU level, UEAPME believes it still has a lot to offer policy-making and therefore warmly welcomes the Commission's public consultation to gather feedback and ideas on how the Small Business Act for Europe should be revised to not only continue, as the Commission mentioned, but become a strong European policy to support Small and Medium Sized Enterprises.

The Commission rightly mentions in the consultation document that *"there is a broad agreement on the need to keep and further develop the SBA as the Commission's policy instrument to promote SMEs and entrepreneurs 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.

In UEAPME's opinion however it should not only be the Commission's instrument but also one for the Member States, regions and local authorities as stated in the SBA 2008. As the Commission's policy instrument, it needs better coordination and functioning in the different EU policies.

UEAPME also fully agrees with the fact that the four key areas of the original SBA – i.e. facilitating SMEs' access to finance and to markets, reducing administrative burden and promoting entrepreneurship – continue to be priorities for the coming years but also that the need to address the shortage of skilled workers is now a fifth priority.

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<sup>1</sup> 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](#).

<sup>2</sup> UEAPME replies with this position paper to the Commissions consultation and not through an online questionnaire. Indeed according to UEAPME such questionnaire is not an appropriate instrument as the questions steers in a certain direction and the proposed possible answers are limited in their values. Some questions could be interpreted in a different way and the statements and questions in the different language versions were not always the same.

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 Commission's document rightly states that the Small Business Act reflects the Commission's political will to recognise the central role of SMEs in the EU economy as SMEs indeed have a central role in the Commission's overall reform strategy – Europe 2020 and its flagship initiatives, in particular on industrial policy. However, UEAPME regrets that this is not yet the case in the Commission's retail policy, quite the contrary.

On REFIT, it has to be stressed that even the Commission, in its note, does not give any concrete examples of where the regulatory framework has been made simple, clear, stable and predictable, as it only speaks of a "commitment". On the contrary, major legislative proposals do not respect the Think Small First Principle, although the Commission is not the only one to blame for this.

UEAPME fully agrees that the overall driver for the new SBA should be the support for growth. However, UEAPME insists that it should also be a qualitative growth and that the overall aim of an SME policy should not be that SMEs have to grow in number of employees. The general framework conditions for SMEs, of which 50% are one-person enterprises, need to be improved, as already stated in the European Charter for Small Enterprises, which aimed at "creating the best possible environment for small enterprises".

UEAPME reiterates its demand to **conclude an Inter-Institutional Agreement** in order to fully respect the key principles of the SBA, "Think Small First", "Only Once", Impact Assessments, and "Proportionality".

The SME envoy network has an important role in exchanging good practices and securing active enforcement of SBA principles and initiatives. It is of a flexible and informal character and helps to promote the implementation of the SBA. At national level the consultation with and involvement of the representative SME organisations has to be improved.

In addition, it remains a priority objective to improve the implementation of the SBA and make it partly legally binding.

## 2. Reducing administrative burdens.

The importance of improving the regulatory environment should be emphasised and the European policies, especially the SBA, should concentrate on what is most impactful to the majority of small businesses: to improve the business environment. The four concrete proposals that the Commission is putting forward (time and cost reduction for start-ups, permits delivery time, SME-test, discharge) are important but one has to be cautious when putting all of them in an EU regulation without nuance.

Slow administrative procedures are barriers for entrepreneurs and hinder start-ups. This is often the case for the **delivery of permits** with negative effects on the continuity and competitiveness of SMEs. UEAPME is fully aware that some permits cannot be delivered in a month's time. Therefore it should be ensured that permits are delivered in a reasonable timeframe, while respecting the legitimate interests of all parties involved, and based on the principles already agreed within the Services Directive. No response within the set timeframe should be considered as tacit approval. UEAPME is looking forward to the results of the study on the delivery of permits that is actually carried out on behalf of DG Enterprise.

Additionally, it is often in the interest of the honest entrepreneur (concept that needs to be clearly defined) that complex **bankruptcies** need more time to be treated and consequently a general discharge in a three years time frame is not always possible or desirable.

The "Think Small First" principle has to be the basis for better regulation. As already stated in previous position papers, general exemptions for micro enterprises contradict this principle and can lead to the distortion of the Internal Market. The SME test is the most important tool to create SME suitable rules but it has to be used effectively, along all the legislative steps at EU level.

During the **process of starting a business**, it is important to focus on the quality of products and services and the corresponding qualification of the entrepreneurs. Requiring professional qualifications should ensure quality to consumers. Getting the professional qualification recognised should be dealt with in a reasonable timeframe. It is therefore necessary to create a good start-up climate and start-up culture that will lead to sustainable successful enterprises being capable of and seeking training, on the ground of high-basis qualifications and solid entrepreneurial concepts, rather than the rapid growth of some enterprises.

The objectives and aims of the Commission's proposal to launch an **EU-wide campaign to cut red tape** for SMEs are somewhat unclear. It should, in any case, not be directed to the SMEs themselves as they are more than aware of the problem. However an EU campaign to explain and mobilise national, regional and local public authorities on the REFIT programme leading to a substantial reduction of the red tape would be very useful. The consequent introduction and application of the "Only Once" principle in public administrations should be part of it. There is no need for an "image" campaign with a large budget as money has to be efficiently used for the recovery of the real economy.

For many years now, UEAPME has insisted on lowering the costs and fees for SMEs on **industrial and intellectual property rights**. So it is not about exploring the possibility of lowering these costs and fees anymore but about the need to urgently lower them. The possibility to introduce lower fees and costs for SMEs is explicitly foreseen in the definition the Commission has always given on the "Think Small First" principle and in the implementation of the EU unitary patent.

The **involvement** of the representative SME organisations at **an early stage** and during the whole decision making process is of utmost importance at EU level as well as at national, regional and local level. This should apply to all decisions and legislations that can affect SMEs and not only to burdensome ones and to the draft impact assessments as well as to delegated acts. Such early involvement is crucial to avoid conclusions based on wrong assumptions or on wrong data.

SME organisations should receive the necessary financial means to collect data and to provide it to the Commission.

The **simplification of tax procedures** should apply to all enterprises and not lead to a distortion of competition between enterprises according to their lifecycles or their way of growing.

Although not mentioned at all in the consultation paper, simplifying and modernising the EU regulations on the labour markets is crucial for further job creation within SMEs.

Finally, it is indeed important to **identify and address bottlenecks** in national legislations which impede SMEs to grow but at the same time a level playing field has to be ensured for all SMEs. These bottlenecks should be identified together with and in cooperation with the representative SME organisations and should be governed by the "Think Small First" principle. However, it has to be avoided that efficient and good legislation is abolished under the "excuse" of administrative burden reduction.

In order to improve the knowledge of EU civil servants on the particularities of crafts and SMEs, UEAPME members call on the Commission to organise **traineeships for civil servants** in these enterprises.

### 3. Access to finance.

The proposed measures are already very much in line with UEAPME's requests and cover most areas and forms of financing for SMEs. However, as also stated in President Jean-Claude Juncker's Investment Plan, the current measures provided by European (COSME, H2020) and national (including ESIF) programmes are not sufficient to provide SMEs, especially micro and small enterprises, with the necessary means to finance investments. This will require additional financial instruments, which are able to carry the specific risks involved in long-term finance needed for investments. Furthermore, and keeping in mind the important role of small local banks for financing small companies, the current regulatory framework for such local banks has to be reviewed to optimise their feasibility to finance real economy in the regions.

Therefore, UEAPME proposes additional actions in the SBA:

- A local bank initiative to ensure the regulations for small local banks with financing households and real economy as their main business are proportionate to their business model and the specific legal forms such banks may have (saving banks, cooperative banks, credit unions). **The Think Small First Principle should also apply for financial market regulations to recognise the specific situation of small and local banks.**
- Further financial instruments, supported by the European Fund for Strategic Investments and able to provide small companies with long-term financing for investments and cash flow needs, such as subordinated loans or high risk guarantees.
- Strengthening the creditworthiness of SMEs by abolishing tax disincentives for equity finance, improving financial education and better informing about new and alternative forms of finance.

### 4. Promoting Market Access for SMEs.

UEAPME takes note of the intention of the European Commission to develop an integrated Commission strategy to increase the SMEs doing business outside the EU up to 20%.

While UEAPME welcomes such an ambitious target it highlights that this has to be accompanied by targeted and efficient measures in cooperation with the representative SME organisations. In addition one should look for increased complementarities between the national/regional on the one hand and European actions and measures on the other. As already stressed in previous UEAPME position papers, the European measures and initiatives are not known by the SMEs or their organisations. The language barrier remains an important issue which should be correctly addressed by the Commission as Europe is characterised by its cultural and linguistic diversity. Internationalisation is a process that starts at home and ends abroad. Export promotion actors must therefore be close to the individual SME, know its needs, be accountable to it and easy to understand.

It is more important to improve the EEN through a better cooperation with or integration of the different SME organisations, representing different types of SMEs, than to offer new services. All SMEs should be able to benefit from the EEN. The EEN is once again presented as the main intermediary between the Commission and the SMEs, which is unacceptable as it should be the representative SME organisations which really fulfil this function and which are in direct contact with SMEs, informing them on EU initiatives.

UEAPME also insists that the reciprocity principle has to be respected in the field of access to public procurement in third countries.

A Centre of Excellence could positively influence the access of SMEs to the European internal market, by:

- linking national resource efficiency networks;
- spreading awareness of practical economic as well as political trends;
- enabling the European resource and production policy to raise awareness for SMEs concerns of the skilled crafts and trends
- enabling the dissemination of artisanal measures of resource efficiency, strategies and ideas

UEAPME strongly supports the willingness to increase the support for the internationalisation of SMEs. However, such a strategy should not lead to duplication and should respect the principle of subsidiarity. It should also bring a true European added value as it is the case in the field of advocacy, market intelligence and market access.

In addition it may be clear that the needs of the different categories of SMEs are not the same. The assistance demands and the content of the needed support depend on the type of business, the distance to the customer and the target market. Consequently, support should go towards those enterprises which need it the most, with the category of the small enterprises in the first place. Also, when designing the support, measures at different levels should be compatible and delivering added value to existing ones.

The main problem remains that the different existing EU support programmes and initiatives are not known by the SMEs and their organisations.

Showcasing successful EU SMEs operating on global markets can only be done by involving the representative business organisations.

The “Missions for Growth” have in our opinion very limited added value for the SMEs. These kinds of missions are more efficient when they are organised at an institutional level closer to them with the availability of support measures in the elaboration of activities. Instead of organising European missions, European Commissioners could accompany and take part in missions organised by the national or regional authorities. In any case, a better coordination between the different initiatives is necessary.

Also using the already limited COSME budget for midcaps may mean that SMEs will get significantly less support than in the previous programming periods. SBA actions and means have to be limited to SMEs. Firms with over 249 employees are not those who need support the most.

Regarding COSME, the European Commission has to be more ambitious as 220.000 SMEs only represent 1% of the 22 million European SMEs. Such a target is not sufficient at all to improve SMEs' current financial and economic situation. Moreover, COSME must be more and better diffused among stakeholders as a financing instrument.

Especially the last crisis has shown us that SMEs were a main factor for the employment stabilisation.

In order to ensure an efficient support the reasons for less successful clusters have to be assessed and analysed.

SME are the most vulnerable as victims of organised international crime and especially cross border crime (counterfeiting, public tenders, hold-ups, theft of lorries, misleading directories, construction machinery and tools, social dumping practices, etc.) and theft in retail stores. The European Commission should come up with an action plan, based on awareness raising, information, operational tools to help SMEs and enhanced judicial co-operation between the Member States.

Considering the leadership that the EU has and will have worldwide in the area of sustainability as well as the different impacts that environmental and energy policies/legislation have on SMEs, and 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.

## 5. Releasing entrepreneurial and innovation potential for growth.

The question has to be raised about the relation between the SBA and the Entrepreneurship 2020 Action Plan. Now that the Commission's responsibilities have been defined in a way, highlighting the importance of entrepreneurship, there is the possibility to either strengthen entrepreneurship as an independent policy area of the EU or to establish even stronger interconnections between entrepreneurship and other SME policy matters. Merging the SBA and the Entrepreneurship 2020 Action Plan could offer added value to both of these utmost important policy lines.

It cannot be sufficiently underlined how extremely useful it is for an SME owner to expand its business links. The "**Erasmus for Young Entrepreneurs Programme**" certainly has the potential to support SMEs in this. However, the time is ripe to evaluate this programme and to assess its impact on SMEs, quantitatively and qualitatively. An optimal regional spreading has to be ensured and Member States lagging behind should be stimulated to participate.

An early **Warning Platform** for stakeholders and experts to provide counselling to business in difficulties and help viable companies to surmount the crisis is useful but should be created at the local/regional level, as close as possible to the enterprises and in cooperation with the representative business organisations.

The EU-Commission has already defined very important focus areas in its action plan 'Entrepreneurship 2020', such as the inclusion of economic topics into the syllabus of the member countries, in particular the key competence entrepreneurship. Aspects such as 'education for entrepreneurship' and 'vocational schools/vocational training' should be given more attention in Europe.

A stronger link to the topics 'entrepreneurship and vocational training/work-based learning' is of equal importance. The cross-cutting nature of the entrepreneurship also requires a coordinated approach. This refers above all to the public administration at all levels.

The proposal for an **online platform for female entrepreneurs** should only be useful if it is business oriented. Linked to this, the existing networks of female business entrepreneurs and ambassadors could be enhanced rather than creating new ones. Female entrepreneurship, currently about 30% in Europe, should be further increased. Many of UEAPME's organisations are locally active and implementing actions to promote female entrepreneurship as well as boosting young entrepreneurs, senior entrepreneurs, and migrant entrepreneurs, and it should therefore be decided at national level where to put the focus.

However, in this consultation on the SBA, a lot of proposed actions are presented. The relevance is very different from one action to another. In UEAPME's opinion, and taking into account the limited resources, one has to prioritise among the proposed actions: some have to be left aside even though the aims and objectives are good. The European Commission has to develop a policy that is in the interest of all SMEs. There is too little money available to have a dilution of efforts.

In general, UEAPME is in favour of a support programme for SME organisations enabling them to exchange best practices.

On the **transfers of business** it is of utmost importance that the different Member States put in place national action plans on business transfers and have a one-stop shop on transfer.

On the other proposals in this field, UEAPME is quite sceptical about their capacity to respond to the needs of the small enterprises as they are merely directed towards consulting and funding institutions. We reiterate that any European policy and action should be based on an approach of proximity to facilitate all the steps to be taken in case of transfer.

Due to the limited number of SME cross border transfers, EU wide platforms are not a priority. The limited budget should certainly not go to networks for universities and/or researchers.

## 6. Boosting skills development

UEAPME welcomes the introduction of a fifth pillar in the SBA to address the shortage of skilled workers.

Education and training systems should be more relevant for labour market needs by delivering learning outcomes more in line with skills required by SMEs. Moreover, UEAPME recalls that it is the key responsibility of primary and secondary schools, and not of employers, to equip young people with a good level of basic skills.

To this end Member States should modernise education and vocational training systems, including through quality work-based learning and apprenticeships. Vocational training should be made more attractive by developing higher VET, a better image as well as ensuring more permeability between VET and general education notably at tertiary level. Furthermore, a stronger involvement of enterprises and business organisations is a prerequisite for the EU-wide upgrading and improvement of quality vocational training and for supporting SMEs to be active in apprenticeship.

SMEs need a good combination of technical and generic or “soft” skills, such as team-work, problem solving, innovation spirit, languages and managerial competences.

UEAPME supports stronger cooperation in vocational training since many countries in Europe received recommendations to introduce and/or widen the provision of apprenticeships and work-based learning. Work-based learning and in particular dual vocational training are one of the best ways to improve the employability of learners and should be further promoted and implemented throughout Europe, taking into account the specificities of the education systems in the different Member States.

Europe needs to further promote guidance and information for all young people in order to make vocational training, work based learning and apprenticeship more attractive.

Greater use of Structural Funds would help to implement the key principles of apprenticeships. The European Regional Development Fund and the European Social Fund, in particular, promote job creation. The Youth Employment initiative, the Youth Guarantee as well as the European Alliance for Apprenticeships are important initiatives in this area. It is now up to Member States to speed up their implementation and make best use of existing EU funds to tackle youth unemployment. The access to the funds for micro and small companies should be facilitated by further simplification.

The Member States should promote the mobility of self-employed and employees by notably using the EURES network. The EU's Directive on the recognition of professional qualifications should play an important role here by facilitating the mutual recognition of professional qualifications, while respecting the national qualifications

systems. Its fundamental principle is that professional profiles should be comparable without being standardised. It must not be jeopardised by other legislative proposals or Commission initiatives.

Regarding continuous training, particular attention should be paid to support SMEs with upgrading and adapting skills. Besides practical provisions, it requires a comprehensive approach involving the identification of skill needs, mobilising resources effectively, as well as facilitating the recognition and validation of non-formal and informal learning.

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