

## **EPP SME Circle Position Paper on the SME Strategy**

We are currently experiencing unprecedented challenges from the COVID-19 crisis. Hundreds of thousands of people are infected around the world, and many lives have been lost or are in danger. Societies and many economic activities are in lockdown as a consequence.

While we are now starting to think about how to address a resumption of economic business in the future, those businesses affected most by the crisis need to be at the heart and centre of the financial help we are currently setting up.

We therefore demand that financial help organised by the EU and by Member States is tailor-made for each of the sectors affected and that every scheme also contains an SME component. Access to financial help needs to be organised in a fair way across countries, sectors and size of companies, putting SMEs, as the backbone of our economy, at the centre.

We strongly support all the initiatives and actions the European Commission is currently setting up, however more needs to be done. The EU must do everything in its power to mitigate the economic impact, the Multiannual Financial Framework needs to be rethought, and significant resources must be devoted to help our SMEs. We need a comprehensive economic recovery programme with European SMEs at the centre of it. The EU measures will be most efficient if synchronised with national and regional initiatives. Coordination at EU level and an exchange of best practise is therefore crucial.

While dealing with the short-term consequences of the crisis, we also need to address the long-term challenges for our SMEs. The energy and digitalisation transition need to lead to opportunities for our SMEs, create sustainable growth and jobs and strengthen long-term competitiveness.

### **A. Supporting the twin transition of decarbonisation and digitalisation**

SMEs are the backbone of our economy. When looking at the recovery of our economy we need to address our SMEs while at the same time pursue digitalisation and decarbonisation for long-term competitiveness.

#### Supporting digitalisation

1. A digital level playing field must mean securing interoperability and non-discriminatory access to data, including platform data, and dealing with challenges and opportunities

with respect to data sharing, data security and cybersecurity. SMEs must be given a fair share of the added value of the data they generate.

2. Enhance SMEs' **access to data** by ensuring the safe portability of data, based on the principles of Fair Data Governance or Fair Data Economy, and strengthen individuals' right to transfer data collected by a service for use by another service. Encourage digital service providers to implement the codes of conduct on data portability.
3. Add ambition to the development of the **Digital Innovation Hubs** (DIHs) to better support the uptake of digital technologies by SMEs. Only 17% of SMEs have so far successfully integrated **digital technology** into their businesses. We need to set achievable targets to increase that share and help reach it including through financial support.
4. Ensure that European SMEs have the required access to **skilled labour** and means, including through tailor-made training programmes, to qualify existing workforce to better meet the demands of the digital transition.
5. Enhance SMEs' access to **skilled labour** by enhancing intra-EU and third country labour mobility. Ensure that in education, targeting entrepreneurship focus is put on how to set up a start-up and digital skills to prepare entrepreneurs for future challenges.
6. Target actions to improving SMEs' concrete **skills** on IP rights, cybersecurity, data management and analytical skills. Awareness-raising alone will not be sufficient.
7. Facilitate the uptake of **Artificial Intelligence** by promoting the creation of SME Alliances for AI in strategic value chains. Ensure SMEs' access to high-performance computing capacity and promote investment in the next generation of standards, tools and infrastructures to store and process data.

#### Supporting decarbonisation

8. The current COVID-19 crisis puts unprecedented strain on our economy. A **comprehensive new impact assessment with special focus on SMEs** is therefore necessary to assess the cost effect of existing CO2 targets and their planned gradual tightening. This should include the crisis-related drop in CO2 emissions, a review of state aid rules and carbon leakage protection, particularly for the small and medium-sized industry.
9. Post-Corona recovery can promote SMEs by providing solutions for decarbonisation. This will foster job creation, the achievement of our overall climate and energy objectives and a just transition. Investments in energy efficiency, renewable

technologies and the upskilling of workers are examples of how to support our SMEs and create jobs, whilst reaching carbon neutral economy.

10. In order to achieve or retain global leadership in key technologies, SMEs developing leading technologies for decarbonisation and low-carbon technology need to be supported in scaling-up and their access to the market.
11. Carbon-leakage rules need to have special rules for SMEs. If SMEs are included in the **emissions trading** system, there needs to be special support for saving investments, including special depreciation mechanisms and tax relief, which must be provided by EU competition law.
12. Lighthouse initiatives such as the battery or hydrogen alliance need to entail strong SME components.

## **B. Reducing administrative burden and improving market access**

13. Scrutiny of the SME dimension in all **impact assessments** needs to be strengthened. Additionally, we need to be more robust in making sure that EU legislation is not implemented or interpreted in a way that creates unnecessary and unexpected regulatory hurdles for SMEs and larger companies alike.
14. A binding **SME test** within the impact assessment phase, fully committed to the “Think Small First” principle, must assess the economic impact including the compliance costs of legislative proposals on SMEs, in particular the impacts of the transition to a carbon neutral economy. The European Commission should support the exchange of best practices to make sure similar relevant assessments are done at the national level too.
15. The **one-in-one-out rule** must be applied in such a way that for any additional compliance cost introduced by new legislation, the corresponding amount of compliance cost is reduced. The EU legislators, Council and European Parliament, need to be involved in the development of new schemes to reduce administrative burden. Generally, we believe that the EU needs to reinforce its principles of ‘big on big things, small on small things’ to better ensure proportionality.
16. In addition, **regulatory burden needs to be reduced**. There is a need for concrete commitments and targets for reducing unnecessary regulatory burdens at European and national level (reduction by 30%).

17. The **Regulatory Scrutiny Board** (RSB) must be expanded and staffed by a majority of independent experts. In addition to the support it receives by the Joint Research Centre (JRC), the RSB needs to increase its own staff. During the EU's legislative processes, focus should be on quality rather than on speed.
18. The **SME Envoy** should be placed as a central unit under the President of the Commission to allow oversight over SME issues in all Directorates-General. In order to create a level playing field in cross-border business, focus should be put on addressing **gold-plating** by the SME Envoy and the Regulatory Scrutiny Board.
19. Midcap companies that exceed the criteria of the SME definition while still being governed by SME structures, contribute significantly to employment and growth through their productivity, but receive too little support. A separate **definition of midcaps** is required to better support them.
20. At the same time, challenges for **micro-enterprises** need to be addressed, especially in the aftermath of the COVID-19 crisis. The EU needs to set out initiatives to strengthen **entrepreneurial spirit** and a conducive environment for creating businesses.
21. Need to **deepen and complete the Single Market** for barrier-free trade, especially in services. Short-term **cross-border service** orders need to be exempt from the obligation for an A1 certificate in order not to increase the fragmentation of the internal market for services.
22. Changes in the regulatory framework, required by the dual transition to a carbon neutral and digital economy, should always be equipped with sufficient transition periods. The perspective of regulatory actions needs to be long enough **to ensure a level playing field and encourage investments into emerging technologies**.
23. More emphasis needs to be put on **fairness in B2B relations**. The issue of unbalanced power relations between big and small businesses is not a new phenomenon, but is increasingly visible in the new business ecosystems such as the online platforms, where platforms often act as gatekeepers for the customer market.
24. Initiate action to increase fairness in **contractual relations** between small and big companies as was the goal in the recent Platform to Business Regulation. Fairness can be increased e.g. by introducing and strengthening monitoring and enforcement mechanisms in the Member States.
25. Recognise the importance of **business transfers** as a means of sustaining jobs and creating new growth in established companies, bearing in mind the whole variety of business transfers, where family business successions account for only 20-30%. Generational change in entrepreneurship, especially in family businesses, is a major

challenge in Europe, and should be dealt with in the SME Strategy. The significance of **family businesses** needs to be taken into account in creating long-term and sustainable growth.

26. **EU trade policy** needs to create better opportunities for SMEs. We need to make the "think small first" principle a vocal point of European trade policy and the SME Chapter of the EU-Japan Agreement a standard part of EU Free Trade Agreements. Ensure SME awareness of their right to preferential treatment and simplified the administrative procedures.

### **C. SME financing and support**

27. Need to take lessons from the current COVID-19 crisis. In the case of a global crisis, we need to have a common EU-coordinated **ready-to-go plan** in terms of major crisis to lessen its impact on SMEs.
28. Provide SMEs with a true **single-entry point** for all enquiries on EU financing opportunities. Ensure that EU support schemes, including addressing the COVID-19 aftermaths, contain a strong SME component.
29. Ensure that the funding under the **European Innovation Council** goes primarily to high-risk and high potential SMEs and innovators.
30. Ensure that **programmes** crucial for SME competitiveness and development are included in the next Multiannual Financial Framework and guaranteed a necessary level of funding. COVID-19 support schemes should be tailor-made to address challenges of the different sectors affected and coordinate EU funding with national and regional initiatives. Recovery funding also needs to address additional costs which SMEs in particular have to face when complying with additional security rules in the ongoing and aftermath of the COVID-19 crisis.
31. SMEs are indirectly affected by reporting obligations of financial intermediaries and larger enterprises. Furthermore, an additional strain is caused by COVID-19, which particularly burdens SMEs. Hence, there should be a **moratorium to ensure that no further bureaucratic burden is placed on SMEs** in the current situation, including a moratorium or trial period for the application of the taxonomy and additional non-financial reporting obligations.

32. Bear in mind that increases to the cost of capital for SMEs will result in hampered opportunities to grow and competitive disadvantages. The peculiarities of the European banking market and the European financing culture must be taken into account when implementing the **Basel III framework agreement** in European law. Proportionate banking regulation should be consistently continued and the SME support factor expanded.
33. The **Capital Markets Union** must come into force as soon as possible. The Commission should endeavour to create an SME-friendly Capital Markets Union, through proportionate listing and disclosure requirements for SMEs, adoption of specific incentives and the creation of specialised SME capital markets at Member State level. The Capital Markets Union must also mobilise funds to finance growth-oriented midcap companies from €100 million. The public-private fund for SME IPOs must help accelerate scale-up funding.
34. The **European Investment Bank** must continue to support SMEs in particular as part of the sustainable finance approach. Midcap companies must also be able to benefit from green capital market financing and be subject to simplified documentation requirements in order to classify corresponding investments as sustainable.
35. Improve the access of **SMEs in the culture and creative sector** to digital technologies and support programmes as the COVID-19 crisis has shown their crucial role for our economy and social lives.
36. In order to strengthen the EU's role in the globalised world we need to consider allowing **European champions** to emerge. Nevertheless, these European champions also need to create opportunities for SMEs, e.g. involving SMEs in the supply chain.
37. Combat **late payments** by emphasising the proper enforcement of the Late Payments Directive, including through an active use of infringement procedures in cases where the Directive is not properly implemented.
38. Encourage Member States to appoint an enforcement authority to ensure the monitoring and proper application of the **late payment** rules. This enforcement authority should also be empowered to give fines and sanctions for not complying with the payment times.
39. Increase SMEs' share of government contracts obtained from **public procurement** by safeguarding SMEs' access to public procurement and combating tendering criteria that sets demands or qualifications beyond the fundamental elements of the service or goods purchased, such as price, quality and sustainability.



40. Work in partnership with national administrators to create a **European public procurement market**, which is based on moderate-sized tenders that allow SMEs to participate in the procurement process and where real and fair competition between market actors can take place. Make the European Single Procurement Document (ESPD) more accessible to SMEs.
41. A stable Euro means improved security and more growth opportunities for SMEs, leading to more jobs and greater prosperity. The countries of the Eurozone must therefore **comply with the Stability and Growth Pact** and consistently observe the fiscal pact with its clear debt limits.
42. Welcome the proposal for the temporary **instrument SURE** which needs to be deployed quickly and effectively to the regions and Member States most affected.
43. **European social policy** is based on the principle of subsidiarity and is shared by the EU and Member States. Member States remain responsible for social security systems, minimum wage regulations or pension provisions. European regulations must not annul or undermine national protection standards, co-determination rights and security levels. The EU sets minimum social standards and anti-discrimination requirements, prevents dumping wages through posting legislation and supports disadvantaged regions through the social and structural funds.