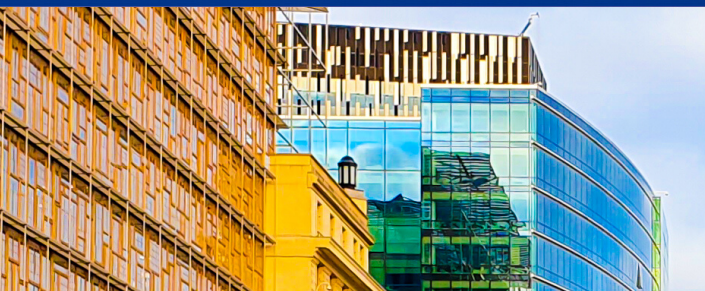




CEA-PME
European Entrepreneurs



**The new European Commission
2019 - 2024**

What do SMEs want?



European Entrepreneurs CEA-PME

Confédération Européenne des Associations de Petites et Moyennes Entreprises

The biggest European Confederation of voluntarily associated Small and Medium-sized companies

A new Commission

Introduction

On 1 December 2019, the new European Commission officially started its term. CEA-PME – European Entrepreneurs congratulates President Von der Leyen and her team and looks forward to cooperating with the Commission to make Europe a truly entrepreneurial force, where SMEs can flourish, creating growth, wealth, and jobs.

Promoting the European Way of Life

Since the inception of the Von der Leyen Commission, much debate has taken place on the European Way of Life. But what is the European Way of Life? What identity Europe want to project into the world?



We see geo-political and geo-economic shifts happening. With an inward-looking United States that is taking more and more a back-seat position at the Global stage, the European Union is forced to mature quicker and learn to stand on its own two feet. We all agree that SMEs are the backbone of our European economy. SMEs cannot exist without entrepreneurs. In the US, this fact has long been understood and entrepreneurship is celebrated and rewarded, which is why entrepreneurs are given the freedom and the opportunity to flourish. In Europe, the environment for entrepreneurs is still not quite hospitable and taking risk (being entrepreneurial), which is necessary for real growth and job creation is punished when the entrepreneur fails. We must therefore enshrine entrepreneurialism into our European way of life and foster entrepreneurs.

CEA-PME recommendation: Encourage those who are brave enough to take risks and help them when they don't succeed, rather than punish them. Only then can we stop our successful companies from moving outside of the EU and only then can we become a true Union of entrepreneurs

What do SMEs want?

Definition of SMEs

The current EU definition of what constitutes an SME is a company with 1-250 employees. However, in a European Union where we claim to want to promote European Champions, in order to compete with the rest of the world, where we want to create an atmosphere of growth and where we encourage small businesses to scale up, we must acknowledge the practical realities in the Member States. SMEs should not be defined simply by the number of people they employ but by the nature and character of their business, as well as their turnover. Self-employed are equally enterprises as the German Mittelstand's larger family businesses and that all must be understood as SMEs. Much more important is to focus on the differences *within* the SME spectrum.

CEA-PME Recommendation: A company of 10 employees is vastly different from a company of 150. These companies need support the most, with matters such as grant approvals and loan guarantees. E.g. a decreasing co-financing rate could be applied to SMEs the bigger they are.



Implementing a true European SME policy across the Board

For more than a decade, the EU has been talking about putting SMEs at the core of its policies. The Small Business Act for Europe, which was established in 2008, has introduced the Think Small First principle, in which the European Commission commits itself to think about small companies first, when proposing legislation. One of the ways of achieving this is the SME test, which was supposed to be implemented into all Commission impact assessments. The test was designed to identify hurdles and weaknesses for SMEs in legislative proposals, so that these could be eliminated. However, EU regulation is still created with large companies in mind, and SME tests are hardly integrated into Impact Assessments. And even when they are, it is done at a very basic and unsatisfactory level, sometimes as small as a single sentence. Regulatory and administrative burdens are still cited as the biggest obstacles for small business owners. In order to create a regulatory environment in which entrepreneurs can focus on building their businesses and creating growth and jobs, we need to ensure that the Think Small First principle is really at the core of every piece of new legislation and that a fully-fledged SME test becomes a mandatory part of every Impact Assessment.

What do SMEs want?

CEA-PME Recommendation: To implement a true European SME policy, we need to grant SMEs their own 'fundamental rights'. *A right for one stop shop services*, with an option to appeal at the ECJ if Member States require procedures that are too cumbersome. *A right to reject illegitimate administrative burdens*. *Full implementation of the 'only once principle'*. *Public tender procedures must be simplified throughout Europe*. Establish a *right to work instead of working for the administration*: a predefined maximum of days an SME should be asked to be fulfilling obligations by the public administrations.



Access to finance for SMEs

Directly after administrative and regulatory burdens, the second biggest obstacles for SMEs is access to finance. It is still incredibly difficult for European SMEs to secure the capital to make their undertaking a success. For the past few years, the European Commission has focused very strongly on equity finance, such as Venture Capital. Whilst this is an important source of finance for startups with a high growth and high return potential, it is not applicable to traditional SMEs. A window washer with a viable business wanted to purchase a lift at a cost of €75.000, which would enable him to attract more business and hire additional staff. He was unable to get a loan from the bank and was left without options. We must not forget that traditional innovation still accounts for the majority of innovation!

Another important way of financing SMEs and promoting solid entrepreneurial initiatives, is by EU projects. The EU has a responsibility to make European funds much better accessible to SMEs, which are too often only a small part of the project and remain at the mercy of bigger players.

CEA-PME recommendation: we urge the European Commission to re-establish the SME-Instrument as it was until 2017 and double the funds. Furthermore we ask to add in the European Development Fund an "SME-Instrument for economic cooperation" with grants to start-up businesses in developing countries. Lastly, make bank guarantees for entrepreneurs like our window washer possible with EIB/EIF funds. These are the companies that truly carry our economy.

What do SMEs want?

End fragmentation: harmonize tax systems

It is almost needless to say that, in order to become a truly Single European Market, we cannot expect entrepreneurs to operate within 27 different tax regimes. Trading within the EU should be as easy as trading within one's own country. As long as the EU does not use its power to regulate indirect taxes, such as VAT, to alleviate the barriers to the free flow of business, our European market will remain fragmented. It is also important that we look closer at *what* is being taxed, rather than only the *height of tax*. We need to think along exactly these lines when looking at new initiatives such as the GREEN NEW DEAL. Sustainability is very important, but it must also be sustainable for SMEs as they are expected to carry a lot of the load.

CEA-PME recommendation: SMEs need a taxation system that is fair, feasible and sustainable. Taxes are necessary but not everything can be paid by taxes. Focus on the questions *what* needs to be taxed and what can be alternatively financed.



Second chances for entrepreneurs

In light of promoting the European way of life and truly fostering entrepreneurship, it is absolutely crucial that we give second chances to honest entrepreneurs. We must acknowledge and truly understand that successful companies that grow and create jobs are built by entrepreneurs who often risk everything they have to make their idea a success. When these entrepreneurs fail, we must not punish them, we must help them. In the United States, failure is considered an intrinsic part of the entrepreneurial learning curve, ultimately leading to success. In Europe we do not yet seem to have understood this reality. Failure is often seen as the end of the entrepreneur's career and re-financing is unthinkable. This needs to stop.

CEA-PME recommendation: Figures show that second-time entrepreneurs are far more successful than those trying for the first time. CEA-PME urges the new European Commission to create an environment where failure is part of doing business and will ultimately lead to growth and jobs.



To know more:

www.cea-pme.com / www.european-entrepreneurs-vote-2019.eu

Contact: stefan.moritz@cea-pme.com

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