



**EUROPEAN ENTREPRENEURS CEA-PME
POSITION ON A NEW STRATEGY FOR
EUROPEAN SMES**

European Entrepreneurs CEA-PME

Confédération Européenne des Associations de Petites et Moyennes Entreprises

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

Introduction

Introduction

In March of 2020, the European Commission presented the New Strategy for European SMEs. In response, European Entrepreneurs CEA-PME launched its publication entitled An SME Strategy for a sustainable and digital Europe: More of the same?[1] However, the European Commission's Communication was published one day before the WHO officially labelled COVID-19 a pandemic. Shortly thereafter, European governments introduced numerous measures, which has changed the economic, social, and political landscape tremendously. We therefore welcome the draft report[2] by the European Parliament's Committee on Industry, Research and Energy (ITRE), and agree that the document tabled by the Commission in March reflected a different reality and is therefore in need of revision. We support the general direction of the ITRE report and hereby make a number of recommendations, on behalf of our members, the European Entrepreneurs.

Existing problems just got worse

For many years, European Entrepreneurs CEA-PME has advocated to improve two key pillars for SME entrepreneurs in Europe: the reduction of administrative and regulatory burden, and access to finance. Whilst some improvements have been made, most notably through the introduction of the Better Regulation Agenda, many problems still continued to exist for small businesses, some of which were addressed in our aforementioned publication. The current pandemic has aggravated these issues and has already pushed many SMEs into or on the verge of bankruptcy. As mentioned in the ITRE report, the OECD has painted a grim outlook in case of a second COVID-19 outbreak by predicting[3] a loss of income by the end of 2021 that is larger than any recession in the past 100 years. SMEs are responsible for more than half of the EU's GDP. It is absolutely crucial that the EU alleviates as many burdens as possible and gives SMEs the tools they need, not only to survive but to flourish. This is the EU's **"now-or-never moment"**.

[1]https://www.european-entrepreneurs.org/wp-content/uploads/2020/07/cea-pme_response_sme_strategy_e.pdf

[2] https://www.europarl.europa.eu/doceo/document/ITRE-PR-653858_EN.pdf

[3] <http://www.oecd.org/economic-outlook/june-2020/>

CEA-PME Recommendations

Reducing red tape in a measurable way

Ever since the Small Business Act for Europe in 2008, the reduction of administrative and regulatory burdens for SMEs has been high on the EU's agenda. On paper. Sadly, 12 years later, the situation for SMEs has not improved nearly as much as it should have and SMEs, small businesses in particular, still struggle to cope with the accumulation of rules, regulations and paperwork they face. In other words, any positive changes are still not well felt on the ground. What we need is measurable improvements. CEA-PME therefore urges the European Commission to fully implement the 1-in-2-out rule, whereby two pieces of obsolete regulation are removed, whenever a new one is introduced, which may reduce the cumulative effect of EU regulation. Moreover, we advocate a strict maximum of 5 days total per year that any SME up to 10 employees (micro-company) should be asked to spend on bureaucratic and regulatory obligations towards public authorities. The Once Only Principle^[4] must therefore be fully implemented in all Member States and the work of the Connecting Europe Facility should be expanded, striving for a complete digitalization of all SME-relevant obligations by 2023. Lastly, as mentioned in our previous publications, we fully support the Parliament's calls for a binding SME test to assess the economic impact of legislative proposals on SMEs. To incentivize Member States to do better, their achievements in reducing red tape should be scrutinized publicly. The SME Assembly could be a good vehicle for this.

Appreciate all types of SMEs: don't focus on digital but on digitalisation

Over the past years, there has been a growing tendency for the EU to focus on high-tech startup and scale-up type SMEs. Whilst this is important and we recognize the need to compete with other large economies, such as the United States of America, we warn against putting all of our eggs in the tech basket. The vast majority of SMEs in the EU do not fit this category but they still create the bulk of growth, wealth, and employment. Rather than focusing on digital, we should focus on digitalising. This means two things. On the one hand, we need to digitalise as many administrative and regulatory obligations for SMEs, in order to streamline processes and to facilitate the aforementioned Once Only Principle. On the other hand, we have an obligation to help our SMEs to change or integrate their business models in order to keep up with these technological developments. We agree with the European Parliament's draft report that many SMEs still lack full access to digitalisation and focus on R&I and skills should accompany the enhancement of access to digital infrastructure. European Entrepreneurs CEA-PME strongly advises the European Commission to continuously develop and make available grant programs to help entrepreneurs and small businesses transition into digital (as well as aiding in the green transition). A great best-practice example is our project DigitaliseSME as well as the German digital.jetzt^[5] (digital now) program. We also suggest to further develop the Digital Europe Program^[6] offering more support towards new digital business models and less focused on single technologies like AI or blockchain or any other "Future Emerging Technology".

[4] <https://ec.europa.eu/cefdigital/wiki/display/CEFDIGITAL/Once+Only+Principle>

[5] <https://digital.jetzt/>

[6] <https://ec.europa.eu/digital-single-market/en/europe-investing-digital-digital-europe-programme>

CEA-PME Recommendations

Innovation does not always equal digitalisation

However, European Entrepreneurs underline that EU innovation policies and instruments should also support non-digital SMEs. Innovation does not always equal digitalisation. We reiterate our longstanding point that there are vast differences within the SME spectrum of 1-250 employees. Micro company of fewer than 10 employees is an entirely different animal than a company of 200 employees, yet they are expected to comply with the same rules and regulations. We therefore advise the Commission to focus more attention to understanding the different company sizes and their specific needs. Only then, can we develop the tools that will truly help them.

Help SMEs to fully participate in the twin

transition The European Union's Industrial strategy is ambitious in its wishes to become greener and more digital. It announced the twin transition and wants SMEs to lead this digital and green transformation. To achieve these goals, the Commission foresees the need for new products and services, markets, and business models. European Entrepreneurs CEA-PME calls for standardized direct financial support for small companies to develop new business models to facilitate the twin transition. One suggestion would be to develop micro-grants of 10.000 EUR per company of up to 50 employees, in the form of consultancy vouchers.

Protect the little guy - fair conditions for all competitors in Europe

Being the driver of the European economy, SMEs, particularly micro and small companies, must be protected against unfair competition from multinational corporations. Large companies using tax havens to escape EU law is simply not acceptable. These practices put small companies at a serious competitive disadvantage. Another area where the discrepancy between large and small is very visible is public tenders. The EU has an obligation to ensure that SMEs, including micro-companies, have fair and equal access to public tenders and publicly funded projects.

SMEs are not banks: Pay in 7 days

The issue we are about to address here predates the COVID-19 crisis but has been exacerbated by it: SMEs are being used, by large companies and public institutions alike, as interest free lenders. This has been a structural problem, as the Late Payment Directive[7], which was introduced in 2011, has still not been properly implemented by a number of Member States. In fact, this problem predates the current Late Payments Directive as it equally existed in the Directive 2000/35/EC. Our General Secretary Mr. Walter Grupp already pointed this out 10 years ago [8]. Large companies and even public institutions fail to pay their small suppliers on time, causing grave problems for them. Micro companies often rely on a relatively small sources of turnover. One large client failing to pay can cause great short-term cash flow problems that can even lead to insolvency. These types of bankruptcies are unacceptable and must be avoided at all cost. Especially now in the economic crisis, public institutions, including the the EC and its agencies, should adopt the rule to pay in 7 days in order to inject liquidity into the markets.

[7] https://ec.europa.eu/growth/smes/sme-strategy/late-payment_en

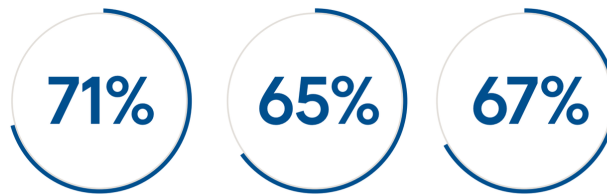
[8] <https://www.grupp-partner.com/de/publikationen/94-und-sie-die-eu-bewegt-sich-doch.html>

CEA-PME Recommendations

COVID-19 Pandemic causes new challenges

The current pandemic has made matters worse, whereby companies on the top of the supply chain wish to hold on to their cash, to the detriment of those smaller companies down the supply chain. Financial stability comprises the foundation for growth and being able to predict cash flows is essential for all businesses. However, SMEs overall have smaller reserves and rely heavily on a steady cash flow. The 2020 Intrum European Payment Report[9] states that over time, we can expect SMEs to start delaying their own payments as they try to cope with falling demand and income as a result of COVID-19. The report furthermore shows that 43% of European respondents say the risk of late payments from their debtors is increasing. This is a whopping 27% increase from the previous year.

Following areas are ranked as problematic* when it comes to customer payments:



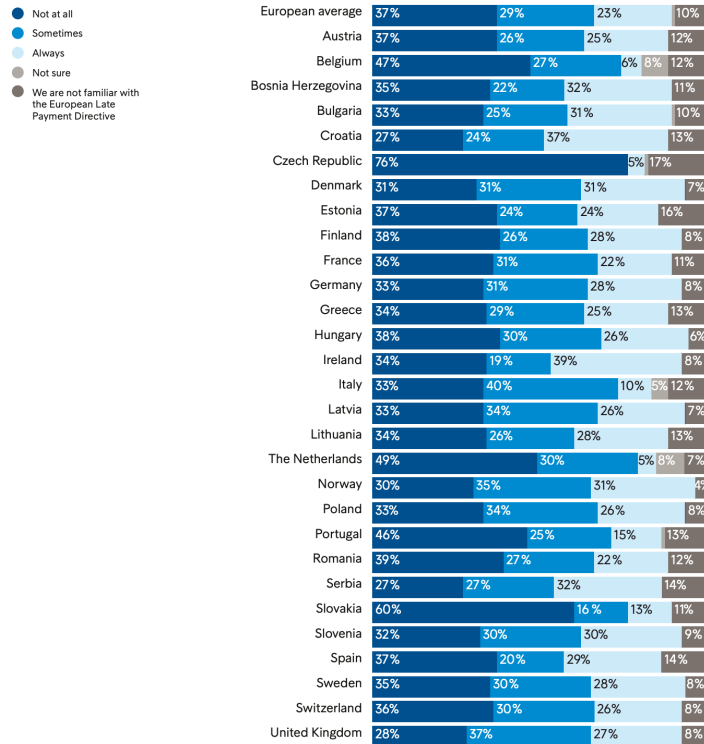
* The graphics show respondents who ranked these issues as either problematic or highly problematic.

Debtors that pay after the set due date

Long payment terms

Credit losses

Under the European Late Payment Directive you are automatically entitled to interest for late payment and €40 minimum as compensation for recovery costs. To what extent do you use it?



https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf

[9] https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf

CEA-PME Recommendations

We understand that these are difficult times for companies of all sizes, but we cannot allow a situation whereby larger players leverage their position on the un-even playing field to force smaller players to accept late payments and other unfavorable payment terms. European Entrepreneurs CEA-PME together with its associate confederation ESBA therefore proposes a pay in 7 days scheme, whereby public administrations in particular, and the EU's services, pay their suppliers within 7 days, rather than 30 days. Moreover, private companies must also be obliged to pay their service providers and subcontractors within 30 days maximum. In times of crisis, cash is king and small companies need it to survive.

Further COVID-19 measures

European Entrepreneurs CEA-PME proposes further measures to combat the current crisis.

- We advocate direct financial aid to self-employed, solo-entrepreneurs, and micro and small businesses, which are experiencing severe difficulties in obtaining loans, even when they are guaranteed!
- SMEs all over Europe need 100% guaranteed emergency loans at 0% interest.
- Significant temporary tax reliefs. No corporate taxes for 1-2 years, lower income taxes and/or tax cuts, no electricity taxes, no tax anticipations.

Conclusion

European Entrepreneurs CEA-PME by and large supports the report by the ITRE Committee calling for special measures in the framework of the new strategy for European SMEs. Entrepreneurs and small businesses were in dire need of real change before the pandemic hit our Member States. We responded by means of our publication entitled "*An SME Strategy for a sustainable and digital Europe: more of the same?*"[10]. However, as the ITRE report rightly points out, the strategy was published before the pandemic hit Europe and before the subsequent crisis measures took their heavy toll on our SMEs. We therefore urge the European Commission to develop a revised SME strategy that reflects this new reality and we need these measures fast. We are fully prepared and ready to work closely with the European Institutions towards developing a framework that enables entrepreneurs and small businesses to come out of the crisis stronger.

[10]https://www.european-entrepreneurs.org/wp-content/uploads/2020/07/cea_pme_response_sme_strategy_e.pdf



CEA-PME
European Entrepreneurs

"European Entrepreneurs CEA-PME (Confédération Européenne des Associations de Petites et Moyennes Entreprises) is the largest confederation of voluntarily organised micro-, small and medium-sized enterprises (MSMEs). We are a Brussels-based business federation which currently counts 24 European associations among its members, with more than 2.1 million enterprises, employing over 16 million people. We have demonstrated the possibility of a fast-track transfer of the German Dual System for vocational training to other EU countries with www.europeandualsystem.eu, launched the MobiliseSME scheme, the Erasmus for SMEs and their employees (<http://www.mobilisesme.eu>), and successfully implemented a tailored support method for the digitalisation of SMEs all over Europe with www.digitalisesme.eu"

To know more:

<https://www.european-entrepreneurs.org/>

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