

STRENGTHENING CRAFTS & SMEs FOR THE FUTURE OF THE EUROPEAN UNION



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INTRODUCTION

The role of Crafts & SMEs in Europe

Crafts and SMEs are at the core of Europe's economy and the fabric of our society, crucial for providing services and local products for the daily life of Europeans. They are the baker around the corner, the high-tech start-up driving innovation and creating jobs in your region, the supplier to the car industry in your district, the highly praised family restaurant downtown, the local store, the accountant facilitating a smooth running of your own business, the self-employed innovative IT-developer in your neighbourhood and the artisan designer that people travel from afar for the quality produced.

SMEs play a decisive role for social stability at local and regional level, where SMEs are the "basic fibre". SMEs are at the centre of the so-called European Social Welfare Model. Owner-managers of these enterprises are interested more in the long-term development of their company and the local economy than in short-term profits and turnover. Furthermore, Crafts and SMEs have always been pacemakers for cultural developments in Europe and play an important role in driving sustainable changes and preserving heritage, values and know-how. Furthermore, SMEs are crucial for the vitality of city centres and for the attractiveness of rural areas.

SMEs make up 99.8% of all companies in Europe, the big majority (93%) having less than 10 employees. Altogether, they count for 2/3 of private employment and create close to 60% of the value added in Europe.

In the past years, decision makers at all levels have increasingly recognised the important role of SMEs in European society and start to understand that Crafts and SMEs have different characteristics compared to large enterprises. However, new approaches to reflect these differences, like the "Think Small First Principle" and the pledges made in the Small Business Act have not yet become a reality in the daily life of Crafts and SMEs all over Europe. SMEs ask for action and change, not more words.

Challenges ahead

The new political term for the European Commission and the European Parliament starts when Europe is at a crossroads. The work of the next 5 years will be decisive for Europe and its ability to maintain its level of welfare and its political and social stability.

SMEUnited fully supports the aim to make the European Union stronger, more united and forward-looking. These overarching objectives can only be reached if Europe improves its competitiveness by strengthening its capacity to innovate, to grow and to create jobs. All this must be achieved in a difficult political, economic and social environment with a multitude of challenges ahead.

At political and social level, Europe is confronted with amongst others trade conflicts, climate change, migration, an ageing population and growing inequalities. Meanwhile, Europe's economic recovery is losing momentum and not all deficiencies (sustainability of public finance, banking sector exposure, unemployment disparities) exposed during the crisis have been mend.

Furthermore, there are additional challenges for the 24 million Crafts and SMEs in Europe. Excessive regulation has been listed by 29.2% of respondents to our survey as the EU's biggest shortcoming. These administrative burdens mainly come from tax systems and regulations on labour markets, followed by food safety, environment, occupational safety and health and consumer rights legislation.

Moreover, SMEs question fairness when confronted with unfair business practices and uneven market power in relation to large digital platforms, multinationals and the informal economy. They also often feel treated unfairly as regards their relation to consumers and employees and in taxation. Finally, SMEs notice a lack of implementation and enforcement of legislation across Member States.

Digitalisation and technological developments are recognised as the biggest challenges for micro, small and medium-sized enterprises, with respectively 29.8% and 22% of respondents concerned about the impact. Most enterprises expect the European Union to support them in tackling these challenges.

A new policy approach

If Europe wants to tackle the challenges ahead, we need more effective framework conditions for European SMEs. An SME strategy, established at the beginning of the new Commission's mandate, with a clear vision for 2024, should be a top priority for the Strategic Agenda 2019-2024 accompanied by an action plan including concrete measures, a timetable for implementation and monitoring mechanisms.

This requires a new and decisive stage in the political recognition of SMEs - shifting from "Think Small First" to "Act for SMEs". The role of SMEs in the European economy has been repeatedly acknowledged at the highest political level. The March 2008 European Council expressed strong support for an initiative to further strengthen SMEs' sustainable growth and competitiveness, named the "Small Business Act" (SBA) for Europe and requested its swift adoption. The SBA is an overarching framework for the EU policy on SMEs. It aims to improve the approach to entrepreneurship in Europe, simplify the regulatory and policy environment for SMEs, and remove the remaining barriers to their development.¹ The SBA has been a considerable improvement for the visibility of SME policy. However, after ten years, a revision is necessary.

Such a policy for Crafts and SMEs must be integrated into all EU policies, be it climate, consumer, economic, employment, energy, enterprise, fiscal, innovation, regional, social, training or trade policy. The dimension of Crafts and SMEs also needs to be respected in all European procedures, from better regulation over targeted impact assessments to co-decision processes.

Furthermore, a new SME policy must be coherent and must provide the necessary visibility for the 24 million micro, small and medium-sized enterprises in Europe.

Finally, SMEUnited invites national and regional authorities to support this policy approach and to implement the required actions at their level.

¹ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: "Think Small First" - A "Small Business Act" for Europe {SEC(2008) 2101} - {SEC(2008) 2102}

SHAPING EUROPE FOR SMEs

Better regulation

The "Think Small First" principle should be converted into a priority and be put into the policy agenda for the next years. SMEUnited asks for the implementation of the "Think Small First" principle, moving from lip service towards an "Act accordingly" approach.

The SME test should be performed in a more thorough way to feed into the impact assessment (IA). The Regulatory Scrutiny Board should have more power to return impact assessment to the responsible DG when the impact on SMEs is insufficiently taken into account.

Member States should be further encouraged and supported to provide SME-related data to back up the Commission's SME test and Impact Assessments (IAs). In addition, SME organisations should be involved and receive support to provide SME related data.

Impact assessments should also be applied in the European Parliament and the Council when significant changes to Commission proposals are introduced. A last instant brief impact assessment should be conducted at the final stages of the legislative procedure (trilogues) to compare whether the impact of the final legislative text corresponds with the Commission's original goals and IAs.

SMEUnited advocates for the REFIT program to be continued. European legislation should be reassessed to ensure that it is still fit for purpose. This should include an ex-post assessment 5 years after entry into force of the new legislation. Moreover, SME representatives should be more closely involved in the REFIT process.

A strong manufacturing base

A strong and competitive manufacturing base is a precondition for a competitive European economy able to grow and create jobs. This showed to be true during the last economic crisis and SMEUnited fully supports the efforts of the European Institutions to strengthen this sector.

SMEUnited asks that the Industrial policy strategy provide a supportive ecosystem for all companies, and target the whole supply chain with a specific focus on SMEs and the related services. Moreover, it must recognise the specific role of traditional manufacturing by Crafts and SMEs as an important contributor to competitiveness and economic stability. A crucial factor will be access to resources (raw materials, skilled staff, etc.) and energy, at affordable cost.

A strong policy for services

Competitive manufacturing of goods becomes more and more interlinked with services. They play a crucial role as after-sales services, and also increase productivity in the whole production process, optimise supply chains and provide tailor-made solutions for customers. Therefore, a successful industrial policy strategy must include the services sector as a crucial part of the ecosystem. Services play a crucial role in that ecosystem through job creation and local development promotion. They account for over 70% of the EU's GDP and an equal share of its employment.

The market services, being the point of contact between manufacturing and citizens, are actually the economic sector that most has influence on urban centres, the social environment, as well as the quality of our daily life, growth and employment rates.

SMEUnited asks that instruments to sustain competitiveness and innovation in the European services sector be jointly agreed upon in dialogue with SME organisations, also paying attention to the services that are not linked to industrial production, such as retail, tourism, etc.

A strong Cohesion policy

Regional Development funds

Crafts and SMEs are at the centre of the economic and social fabric at regional level and crucial for territorial cohesion. Regional policy is the core instrument to support upward cohesion and must ensure that companies and people in rural and vulnerable areas have equal opportunities to participate in economic and social life. Real support for SMEs, also via supporting networks and intermediary organisations, must become an objective in the partnership agreements and operational programmes. It remains important that all regions are benefiting from regional funds.

SMEUnited fully supports a regional policy that is built on a strong Smart Specialisation strategy and stresses the need for such an approach to be based on a broad concept of innovation where traditional SMEs can find their place. As such, the definition for innovation should include process innovation, business model innovation, services, tourism, creative economy, etc. Investments in regional infrastructure, especially into digital infrastructure, training facilities and public transport have to become a policy priority for regions at risk of being left behind.

Urban regeneration

The urban space, where more than two thirds of the population lives, faces the great challenges of our time with greater speed and intensity. In addition to that, the growing desertification of our city centres has a negative impact on the economic and social cohesion. Therefore, urban regeneration should be a priority for Cohesion policy.

Cohesion policy should focus on the development needs of urban areas, encouraging investments to improve the context in which citizens and businesses live. To this end it is necessary to put in place adequate urban development policies that have a significant impact on the economic activities in town centres. The allocation of dedicated resources, as proposed by the European Parliament amending the European Commission proposal on the ERDF, should be enhanced to reach over 10% and should focus on investments of general interest, supporting the creation of a network of collaboration between urban enterprises and

institutions. Strategic partnerships between public and private stakeholders are the only way to lead the regeneration of the cities.

SMEUnited therefore advocates for setting up a European observatory for city centres to monitor the situation in every country, exchanging good practices and better implement urban policies. Additionally, a comprehensive policy for European city centres should be implemented with a clear and distinct budget line for the revitalisation. This policy could include support for retail, tourism, services, craft to become an integral part of city and town centre revitalisation and enhance the development of different functions within the city centres. Moreover, while defining urban mobility lines, environmental sustainability should be linked to economic sustainable policies, also when it comes to environmental improvement measures.

Finally, we would like to counter the idea that every form of regulation for retail constitutes in itself a barrier to the development of businesses and is qualified as an "unjustified restriction". Territorial planning is subject to notification under the Services Directive if it contains authorisation schemes and requirements related to services. The competence of the Member States and local authorities to autonomously define which instruments are most suitable for the pursuit of general interest when it comes to territorial planning (such as the environment, the vitality of urban centres and small cities, sustainable mobility and transport), should be safeguarded without prejudice to the power of the European Court of Justice to judge the compliance of these choices with EU law.²

² The topic of the Services Directive is also discussed under "Single Market for Services" at page 33.

Development of rural areas

Craft and SMEs are even more important in regions outside the metropolises, like rural, mountain or remote areas or regions vulnerable to natural disasters³. They shape the economy of rural areas in a great variety and ensure the supply structures and social life in villages and small towns. These regionally anchored SMEs contribute to social and economic stability. As personally responsible entrepreneurs, they know the conditions and structures on site in detail. Against the background of demographic change, the decentralisation of energy production, the growing demands on the quality of food and the further economic structural change, the resident enterprises will in future become even more important for securing rural areas, since they are indispensable for the local supply of people and in particular that they can open up perspectives for future careers for young people.

From the point of view of SMEs, these areas are not left-over spaces but places with great future development opportunities. However, sustainable framework conditions must be created for growth and innovation - with regard to securing skilled labour, educational offer, infrastructure, local supply and commercial locations.

Partnership principle

The implementation of regional policy, including European support measures, will only succeed if regional stakeholders and especially Crafts and SMEs are involved in the design and implementation of such programmes. That is why SMEUnited is strongly advocating for a stronger Code of Conduct to be included in the Common Provisions Regulation to ensure social and economic partners - and especially SME organisations - are included in the work at national and regional level for the decentralised managed programmes. Finally, SMEUnited requests further efforts to simplify procedures and rationalise controlling procedures.

³ Art. 174 TFEU: " In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions."

Better economic governance and stability of the Euro zone

A forward-looking economic and fiscal policy must ensure the needed investments for future growth and competitiveness, while keeping public household sustainable.

SMEUnited recommends focusing public spending more on investments in future growth and less on current consumption. This means that fiscal rules should ensure long-term sustainability of public finance and take into account what public expenditures are spent on (i.e. investments or frontloading of reforms versus covering deficits of social systems).

As regards any form of fiscal stabilisation, the danger of moral hazard via mutualisation of risks should be avoided and support must be conditional to the implementation of jointly agreed reforms. In conclusion, we support the goal to strengthen the competitiveness of Member States by implementing structural reforms, creating a stable economic framework and cohesion.

SMEs DRIVE SOCIAL PROGRESS

European Pillar of Social Rights

Crafts and SMEs are the main source of job creation and the main contributor to a social Europe. However, they need well performing labour markets and well-designed welfare systems to further ensure economic and social progress. As the world of work is changing, new forms of work are arising, with more attention to platform economy, self-employment, etc.

The European Pillar of Social Rights (EPSR), which has partially been translated into several legal acts (i.e. Work-life Balance, Transparent and Predictable Working Conditions, etc), is intended as a compass to assess Member States' progress in the social field. The European Social

Scoreboard monitors the full implementation in the framework of the European Semester.

SMEUnited insists that SMEs and national social partners are granted the necessary time to absorb these changes and requests to avoid overburdening the well-functioning of labour markets with too burdensome regulations.

The European Commission should actively support mutual learning and exchange of good practices among social partners and the public authorities as an important source of inspiration for reforms.

Role of social dialogue

SMEUnited stresses the importance and independence of social dialogue and autonomy of social partners for the overall well-functioning of the labour markets.

SMEUnited insists on the full involvement of social partners at all levels in labour market and social protection reforms, while respecting their autonomy. This also requires that social partners at all levels be fully involved in the European Semester process for designing and implementing reforms in line with the country-specific recommendations. The European Commission should strengthen the requirement to timely involve national social partners in the EU Semester process.

In several Member States, social partners and SME organisations need support from public authorities for capacity building to actively contribute to reforms and enhanced social dialogue. The European Commission should strongly encourage Member States to dedicate an adequate part of the structural funds, in particular the European Social Fund, to provide this capacity building.

Representative European sectoral SME organisations should be fully recognised as social partners and part of the European Sectoral Social Dialogue, if they so wish.

New labour market reality

The world of work is changing rapidly with new forms of work arising from digitalisation. Therefore, structural reforms are necessary in the field of employment and labour market policies and in social protection systems to maintain growth, jobs and competitiveness and ensure the sustainability of our social protection systems.

These changes create a new labour market reality, which requires a renewed approach on flexicurity, requested by both employers and workers. The European Commission should encourage mutual learning for innovative flexicurity approaches.

SMEUnited demands to ensure fair transitions between different employment status to guarantee access to social protection for all, including entrepreneurs and portability of rights. To this end, the European Commission should monitor the Council recommendation on “Access to social protection for workers and the self-employed”.

Skills and labour shortages compel employers to tap into the full potential of the adult population, including inactive and unemployed persons. The EU should support Member States with benchmarking and mutual learning to improve the design and impact of their active labour market policies to tackle the labour and skills gaps. Member States should closely involve social partners in the whole process.

Digitalisation and new business models are creating new forms of work, such as platform work. The diversity of these new forms of work and of the self-employed status across Europe should be better taken into account. SMEUnited insists that the heterogeneity of self-employed and those in ‘non-standard’ forms of work should be thoroughly considered when a policy response is chosen. On the other hand, rules should be applied equally to all to avoid unfair competition.

Ensure mobility

To strike a balance between access to markets and fair competition, the European Commission should monitor the enforcement and

implementation of the Posting of Workers Directive⁴. It will be key to ensure that the further implementation does not hamper free provision of services while protecting workers and creating a level playing field for all companies.

The new European Labour Authority should facilitate mobility in full respect of EU and national legislation and support exchange of information between Member States to tackle frauds and circumvention of EU legislation, including the Posting of Workers Directive.

SMEs LOOK FOR SKILLED STAFF

Robust skills for labour market needs

SMEs are suffering from a lack of skilled staff due to a growing skills-mismatch, a decreasing and ageing workforce and a changing demand for labour. SMEs require better qualifications, based on a good balance of general, technical, digital and transversal skills.

SMEUnited requests the European Union to set more ambitious benchmarks to increase the number of school leavers mastering reading, mathematics and science to 90% and the number of young people at school leaving age having obtained a qualification at a rate of 95%. This should ensure that all pupils possess robust basic skills in literacy and numeracy.

The European Union and Member States should move from traditional education policy to a more future-proof skills policy based on lifelong learning, on-the-job training, a closer co-operation between education institutions and companies, a better recognition of informal and non-formal learning and an increased cross-border mobility of young talents and experienced professionals between Member States.

⁴ Directive (EU) 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC concerning the posting of workers in the framework of the provision of services

Quality Vocational Education & Training

An adequate skills mix is best obtained through vocational education and training (VET), work-based learning and apprenticeship, largely provided by SMEs. This should be facilitated through financial support from EU funds as well as mutual learning and exchange of good practices at European level.

Good support for and a close monitoring of the effective implementation of the European Framework for Quality and Effective Apprenticeships must stimulate the creation or reinforcement of systems of work-based learning and apprenticeship training.

Esteem for Vocational Education & Training

SMEUnited insists on the further promotion of the attractiveness and parity of esteem of VET, by continuing initiatives as the European Vocational Skills Week, the European Alliance for Apprenticeships, the European and World Skills Competitions, the future “Platforms of Centres of Vocational Excellence”. Exchange on best practices to motivate youngsters to make VET their first choice by adapting study orientation and career guidance can further enhance the VET image.

The new Education & Training strategy post 2020 should clearly mention higher academic education as well as higher vocational education and training (higher VET) in order to increase the uptake of VET, instead of only focussing on a benchmark for higher education.

Higher VET, based on demand of businesses and designed with a full involvement of Craft and SME professionals, must be further developed and actively promoted as one of the best means to meet the current and future labour market needs.

Finally, SMEUnited requests European measures to further promote cross-border mobility of pupils, apprentices, VET learners, professionals and students. A noticeable simplification of the next Erasmus programme can

make it more user friendly for both small businesses and small-scale mobility projects. This entails less administrative burdens, easier application procedures and the possibility to pool projects. After graduation, young professionals should have better access to cross-border mobility by allowing for a period of at least two years to apply for a cross-border learning experience.

Life-long learning

More than ever, continuous learning is a necessity, which is a shared responsibility between employers, workers, individuals and public authorities. In order to encourage SMEs to further invest in continuous training and get the appropriate return on investment, pooling sectoral and/or regional funds is one of the most appropriate way forward.

European cohesion and structural funds should support small businesses for the acquisition of digital and green skills, upskilling and reskilling of entrepreneurs and workers in order to adapt to and anticipate rapid changes on the labour market.

The European Commission should encourage Member States in close cooperation with social partners to foster the implementation of the recommendation “Upskilling Pathways: new opportunities for adults” targeting low skilled adults.

Legal migration and integration of refugees

To ease access to the EU's labour market of skilled third-country nationals, SMEUnited requests the revision of the Blue Card Directive to also allow medium-qualified workers to enter the European Union and reduce administrative burdens for SMEs.

The work of the European Partnership for Integration of Refugees into the Labour Market must continue. A stronger support for SMEs at local level is required to facilitate integration of migrants and refugees into the labour market or have them start their own enterprise.

SMEs DIGITALISE

Opportunities of digitalisation

SMEs are a heterogeneous group. In digitalisation, there are “front-runners” developing new technologies and those that “follow” and have to adapt to new technologies.

SMEUnited advocates for an agile and holistic approach among all the Commission's measures and services to ensure that all new legislation is designed for a digital environment that leaves ample room for bold experimentation with new business models. It should also build trust among consumers and businesses and ensure fairness, transparency and a level-playing field for all enterprises.

To allow all SMEs to grasp the opportunities of digitalisation, SMEUnited urges the European Union and Member States to further develop the communication network infrastructure, in particular in rural areas, with the goal of achieving an EU-wide high-speed broadband network.

EU funds have to take the SME perspective into account. SMEUnited advises to consult the SME organisation on the yearly work program for Digital Europe. Moreover, training support should be granted to entrepreneurs and workers alike. Projects under the programmes: Digital Europe and Horizon Europe need to require a percentage of SME involvement, by including SMEs or their organisations.

Furthermore, in the "Digital Europe" programme, the establishment of the European Digital Innovation Hubs should focus on the inclusion of multipliers – already established intermediary and regional organisations – to ensure sufficient support for SMEs for digitalisation.

In the field of Artificial Intelligence (AI), projects from science and industry should be broad enough in order to be suitable for piloted AI applications and should also take SMEs' interests into account.

Awareness raising and the provision of impartial information on solutions, support programmes and technology providers must be ensured. Finally, SMEUnited prepares a Digital Knowledge Centre as a platform to share

knowledge and expertise on digitalisation. It can coordinate the exchange of best practices, the organisation of specific seminars, webinars and workshops, the development of toolkits and learning material and the planning of awareness raising campaigns.

Cybersecurity

The European Union should protect vital digital networks and infrastructure to avoid economic damage for SMEs and society as a whole.

By creating a Cybersecurity Competence Network and Centre, the Commission should support awareness raising for SMEs on cybersecurity and provide know-how on actions to implement cybersecurity in the company. Finally, these centres should stimulate the development of cybersecure products and solutions.

Data economy

The legal framework for the data economy should be developed with a spirit to data portability, in such a way that businesses and individuals have more concrete possibilities to govern, share and sell their data. Individuals and businesses should also have the possibility to govern the data collected from them by the public sector. Data portability enables an easy switch to a new supplier, lowering cost and boosting competition.

SMEUnited urges to have data generated by public sector bodies (e.g. legal, traffic, meteorological etc.) in a widely available, accessible, open, and readable format. This will be a key feature for the correct implementation by Member States of the Open Data and Public Sector Information Directive.

The Regulation on the Free Flow of Non-Personal Data removes all disproportionate restrictions to the movement of non-personal data within the EU. Companies from outside Europe can operate without hinderance in the European Union, but European companies may be subject to data localisation restrictions there. SMEUnited asks for global reciprocity in data transfers. We recommend that the European Commission continues to add provisions for cross border data flows and data protection in both plurilateral and bilateral trade agreements and to investigate the

possibility to incorporate this in the framework of the World Trade Organisation (WTO).

Personal data

The data protection requirements (especially the GDPR) need a reality-tested design. So far, there is not enough legal clarity for enterprises, especially micro SMEs. For instance, to assess whether one is a controller or processor, the obligation to keep a record of processing activities, the appointment of a Data Protection Officer, unclarity of what processing at a large scale means, the principle of accountability. In addition, the regulatory and increased administrative burden has led to increased implementation costs, which impact SMEs proportionately more. SMEunited requests a re-examination of the regulation to take into account the specific situation of SMEs, especially for the companies posing low risks for misuse or theft of personal data, and more guidance on how to apply the theory in real life.

Data standards

Universally recognised standards are necessary to boost data interoperability. To ensure that these standards are affordable and user-friendly, there must be a market-led development with a sectoral approach, involving all relevant stakeholders, including SMEs. The European Commission should stimulate the establishment of such standards and interoperability by issuing guidance, sharing best practices and stimulating market-led initiatives and support standards-based innovation. Among others, they can facilitate the creation of industry ecosystems based on key standardised technologies (e.g. IoT, Intelligent Transport, smart homes, etc.). The EU standardisation activities need to address the aspects of data formats and open interfaces.

Equal access to and re-use of data

Machine-generated data is valuable for businesses to improve their business model and to develop new products and services. At the moment, there is no agreement on who should have access to machine-

generated data or on what terms. This uncertainty leads to the situation that the general terms and conditions determine who can use the data. SMEs, as actors with limited resources and market power, risk being disadvantaged in contractual negotiations and denied access to data, including predictive diagnostic data. Data access must extend to new functionalities and enable direct contact with the customer or client. Contractual clauses or general terms and conditions which foresee exclusive access to data for a single company should be forbidden by law. In addition, EU internal market regulations (e.g. market approval directives, type approvals, etc.) must foresee uniform data formats and uniform interfaces to guarantee equal access to the customer. This topic is especially important for maintenance, repair and improvement of products and services in the automotive sector, health care, computer and electronics, elevators and escalators, heating and cooling and many more. More transparency and fairness are needed.

SMEUnited asks for clear legally binding framework at EU level regarding access to data. It may be appropriate in some cases to follow a sector-specific approach, e.g. including a legislative proposal on real-time access to in-vehicle data and resources.

In addition, the EU standardisation activities need to address the aspects of data formats and open interfaces.

Market surveillance authorities should have recognised enhanced and effective power of intervention in the interest of SMEs.

E-government

E-government is an important topic for the economy. On the one hand this should optimise work processes, and on the other this should reduce the costs of communication, coordination and cooperation. That's why companies are demanding electronic processes that are consistent, transparent and reliable.

Against this background SMEUnited calls for the further development of the e-Government Action Plan of the European Union in close cooperation with the relevant stakeholders. Proposed actions must be implemented swiftly and purposefully.

It will be decisive that the awareness of IT applications and the associated process optimisation will be strengthened, especially for SMEs.

Administrations need to become more digital in all Member States. This is especially true for the border areas where SMEs operate cross-border in two or more Member States and e-government can reduce red tape substantially.

SME United welcomes the fact that this process is supported by the European Commission with appropriate support measures and that cross-border exchanges and cooperation are promoted, e.g. within the “EaSI” Programme.

As part of the implementation of the Single Digital Gateway in the Member States for example, working groups will be set up involving administrations and advisory services for SMEs. Here, process analyses are carried out to digitalise the processes and advice for SMEs and thus simplify things for the companies.

Because SMEs will benefit the most from the transition to digital processes, the exchange of best practices on those activities needs to be strengthened in all Member States. It would therefore be desirable to set up an Expert Group with SME representatives at European level with the primary objective of keeping border areas operational.

Public administration services should be accessible for citizens and businesses online as well as offline. A helpdesk should be available 24/7. The “Once Only” principle is fundamental for rolling out e-Government. This principle implies that businesses enter their data once and that the data is stored in compliance with existing rules and shared with the respective authorities.

SMEs LOOK FOR FINANCE TO INNOVATE & INVEST

Banking rules

SMEs still depend mainly on bank lending and a large majority will likely continue to do so in the future. Financial market regulations therefore need a better balance between ensuring stability at the financial markets and providing the needed incentives to finance real economy activities, especially SMEs.

SMEUnited advocates for banking regulations that incentivise lending to SMEs, do not create barriers for locally active, decentralised or non-commercial banking structures and for further reducing the risk-legacy from the crisis in the banking sector in order to allow a completion of the Banking Union.

We specifically ask to strengthen the SME Supporting Factor on Capital Requirements and develop international (Basel) and European regulations, which incentivise financing of real value-added economic activity as opposed to risky financial speculation. Finally, the regulatory requirements for locally active, decentralised or non-commercial banking structures should be proportional to their risks for the overall financial system and banking regulation should allow the creation of small local non-commercial banking structures like cooperatives and credit unions.

Alternative forms of finance

SMEs are very heterogeneous and increasingly in need of other forms of finance allowing them to realise riskier projects, which are not accepted by banks. Furthermore, alternative forms of finance should be developed and made accessible for innovative SMEs, making SMEs more attractive for investors and venture capital, equity and bond markets more attractive to SMEs.

Alternative forms of finance, like lending platforms and crowd-investment, should be supported in order to provide new possibilities to finance riskier innovation and investment projects of SMEs. This requires a regulatory framework which ensures a fair balance between the ability to innovate and the need to provide investor protection.

Moreover, these alternative forms of SME finance should be eligible for the support from European financial instruments under InvestEU.

Financial instruments support SME finance

Guarantees for loans, mezzanine instruments and securitisation have proved as the most effective tools for public support of SME finance and have to continue with the next financial framework.

In the first place, these financial instruments within the next Multiannual Financial Framework should continue to provide traditional small-scaled loan guarantees for Crafts and SMEs. Additionally, they should put a focus on innovation and long-term investments by providing financial instruments like long-term loans and mezzanine finance for riskier projects, including intangible investments.

It must be ensured that the SME window within the InvestEU programme can provide support to SMEs at least at the same level as the current COSME, Horizon 2020 and EFSI programme. SMEs should also have access to the Innovation and Social Investment window in the InvestEU programme.

Credit guarantee systems are the most inclusive financial instruments, adopted to the needs micro and small enterprises. They should be strengthened where necessary in order to improve the effectiveness of public support for access to finance.

Finally, the EU must further facilitate the use of decentralised managed programmes for financial instruments (e.g. microfinance in ESF) where appropriate.

Capital markets union

Europe needs more efforts to make progress with the creation of a European Capital Market Union, which allows SMEs to scale-up while keeping their business in Europe.

To allow this shift, the EU should motivate Member States to modernise their tax regimes in order to provide tax incentives for private investors to finance companies and to eliminate tax disincentives for equity finance within SMEs.

Last but not least, the EU should push for progress to provide a regulatory framework (i.e. tax and insolvency regulations) allowing the creation of a real pan-European capital market.

SMEs GO SUSTAINABLE & CIRCULAR

Circular economy

Some SMEs are already champions of sustainability, for instance in the sector of eco-friendly products. However, most SMEs operate in traditional activities. It is of paramount importance that EU policy provides the right framework for the transition to a greener and more circular economy.

SMEUnited requests the next EU Environmental Action Programme to be based on concrete objectives and specific tools (rewarding taxation, support for eco-innovation, support for finance of upfront investments, etc.) to support the transition of small enterprises to the principles of circular economy. Moreover, the transition from a linear to a circular model should be supported by the implementation of a strong and wide awareness raising at EU level to reach out to all stakeholders, also at local level (public authorities, citizens, SMEs, etc.). Additionally, capacity building for national SME organisations must be provided.

The availability of good quality, affordable secondary raw material is a key factor in developing a circular switch in the different value chains. Moreover, local authorities should be stimulated to help the community to develop a circular way of living. Finally, the Commission could encourage repairing goods by including repaired goods in the VAT Directive⁵ for reduced VAT rates. Such sustainable economic activities would also benefit from the introduction of a reparability index on electronic appliances to make the consumer aware of the possibility to make sustainable spending choices.

The Commission should pursue a more harmonised interpretation and implementation of the Waste Framework Directive⁶ and the Waste Shipment Regulation⁷. A uniform application, particularly for the definition of by-product and of end-of-waste, is required to not hamper the internal market.

⁵ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax

⁶ Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste

⁷ Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste

The definition of food waste should distinguish differences between sectors and between levels of the food chain. Moreover, the framework should aim to reduce bureaucratic hurdles that prevent SMEs from reducing their food waste.

The EU product policy should be developed with the "Think Small First" principle in mind. The Product Environmental Footprint (PEF) and Organisational Environmental Footprint (OEF) have to be voluntary, as providing mandatory information related to the life cycle of their products would disproportionately increase red tape and costs for SMEs. However, risks remain that EFs – even if voluntary – may put SMEs under pressure to take part in a future label in order to prevent disadvantages on the market. Hence, the Commission must further pursue its idea to provide SMEs with an easy-to-use and cost-efficient SME-tool.

New, specific circular sectoral legislation, such as the one on plastics, should avoid considering manufacturers as the scapegoats of the system and adopt the principle of shared responsibility. In this context, the Commission should demand Member States that their national extended Producer Responsibility schemes (EPR) are proportional to SMEs.

Chemical legislation

SMEUnited asks to give a stronger preference to a more proportional and efficient risk-based approach instead of the hazard-based approach when regulating chemicals. Furthermore, the EU should simplify the authorisation application procedure in the REACH Regulation⁸ for spare parts, low quantity uses, uses in closed systems and recovered substances. Registration should become more proportional for SMEs and the Risk Management Options Approach (RMOA) should become mandatory.

Concerning the Biocidal Products Regulation⁹ SMEUnited proposes that substances like honey, sugar or nitrogen from the air do not need an authorisation if used in biocidal products.

⁸ Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC

⁹ Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products Text with EEA relevance

The evaluation planned in 2022 of the F-gases Regulation¹⁰, should provide the timely availability of standards and improve the accessibility of affordable and / or alternative refrigerants.

Energy security

The Single Energy Market must give more room to decentralised production of energy by SMEs to reduce energy prices, fight climate change and decrease EU's energy dependency.

SMEUnited asks for a level playing field to be established rewarding self-production and self-consumption across all energy networks and markets. Small scale decentralised renewables should benefit from specific support schemes without being exposed to competitive bidding in the revision of the State Aids guidelines for environmental protection and energy. In addition, energy prices should remain affordable, also for companies linked to the traditional distribution system.

The EU's efforts for the maximum physical integration of the national energy networks in one European grid should be further pursued. In this context, all options to produce, distribute and use energy at local level should be given equal chance to development, especially decentralised and new forms of production and distribution.

Climate change

SMEUnited supports the ambitious target set by the Paris Agreement around mid-century and insists that it will be realised with a combination of all possible options and measures at the same time based on technology neutrality. This objective should be pursued in a cost effective way, which guarantees competitiveness, a high level of employment and ensures the EU remains an attractive place for investors. While SMEs are an important contributor to mitigation efforts, they need stable framework conditions to allow long-term planning and smooth adaptation. Hence, possible intermediate raising of reduction targets must be carefully considered and put to a test against the impact on SMEs in particular.

¹⁰ Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) No 842/2006 Text with EEA relevance

Europe should raise awareness on the impact of free return shipping.

Crafts & SMEs should be actively involved in the “EU disaster risk prevention and preparedness programs” to develop resilience and knowhow, within the UN SENDAI Framework for Disaster Risk Reduction 2015-2030.

Sustainable mobility requires a rapid adoption and subsequent implementation of the legislative proposals of the second and third mobility packages, which contribute to reducing CO2 emissions. The strengthening of combined transport must aim at co-modality of all modes of transport (for instance the maximum permissible total weight for craneable semi-trailers should generally be increased to 41 tonnes for all journeys in order to compensate for their higher own weight). Sustainability also requires innovation and digitisation in the rail sector and internationalisation among authorities and infrastructure operators. Interoperability should be strengthened through technical and legal harmonisation at EU level.

The path to decarbonisation includes international cooperation, increased (policy) coordination and public-private partnerships inside the EU, massive investments in innovation and R&D as well as specific measures to support SMEs.

SMES INTERNATIONALISE

Trade agreements & economic development

SMEUnited asks the EU to promote and actively engage in multilateral, plurilateral and bilateral trade agreements, as well as to reject and fight protectionism, as this facilitates SMEs’ access to international markets through more uniform rules.

The EU's external trade policy should foster economic opportunities for European SMEs by pressing for a level-playing field, by opening markets for European goods, services, investment and public procurement, by strengthening global trade rules and by promoting high standards in third countries. Therefore, SME organisations should be involved in committees

during the negotiation and implementation of agreements, for instance regarding the mutual recognition of professional qualifications. Whilst negotiating trade agreements, the European Commission should conduct a comprehensive impact assessment for all SMEs, including those who are not internationally active.

SME organisations should be considered as partners of the European Commission during the negotiations and the implementation of EU-trade agreements, thus helping them to detect and remove barriers to trade. The Commission should actively facilitate civil society cooperation (e.g. by supporting the transnational cooperation between SME organisations within the frame of EU trade agreements) and provide technical and financial support for awareness raising campaigns for SMEs as well as regular independent reports on the results of the FTA's.

SMEUnited insists that the principle of reciprocity be respected, especially in the field of access to public procurement in third countries.

Negotiations with the USA, China and other partners should be continued. Economic and trade relations with all our trading partners must be continued and improved on the multilateral and bilateral level. This also goes for important, yet sometimes cumbersome negotiations with countries like USA or China.

A strategic partnership with Africa and the Euro-Mediterranean should be drafted, decided upon and implemented. Consultation and cooperation with SME-organisations should be enhanced during that process.

The EU should remain a strong proponent of a rules-based global trade order. Therefore, the EU needs to continue to support the well-functioning of the World Trade Organisation (WTO), as it plays an essential role in maintaining rule of law in international trade. Reform is needed in order for the WTO to stay relevant and become future-proof. This includes the requirement of addressing issues such as e-commerce and digital trade flows.

Information & advice

Free Trade Agreements should include an SME chapter, such as the EU-Japan FTA, and task parties with creating a publicly accessible, multilingual webpage containing, inter alia, important information on the

agreement, rules and procedures and appointing SME contact points. In addition, support should be given to capacity building for SME organisations to further develop their information and communication on trade policy and market opportunities for European SMEs in third countries.

The European Union should stimulate exchange of best practices on services for the management of international tenders and competitions, management of intellectual property, support and advice on participation at international fairs, training in international trade. Moreover, a specific program could be set up to promote the recruitment and exchange of bicultural talents in SMEs together with export trade professionals.

An even better cooperation with and integration of SME organisations and leveraging on existing networks of SME representative organisations must further improve the outreach of the Enterprise Europe Network (EEN). Additionally, the EEN must broaden its offer to SMEs at a more local level.

Finally, the European Commission should provide specific ad-hoc funding programmes and pilot projects for SMEs in the field of internationalisation for adequate training and information of SMEs to develop their potential for cross-border activities and internationalisation and a strategy for accessing third markets.

SMES WANT A LEVEL PLAYING FIELD

Tackle unfair practices

Crafts and SMEs still encounter imbalances and lack of fairness in relation to more powerful market players. Furthermore, due to digitalisation, new services and technologies have emerged, which bring unfamiliar forms of market dominance often related to platforms or access to large amounts of data.

A level playing field should be ensured by competition rules, on the one hand avoiding abuse of market power and on the other hand ensuring that merger control is fit for purpose.

To fight "misleading directory companies" SMEUnited asks the European Commission to amend the Directive concerning Misleading and

Comparative Advertising, to enhance cross-border coordination, cooperation and enforcement and to support the creation of a European Observatory. The activities of these companies, sending fake subscriptions, must be seen as fraudulent and should be penalised. As these companies move the seat of the company from one Member State to another, complaints should be monitored systematically.

The Platform-to-Business (P2B) Regulation is a first step towards a more open and competitive digital economy in Europe. It must pave the way for continued scrutiny of platforms' behaviour and additional measures to prevent discriminatory or unfair conduct. Provisions to tackle unfair business practices (such as changing unilaterally the terms & conditions) that have a negative impact on consumer choice and threaten innovation have to be added.

Digitalisation is creating new forms of work, such as platform work. The persons developing these activities can be self-employed or covered by an employment relationship. When they are self-employed, the P2B-rules should avoid an unfair treatment by the platform.

For small retailers, franchising represents a form of cooperation to stay competitive and can offer many advantages, both to franchisees and to end consumers. However, there is a growing tendency amongst franchise companies to impose provisions on retailers, which in some cases could affect the balance of the agreement. In this regard, constraints against competition should be limited to the duration of the agreement and the sale of an enterprise at market value at the end of the agreement should be allowed.

Pay a fair share of taxes

SMEs are less able to exploit the different regimes for tax planning and are confronted with high compliance costs and higher effective tax rates. SMEUnited requests that tax rules ensure that all economic operators, independently from their size, sector and location, pay their fair share of taxes. This is especially necessary for the digital sector. The European Union should actively support the action undertaken by the OECD and G20. However, if there is a lack of progress, initiatives at European level may become necessary, to avoid a patchwork of different digital taxation solutions at national level since it will make cross-border selling for SMEs even more complicated.

The proposal of the European Commission to review the current special VAT scheme for small enterprises¹¹ includes important measures to simplify the VAT regime for micro enterprises. Here, the current blockade by the Ministers of Finance must end.

The proposed implementation of a definitive VAT regime based on the country of destination principle risks to increase dramatically the compliance costs for SMEs in cross-border trade. Such a reform is only feasible if the current one-stop-shop is applied for all sectors and based on a reliable, easy accessible and transparent online platform.

Balanced interests with Consumers

Over the years, European consumer protection rules have become more formalistic and bureaucratic in response to practices of some corporations. This contradicts with the often informal and close relationships SMEs have with their customers.

SMEUnited requests to find an appropriate balance between consumer and business interests, rights and obligations. The goal must be to make consumer law more practical for both sides.

To put the "Think Small First" principle in practice, in general, information requirements at different stages of the contractual process should be simplified, clearer and more transparent. This will serve SMEs and consumers alike.

SMEUnited asks to remove two specific obligations on traders regarding the 14-days right of withdrawal, which have proven to be a disproportionate burden. Traders should no longer be obliged to accept the right of withdrawal when the consumer has clearly used the ordered good rather than the normal testing. In addition, traders should not be obliged to reimburse consumers before receiving the returned goods.

Furthermore, a general distinction between solicited and unsolicited contracts would be a clear solution from the perspective of SMEs. Contracts negotiated outside business premises, where the consumer

¹¹ Proposal COM(2018) 21 final - Council Directive amending Directive 2006/112/EC on the common system of value added tax as regards the special scheme for small enterprises

initiated the business contact should be subject to the information requirements set for on-premises contracts.

In case of a legal guarantee for a defective product, the right of redress of the seller towards the producer should be reinforced. It is crucial for the seller to have a watertight right of redress.

A definition at European level of craft manufacturing methods, taking into account the differences in manufacturing processes between industry and crafts must avoid products are sold to consumers which potentially mislead them on the type of product(method), e.g. freshly baked bread versus industry prepared bread.

Tackle late payments

Late payment in B2B relations and by public authorities remains a huge problem. SMEunited asks to limit the standard payment term in B2B to 30 days. This would also clarify the uncertainty existing on the interpretation of “grossly unfair” payment terms. Specific situations in certain value chains can justify for a derogation, in agreement with the sector, and the use of a shorter or longer payment term.

Member States should be obliged to make their payment procedures more efficient, in particular the verification procedure to assess the conformity of goods and services with the contractual specifications should not be used to extend payment periods artificially beyond the limits imposed by the Directive. If a public administration pays later than accepted, a principle of compensation of credits with tax, social insurance or welfare debts for the company concerned should be introduced. This should give the SME the possibility to compensate the non-questioned debts from public authorities, provided that the SME which applies compensation does not simultaneously claim interests on the delayed payment.

Finally, the Member States should provide efficient and low-cost court proceedings to recover uncontested invoices.

SMEs REQUEST A TRUE IMPLEMENTATION OF SINGLE MARKET

Implementation and enforcement

SMEUnited asks for a timely, correct and full implementation and enforcement of EU legislation and decisions in all the Member States. This must include an effective cooperation between all Member States to guarantee cross-border enforcement of judgements and fines.

Moreover, gold plating at national level must be avoided to not add additional burdens and barriers for SMEs.

SOLVIT, the informal problem-solving mechanism, can quickly and easily help in 80% of cases where companies are prevented from carrying out their legitimate business activities in other Member States within the single market due to misapplication or failure to implement EU law by public authorities.

SMEUnited asks a preferential treatment for the remaining 20% of unsolved SOLVIT cases by the European Commission. The statement of facts and legal processing already exist, which allows the European Commission to actively support affected companies in the exercise of their single market rights in a quick and effective way.

Single market for services

The Services Directive is still fit for purpose. Remaining barriers are mainly related to different interpretation and application by Member States, to non-uniform and incorrect implementation, to reluctance in ensuring enforcement where necessary and lack of dialogue and consultation with relevant stakeholders at national level. SMEUnited calls on the Commission to act when Member States do not comply with their duty to notify when new measures are introduced.

Cooperation and information

The cross-border cooperation in Europe's internal market information system (IMI) remains incomplete, e.g. by problems in the translation software or in filling in the online form. The points of single contact have been established throughout Europe. However, they still vary substantially in terms of quality of the advisory services and accessibility.

SMEUnited asks to provide more and better information about requirements to provide services in other Member States. Existing online platforms should be interconnected more effectively, and administrative processes digitised, for example, with the Single Digital Gateway. The Gateway offers the opportunity to give a good overview of the existing instruments in the Single Market. In order for the Gateway to create an added value, it should be easy to access and to use. It is important that the regional online information offer, as provided for by SME organisations, are included and linked to the Single Digital Gateway.

Exchange of best practices

Different regulations on professions and problems with recognition of qualifications sometimes set an obstacle in scaling the service provision cross-border. The monitoring exercise and peer learning can support increasing knowhow between Member States and professionals in this field.

Single market for goods

In order to stop unfair competition for retailers and producers as well as to avoid safety and health risks for consumers, the market surveillance must be strengthened to prevent illegal and counterfeit products entering the European market from third countries via increasing e-commerce. Awareness raising among consumers on this matter should be urgently addressed.

The introduction of a mandatory marking of origin for selected product categories, confirmed by impact assessments, should be explored.¹²

Cases of lack of implementation or diverging legislation hampering the single market

Since the Geo-blocking Regulation obliges all companies to sell cross-border (not to deliver), it is even more important that consumer protection rules are as harmonised as possible throughout the EU and easy to apply especially for small enterprises.

Diverging national rules on cash payments create thresholds in the single market and unfair competition for companies in different Member States. SMEUnited asks to further investigate the distorting impact of different cash payment thresholds on the functioning of the single market and to harmonise these thresholds, taking into account alternatives to cash. In this regard, a reduction of electronic payment fees for SMEs remains fundamental.

The current application of the Construction Products Regulation must be optimised to ensure the free circulation of construction products and allow the internal market to function in an efficient way.

The Money-Laundering Directive needs a review of the definition of beneficial owner and a reduction of administrative burdens for SMEs.

State aid rules

On State aid regulations, SMEUnited fully supports the simplification provided by the “de minimis” Regulation¹³ⁱ and the General Block Exemption Regulation¹⁴. Such exemptions from prenotifications of State

¹² The Federation of Finnish Enterprises, the Confederation of French SMEs (CPME) and the Austrian Federal Economic Chamber (WKÖ) do not support this request.

¹³ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid

¹⁴ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty

aid can be accepted, if their use is properly monitored and enforcement is granted. In practice, the strict conditions and documentation requirements result in high barriers for granting State aid to SMEs. Options to provide more scope for SME support should be explored.

As regards the upcoming review of the existing regulations and guidelines, SMEUnited asks for legal clarification and facilitation of indirect support to SMEs provided through SME organisations. Furthermore, the thresholds of the “de minimis” regulation should be reviewed and the maximum age of enterprises for aid to innovative start-ups (7 years) must be adopted to the reality of different sectors.

Achieve the single transport space

Effective, efficient, sustainable and resilient transport infrastructures and services are an indispensable prerequisite for the implementation of the single European market.

To ensure fair competition more harmonisation in certain policy areas is essential. SMEs need feasible EU regulations, applied uniformly in all Member States and adapted to operational needs (working time regimes, framework conditions for tolls, access to the occupation of road transport operator, posting of drivers). As long as border controls are carried out in the Schengen area, the remaining border infrastructure shall be used to diversify traffic and create freight corridors.

By taking into account the principle of free movement of goods and people, a further liberalisation of European transport policy should only take place under appropriate and traffic-specific framework conditions that guarantee a level playing field throughout Europe. Key priority for an efficient expansion and use of infrastructure is to complete the implementation of the TEN-T network. Therefore, the means of the Financing Facility should be increased within the financial framework 2021-2027 according to the budgetary possibilities.

Moreover, compared to ambitious economic and infrastructural programs such as the “new silk road”, it would be appropriate for Europe to develop a common intervention strategy, which protects its infrastructure design, without the risk of transfers of sovereignty.

The environmental, economic and social sustainability of transport should be sought primarily through effective European measures to support inter-

modality, the green light for incentives for the "green" renewal of the vehicle fleet, according to the criterion of technological neutrality.

The transport sector has an enhanced specific need to leverage digitalisation for an efficient, sustainable and fair road transport market e.g. in the field of e-Freight, e-CMR with neutrality of e-CMR (electronic version of the consignment note due to CMR Convention when transporting goods by road) and public requirements/conditions for those providing and manage e-CMR services, ensuring data protection of small companies relying on these services, for an open access to market to a wide number of providers.

SMEs WANT AN ENTREPRENEURIAL SOCIETY

SME Strategy

SMEUnited calls for a fair, competitive and sustainable business environment that encourages enterprises to grow, innovate, invest and trade. We need more effective framework conditions for European SMEs through a long-term EU SME strategy with a clear vision for 2030, accompanied by a specific action plan including concrete measures and a timetable for implementation and monitoring mechanisms. This should become a top priority for the Strategic Agenda of the next Commission and be put in place at the beginning of the new EU institutional cycle. This requires a new and decisive stage in the political recognition of SMEs - shifting from "Think Small First" to "Act for SMEs".

We call for enabling and encouraging policies that stimulate SMEs, creativity, innovation, lifelong learning, agility and entrepreneurial education throughout society.

The experiences and evaluation of the implementation of the Small Business Act during the past decade can serve as an inspiration. The governance model of the SBA can be improved by strengthening the exchange of good practices and to secure the active enforcement of the principles and initiatives at all levels. This entails an even stronger consultation and involvement of representative SME organisations at

national and European level. The main targets put forward in the new SME Strategy should be monitored via the European Semester.

SME Definition

SMEUnited states that the current European SME definition is still fit for purpose and calls on the Commission to maintain the current headcount (250 employees) in the definition. Additional criteria or a sector-specific approach should be avoided as they would complicate the application of the SME Definition and thereby lead to additional administrative burdens for SMEs.

The SME definition allows to address the market failures SMEs are facing and to create favourable framework conditions for SMEs considering their specific size-related challenges. Changing the definition would be to the detriment of SMEs, which are in real need of support, especially micro enterprises, which represent 93% of all SMEs in Europe.

The consequences of the two General Court judgments of 15 September 2016, in cases T-675/13 (Chimica) and T-587/14 (Crosfield) should be examined to increase legal certainty while maintaining the simplicity of the SME definition.

Mid-caps (undertakings that are too large to meet the SME Definition) should not be dealt with under the current SME Definition. If a separate definition or initiative is considered in their regard, it should be without any negative impact on the existing definition. In particular, it should use exclusively new funding and no resources, which are reserved to SMEs.

Transfer of business

The European Institutions have already put forward several guidance instruments within their competence. The 1994 Recommendation of the Commission on the transfer of business and the 2006 Communication describe the main and challenges and the right recommendations. These have to be fully implemented in all Member States. It is of utmost importance that Member States put in place national action plans on business transfer and set up a one-stop shop on transfer of business.

Awareness raising amongst “aging” entrepreneurs remains essential and should already be done at an early stage. This should be combined with personal coaching and advisory services. Furthermore, well-functioning marketplaces could support the transfer process by bringing together supply and demand.

Second chance

With the Insolvency Directive improved and the Early Warning Europe project drawing to an end, it is important Member States get the right stimuli to establish Early Warning Mechanisms to help entrepreneurs in difficulties. Information campaigns and training programs need to be developed with the active involvement of SME organisations to promote early warning and a positive attitude towards giving entrepreneurs a second chance and relieving the stigma on failure.

The Expert Network of Early Warning Europe must be made permanent and should raise awareness and share knowledge on early warning and second chance.

The European Union must keep promoting second chance to facilitate the exchange of good practices. The Member States must guarantee that entrepreneurs who restart are treated in the same way as a new business owner. A particular attention must be given to costs and burdens introduced. It is desirable to develop procedures that conduct rapidly to discharge for honest entrepreneurs.

Public procurement

The current EU public procurement legislation from 2014¹⁵ included a list of obligations to facilitate the participation of SMEs in public tenders and should be implemented since 2017.

SMEUnited asks the European Commission to monitor more closely the application of the provisions in the new directives, especially as regards the division into lots, the simplification related to qualification

¹⁵ Directive 2014/24/EU (26 February 2014) on public procurement

requirements, the avoidance of unnecessary criteria and the aim to contract with the economically most advanced tender.

In additions, the European Commission should offer training for public procurers and interested companies on the application of the new rules in the framework of the Single Market Programme.

Furthermore, SMEUnited asks to raise awareness about buying local to stabilise regional economies and to reduce environmental impact.

Finally, all market participants are still in a learning process and try to adapt to the new rules. Therefore, SMEUnited does not see the need for a review the current directives before sufficient experiences are gained.

Innovation

SMEUnited calls to strengthen the innovation capacity of the European economy by improving and creating more synergies between the support from European and national programmes and make them better accessible for SMEs.

The majority of SMEs innovate in an incremental but continuously manner. Therefore, improving the innovation ecosystem must focus on skills and qualification, access to finance and knowledge, the support for networks and clusters and the availability of coaching.

Especially important for the current transition to a digital and circular economy is the provision of incentive for the transfer of technology between SMEs and from larger companies and knowledge centres towards SMEs.

Corporate social responsibility

Corporate Social Responsibility should be seen as a normal business practice and a supportive concept for SMEs.

SMEUnited insists that EU policy respects the voluntary nature of Corporate Social Responsibility (CSR) and recognises the efforts and specificities of

SMEs. Other measures by SMEs, which have similar effects like CSR, should be acknowledged and taken into account.

Non-financial disclosure can be encouraged, however must remain a voluntary endeavour. The entrepreneur should remain free to decide which information will be disclosed and in which way. Moreover, the entrepreneur whether or not to ask for a certification of the report.

Support at European level for capacity building for SME organisations should improve the quality and availability of CSR advice and adapted tools for small and medium sized enterprises.

Standardisation

The removal of national standards constituting barriers for SMEs to access the Single Market supports their internationalisation activity. The removal of national standards, however, should be in compliance with the principles of subsidiarity and proportionality. Technical harmonisation should be on a voluntary basis in order to meet the market needs of users, especially SMEs. The collaboration between the European Commission and industry to promote or facilitate the development of strategic standards, which are crucial for the competitiveness of European companies, should be further fostered.

SMEUnited calls to continue support for the principle of inclusiveness of SMEs set out in Regulation 1025. This includes the activities of Small Business Standards (SBS) to strengthen the uptake of standards by SMEs and the participation of SMEs in the standardisation process. To strengthen this work, further investment in educating and training standardisation experts that can help European SMEs is crucial. Finally, the European Union must ensure that standards developed at global level are SME compatible by supporting a better representation of SMEs in the development of these standards.

