

# SMEUnited' position paper on the SME Strategy<sup>1</sup>

## 1. Introduction

SMEUnited welcomes the SME Strategy presented by the European Commission on 10<sup>th</sup> March. The member organisations of SMEUnited have been calling<sup>2</sup> for 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.

Although the SME Strategy published along with the Industry Strategy was very timely, it has been overhauled by the outbreak of the COVID-19 pandemic.

This virus outbreak had a unprecedented impact on SMEs. Across Europe, entrepreneurs fight for their survival and fear the future of their company and their employees. More than ever, this calls for a strong and strategic agenda based on the reality of SMEs today and tomorrow. The strategy should therefore be updated to reflect the economic reality of SMEs hit by the COVID-19 crisis.

In order for the SME Strategy to be successful, it needs to be underpinned by a **concrete budget** for the objectives addressed and a concrete implementation plan for the measures mentioned. SMEUnited asks the Commission to draft a **roadmap on the implementation** of the SME Strategy. This roadmap should include time lined action targets for the Strategy, their operational mid-term waypoints and those SME policy instruments that are included in the EU recovery programme, supporting SMEs to recover from the crisis.

This would link the SME Strategy more closely to the EC work programme priorities, such as the Green Deal and initiatives related to the digital transition. Consequently the roadmap would give a better overview of the whole EU SME policy and it would facilitate the monitoring of the SME strategy implementation.

Furthermore it is crucial for the impact of the SME Strategy that it has a visible ownership from the whole European Commission.

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<sup>1</sup> An SME Strategy for a sustainable and digital Europe. COM(2020)103 final, 10<sup>th</sup> March 2020.

<sup>2</sup> [See: SME2024: Strengthening Crafts & SMEs for the Future of the European Union, July 2019;](#)  
[SME Strategy Declaration, December 2019](#)

The implementation of this strategy requires a strong commitment and involvement of the European, national, regional and local governments. Moreover, the active involvement of the SME community and companies themselves will be key. SMEUnited together with its national member associations is truly devoted to contribute to the implementation of the SME Strategy. Together we could support growth and prosperity of crafts and SMEs in Europe.

## 2. Capacity-building and support for the transition to sustainability and digitalisation

Capacity building and support for the transition is an important pillar for European SMEs' competitiveness and growth, as we already stated in our SMEUnited' "SME policy agenda for Europe".<sup>3</sup>

SMEUnited warmly welcomes the Commission's insight that "to bring results, the strategy must be driven jointly by EU-level actions and strong commitment by Member States. The **active involvement of the SME community and companies** themselves will be key."

As SMEUnited network is on a daily base close to the SMEs and as their trusted representatives, it goes without saying that all the representative SME organisations should be part of the implementation of the Strategy. However a structured involvement of the representative SME organisations in the Strategy is lacking.

The Strategy develops a very clear picture of the challenges SMEs face: among which transition to sustainable business models/practices, difficult administrative and legal procedures and digitalisation.

Now more than ever it will be crucial to ensure Crafts and SMEs make the digital and green transition in an efficient and effective way. The investment capacity from the majority of SMEs across Europe has been severely hit by the measures taken to contain the pandemic.

SMEUnited appreciates the actions proposed in the SME Strategy (such as digital crash courses, sustainability advisers, etc.) however insists that these might not have the expected impact for a full transformation. We had expected more content and concrete proposals that would increase the rate of digitalisation and sustainability in SMEs. Empowering SMEs in the digital transition and investing in development and deployment of new digital technologies will be an important element in ensuring growth and innovation of SMEs after the COVID 19-crisis.

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<sup>3</sup> [SME2024: Strengthening Crafts & SMEs for the Future of the European Union, July 2019](#)

As in the Industrial Strategy, it is crucial to set out a strategic policy approach to digitalisation as well as greening the economy, with a clear path and action at policy side to be taken.

Moreover, for the implementation of this strategic policy approach, as well as for designing and implementing concrete actions, a multi-level and multi-actor way of working is recommended. This in order to connect new initiatives to existing support for SMEs in their digital and sustainable transition on national, regional and even local level.

For an efficient spending of tax payers' money, it is crucial to map these measures and align with possible actions proposed at European level. It would also be good to **cooperate with the representative SME organisations** to develop and put in place actions and policies to support SMEs, as they have direct and daily contact with Crafts and SMEs and are best placed to promote European measures.

#### SMEs driving the sustainable transition

The energy transition is one of the biggest challenges that SMEs face. Entrepreneurs should be strongly supported in this transition. The Commission should also look closely at the **cumulative impact of new (investment) obligations for SMEs** which stem from e.g. the Green Deal. Even though SMEUnited and its members completely support the green ambition of the European Commission, the new financial and economic situation of many crafts and SMEs should be taken into account whilst drafting new policy measures that affect SMEs. Cause in fact, it is a severe challenge for companies that are in the red to be green.

We welcome the support for Sustainability Advisors and other sustainability services, as they are a useful additional support tool for SMEs that want to make their business more sustainable. We see an important role for SME organisations in supporting SMEs in their sustainable transition, in addition to the EEN network. The Strategy envisages an increased role for the EEN-networks in advising SMEs especially in the sustainable transition. But nothing is said about the role of SME organisations, which goes against the announced principle that to make the Strategy a success the active involvement of the SME community and companies themselves will be key.

This is a fundamental weakness, which should be corrected. In addition the **EEN** should be urgently **fundamentally and structurally reformed**. Indeed, in most of the Member States the Enterprise Europe Network (EEN) does not reach SMEs. This is mainly due to the fact that the Commission does not sufficiently take into account that the organisations representing SMEs are organised differently in the different member States. The EEN is supposed to be an enterprise network, but in most regions the representative SME organisations are not involved and thus it is not possible to build a network between enterprises and enterprise organisations. The EEN should be accessible for all SMEs and it should reflect the diversity of the SME

organisations. It must necessarily be made up of organisations that represent the SMEs and have a daily relationship with them.

Moreover, the Commission is allocating 300 million 2020 to support Green Deal innovation. Not only should additional resources be made available for high potential start-ups and sustainable innovations, also traditional SMEs should be financially supported with additional support for the green transition. As some examples for financing for more sustainability in SMEs we could quote investments in: Upskilling and reskilling of employees; Adapting and/or replacing production processes and developing greener products either spontaneously or as a result of greener and more circular supply chains; Adoption of innovative methodologies to substantiate green claims, such as the upcoming EU Product Environmental Footprint (PEF); Adaptation to climate change to make companies more resilient to extreme sudden weather conditions; Energy efficiency measures to reduce CO2 emissions; Cleaner, renewable forms of energy to be used thanks to micro-generation in order to move away from electricity produced from fossil fuels; ...<sup>4</sup>

### Empowering SMEs to reap the benefits of the Digital Transition.

SMEUnited welcomes the announcement in the Strategy of our request<sup>5</sup> that “**Fair access for all companies to data**, especially SMEs, will be ensured.”

In the context of a further push towards digitalisation, a larger and legally secure access to data for SMEs in B2B relations is becoming more and more urgent. Data offers enormous opportunities for enterprises, consumers, the economy and society. The Covid-19 crisis has shown the importance of digitalisation for our economy and society. The European Digital Strategy should therefore be implemented ambitiously and the digital single market rules should continue to be harmonised. Especially the rules on digital services and free movement of data.

Improving SMEs’ access to data should be a key focus in the implementation of the European Data Strategy. The EU is at the forefront of tackling unfair competition and abuse of market power to improve access to data for SMEs.

It is vital for the digital transition to succeed that the ambition level of the proposals for Digital Europe and Horizon Europe programmes in the next Multiannual Financial Framework would be increased or at least kept to the Commission’s original proposals.

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<sup>4</sup> See the [SMEUnited’ Position Paper on European Climate Law](#), June 2020: and [SMEUnited’ Position Paper on the future EU climate policy](#), May 2020.

<sup>5</sup> See also SMEUnited’ Position Paper: “[Access to data](#)” 9<sup>th</sup> July 2020.

Only 20% of SMEs in the EU are highly digitised in comparison to the 58% of large enterprises. SMEUnited welcomes all initiatives supporting SMEs in taking full advantage of digital innovations and competences. A regional approach, the possibility to test digital solutions before investing, providing digital skills training, support in connecting to ecosystems, networks and funding are positive features of foreseen tasks for the European Digital Innovation Hubs (EDIHs).

However it will be necessary having SME representative organisations in consortia running EDIHs to ensure good outreach to all kinds of SMEs, understanding of their needs regarding services that should be demand-driven and neutral.

The Commission will also examine potential issues with usage rights for **co-generated data**, in particular from the industrial Internet-of-Things, to avoid possible disadvantages for SMEs. Furthermore, it will address **cloud computing** uptake by SMEs, for example through a dedicated marketplace for cloud services ensuring **fair contractual conditions**. Fair contractual conditions for e.g. cloud contracts is since many years a SMEUnited request. We hope that the Commission will soon introduce a concrete proposal as an initiative in this field is more than timely.

#### Leveraging talent and intellectual property.

It is positive that the Strategy acknowledges that SMEs still face challenges in adequately protecting their intellectual property. SMEUnited welcomes the launch of a new Intellectual Property action plan. IP rights have a direct impact on SME's growth tendency, therefore action should next to **awareness raising** be targeted to improving the **concrete skills of SMEs to acquire and enforce IP protection**.

The Commission has rightly included actions related to **skills** in the Strategy, as access to skilled employees is the fundamental cornerstone of every employing SME. The skills shortage is mentioned especially for SMEs, but unfortunately not further developed.

There are measures needed to support businesses, **entrepreneurs**, workers, apprentices and teachers and trainers alike when facing the challenges of the twin transition of digitalisation and a green economy. Green and digital skills should be embedded in all education and training pathways. General education systems need to equip pupils and learners with robust basic skills to allow them for further training and to develop more soft skills, very required on the labour market, to adapt to rapid changes in the world of work. In this context it is important to strengthen tertiary VET or "Higher Vocational Education and Training" as an equally relevant alternative to university studies. The Commission could step up its activities in this field (it is already the case in the new VET recommendation published on 1<sup>st</sup> July). The design and content of continuous VET for upskilling and reskilling of adults must be carried out with the

involvement of the social partners, as those countries with well-functioning social dialogue have more efficient initial and continuous vocational training systems.

The introduction of Digital Crash courses for SME employees is positive. However it will be done by expanding the DIHs. **This should be accompanied by measures to improve skills and training of entrepreneurs**. The Commission should in addition develop a strong policy strategy to enhance further intra-EU and third-country labour mobility. Other instruments in addition to simplified EU-visa scheme should be explored.

Skills development, for employees and unemployed as well as for entrepreneurs, is elementary for safeguarding employment and job creation.

The Commission Communication also dedicates a specific paragraph, in the section on the transition to sustainability and digitisation, to short-term accommodation rental services as a particularly important element in the collaborative economy and the opportunities it creates. In this regard, SMEUnited notes that a significant proportion of small and medium enterprises develop tourism activities, including hotel and non-hotel accommodation. These companies turn their supply to a segment of demand very similar - not to say coincident - with that of the so-called "short rentals". We would like the Commission's actions to not only promote balanced and responsible development, but also ensure that fair competition and the application of the same rules, as well as the public interest, are fully guaranteed.

### 3. Reducing regulatory burden and improving market access.

The European Institutions have to ensure a flexible regulatory environment for SMEs to thrive and should avoid introducing new burdensome legislation. Applying the Better Regulation principles and avoiding gold plating are more important than ever.

SMEUnited warmly welcomes the Commission's "(...) ambition (...) that all future legislation, at European and national levels, is made with the end user in mind."

This is a longstanding SMEUnited request. Unfortunately the way to achieve this is not fully satisfactory: the Commission intend only to use the SME-envoy network to achieve this goal (although in close collaboration with the SME stakeholders). The guarantee that the Think Small First and the "only once" principles will be applied across all policy domains is still missing. While following the better regulation principles is with the ongoing crisis now more important than ever.

The Commission should further strengthen its own internal better regulation processes (Impact Assessments (IAs), SME test) and introduce new better regulation tools. Although the Strategy states that the SME Test is already part of the regular assessment and will continue to be applied to all relevant Commission proposals, this has not proven to be the case. There is still

room for improvement, especially regular monitoring and additional data collection is need to properly assess the application of the SME test. , especially

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. 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 (trialogues) to compare whether the impact of the final legislative text corresponds with the Commission's original goals and IAs.

SMEunited request to create a cross-Directorate-General SME Taskforce to ensure the application of the "Think Small First"- principle. In our view a first step should be that the SME envoy should be in the Regulatory Scrutiny Board to safeguard that the SME test is applied well. The SME envoy will have a dialogue with the Regulatory Scrutiny Board (RSB), but as it seems will not be part of it, although SMEs are the biggest group applying European legislation every day.

### Lifting the barriers through partnerships and policy experimentation

**Regulatory sandboxes** should allow innovative technologies, products and services to be tested in an early stage with a view to European and international developments. However this should only be done in a competition-neutral framework that is designed according to objective criteria if their application is not legally covered (e.g. innovative start-ups, SMEs with new business models, technologies, services or products that are not covered by the existing legal system). In addition close cooperation with the responsible supervisory authority in order to test and adapt the affected model is key. From a certain level of maturity (determined by time or by company size) a transition into the regular legal system should take place.

As major public spending to boost the economy can be expected, SMEunited emphasises again the need to open up **public procurement for SMEs**.

SMEunited asks the European Commission to monitor more closely the application of the provisions, especially as regards the division into lots, the simplification related to qualification 15 Directive 2014/24/EU on public procurement requirements, the avoidance of unnecessary criteria and the aim to contract with the economically most advanced tender. The Commission should also review if further action is needed to ensure SMEs' access to public procurement contracts.

In addition, 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. However, we believe that the announced launch of a SME friendly label has no added value.

Finally, given the tremendous impact of the health crisis on the viability of companies, SMEUnited urges the European Commission not only to support but also to incentivise Member States to implement as fast as possible articles 3 and 4 of the Insolvency Directive. This entails setting up **Early Warning Mechanisms** supporting companies in difficulties to analyse their options and take action to turn into a viable business again.

**Business transfers** are an efficient way of safeguarding employment and creating new growth in SMEs. The SME strategy rightly pinpoints the topic of business transfers and raises up the concern of losing a remarkable amount of jobs in SMEs if the transfers are not taking place. The COVID crisis will certainly also impact the transfer of business. The Commission only intends to support the Member States in “their efforts”.

The Commission should incentive the member states to finally implement the Recommendations dating back to 1994 and 2006. The Strategy should in addition include a concrete action point on how the EU can foster business transfers. It would be useful to do a mapping of the business transfer ecosystems in member states as well as incentivise member states to develop national business transfer action plans.

### Enhancing fairness in B2B relations

In addition to access to finance, **tackling unfair payment** terms and behaviour is vital. Public authorities, companies and consumers paying their invoices on time supports and strengthens Crafts and SMEs’ liquidity. The Commission has announced that it will act only by supporting the Member States through monitoring and enforcement tools. The Commission should also take a zero tolerance approach to enforcement, by stepping up infringement procedures<sup>6</sup>.

The Commission will additionally explore the feasibility of Alternative Dispute Resolution/Mediation. While ADR can offer swifter and lost costly dispute resolution for SMEs, this does not represent a solution for companies suffering from unfair payment terms and behaviour. More needs to be done. 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

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<sup>6</sup> See Case C-122/18 Commission v. Italy.



unfair” payment terms. Specific situations in certain value chains can justify for a derogation and the use of a shorter or longer payment term but only in explicit agreement with the sector.<sup>7</sup>

### Harnessing benefits of global markets: European SMEs need open trade policy to recover from the crisis, not a protectionist one.

The Commission rightly points out that SMEs benefit more from rules-based trade than large companies, which have more resources for overcoming trade barriers. Therefore, it is important to support open trade policy that relies on fair rules and cooperation. A renewed view on trade policy must focus on SMEs and help them to secure and rebuild their value chain and support them to be less dependent on third-country companies. The European Commission is working on the concept of open strategic autonomy. The challenge is to combine open trade and a new reality which requires more strategic autonomy. The concept should be elaborated in a way which avoids protectionism and takes into account the interest of SMEs. Moreover, the recovery depends on an open trade policy that relies on cooperation. It should be based on fair rules and reciprocity and the respect of WTO rules. Also, concrete awareness raising and support tools are needed to enhance SMEs access to third country markets.

The announcement that the Commission will launch a new information portal on information on customs procedures and formalities is welcomed. It is positive that the Strategy tasks EU Delegations in countries with which the EU concluded an FTA to provide support to SMEs by addressing queries on practical difficulties of them linked to the implementation of FTAs. SMEUnited welcomes also the renewed commitment of the Commission to continue to conclude dedicated SME chapters in all its trade agreements with dedicated measures to help SMEs.

In order to increase the number of exporting SMEs, they need detailed and easily accessible information on the content of all the FTAs. However we regret, once again the complete absence of structural cooperation and involvement of the representative SME organisations in the implementation and promotion of the announced measures.

## 4. Improving access to financing

It will be no surprise that the COVID-19 pandemic and especially the measures taken to contain the spread of the virus have had a dramatic impact on SMEs across Europe. 90% of SMEs indicate that they have experienced a negative economic impact via decreased revenues. Liquidity and meanwhile also solvability of companies has had a serious blow.

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<sup>7</sup> See SMEUnited "[SME2024: Strengthening Crafts & SMEs for the Future of the European Union](#)" July 2019.

To ensure Crafts and SMEs regain the necessary liquidity to conduct their business and ensure employment, it will be crucial to **ensure access to finance**. Measures taken at European level have certainly been supportive, although in some Member States getting the money to SMEs has shown to be challenging. The proposals made on 27<sup>th</sup> May should support solvability in the longer term.

**Adequate access to liquidity** is vital for SMEs during the crisis, but also in the subsequent recovery phase. As mentioned before, addressing payment terms is a good way to improve liquidity access. It is also necessary to examine whether the EIB's guarantees are sufficient to meet SMEs' actual needs. Accelerated and simplified procedures should ensure that entrepreneurs obtain financial support more quickly.

A lack of access to diverse SME financing is preventing companies from growing and exploring new markets. More investment opportunities in the European Capital Market Union would help finance sustainable growth of innovative start-ups and SMEs. This requires significant simplification of the manner in which SMEs can gain access to public markets.

SMEUnited welcomes that SMEs are at the heart of the Recovery Strategy and agrees that the recovery should be used to strengthen Europe's economic and political competitiveness and contribute to make European SMEs more digital and greener. The SME Strategy should become part of the Recovery Strategy. Several programmes suggested as part of the European Recovery Fund have the substance to provide SMEs with the needed instruments, such as the new Solvency Instrument. The Recovery Fund also unlocks additional resources for the Rural Development Fund and Cohesion Policy.

In general SMEUnited insists that emergency measures taken, such as support for liquidity (e.g. delay in payment for social contributions and taxes, loan guarantees, etc), short time work schemes, income support and re-establishment of the Single Market, should be continued as long as necessary.

Moreover, in a solid Recovery plan for SMEs the SME Strategy is the basis. A well-developed policy to enhance the twin transition for SMEs should be accompanied with a strong rural and urban development agenda and innovation policy.

It has also to be ensured that **European funding** intended to support SMEs must be allocated **exclusively to SMEs**, including traditional SMEs.

## 5. Governance: an EU-Member State partnership for delivery

The inclusion of the SME Strategy in the European Semester should ensure a thorough follow up and improve implementation of the SME Strategy at all levels. It would also serve as an indicator for the necessity of a regular review of the Strategy.

The introduction of a so-called high level EU SME Envoy can contribute that European regulation remains manageable. This will however only be possible if the EU SME Envoy has sufficient political competence and authority to guarantee SME-friendly policies.

SMEunited emphasises that the active contribution of SME organisations to the development, implementation and monitoring of measures is crucial to respond to the real needs of Crafts and SMEs.

A structured and continuous dialogue with both European and national trade associations needs to be set up, so as to provide at EU level a contribution based on practical and real experiences, as close as possible to SMEs. The national SME envoys need to cooperate and consult regularly and timely with their national SME organisations.

Hence, we call on European and national institutions to respect the consultation processes, especially the Social Dialogue.

Finally, we welcome that the Commission will use the current SME Definition as a key tool to target the enterprises most in need.

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