

Restoring confidence for a new start

UEAPME priorities
for the Swedish Presidency

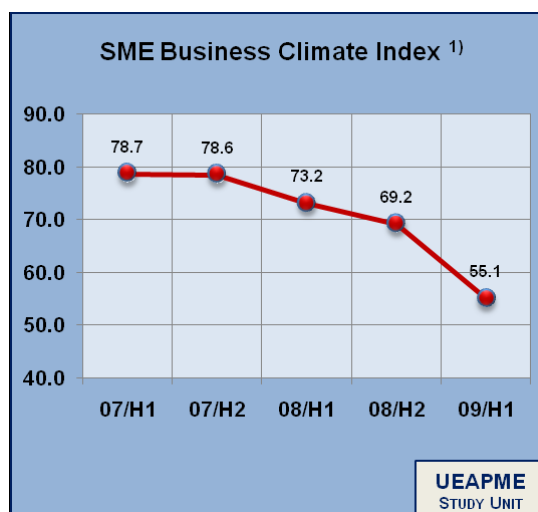
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INTRODUCTION

European enterprises are deeply affected by the current financial and economic crisis. Therefore, policies that aim to master these crises and to support a recovery of Europe's economy must be and will be at the centre stage of the incoming Swedish Presidency of the European Union. It is evident that such a recovery cannot happen without strengthening the SME sector.

The recently published "European Craft and SME Barometer" demonstrates that the current crisis is to a large extent a trust crisis due to lack of confidence in the financial system, the further economic development and also in the policies put in place.



With the European Small Business Act (SBA) the European Institutions have finally recognised Crafts' and SMEs' central role, but this will only have positive effects on SMEs if the commitments made with the SBA are fulfilled at European, national and local level. The Swedish Presidency will have the chance to shape this policy – but to do so, it will have to tackle the real needs of European Crafts and SMEs.

In this document, UEAPME wishes to summarise the most important policy actions that are needed to allow SMEs to master the current crisis and to fully use their potential for growth, job creation and innovation. All these actions should be undertaken after engaging in a close dialogue with representative organisations of SMEs, micro and craft enterprises. These rules and priorities should follow the "horizontal subsidiarity" principle, by which policymakers at all level – EU, Member States, regions, local authorities – must work with representative economic and social actors when taking measures in their policy field.

At the same time, we invite the incoming Swedish Presidency to do its utmost to continue the quite successful crisis management by the current Czech presidency and to start the economic recovery process in Europe.

In order to master the current economic crisis, European crafts and SMEs call on the Swedish Presidency to:

- **Help SMEs to survive the credit crunch and provide support for an economic recovery**
- **Support SMEs in their efforts to maintain as many people as possible at work**
- **Provide SMEs with space to breathe and promote entrepreneurship**
- **Protect SMEs against unnecessary burdens**

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HELP SMEs TO SURVIVE THE CREDIT CRUNCH AND PROVIDE SUPPORT FOR AN ECONOMIC RECOVERY

The current and ongoing financial turmoil has significant negative effects on access to finance for SMEs. Credits and loans are not obtainable or only available under unacceptable conditions as regards price and collaterals. SMEs, which are not responsible for this crisis, must not pay the price for the difficult financial situation. Everything must be done to avoid a decrease of economic activity (investments, production and consumption) because of a lack of finance.

Therefore, UEAPME calls on the Swedish Presidency to help in re-stabilising financial markets by:

- *Ensuring that any public support for banks is given in favour of their customers and not in favour of their shareholders;*
- *Ensuring that the financial markets are better targeted to real economy than to financial speculations;*
- *Reregulating financial markets, also with the aim to avoid pro-cyclical effects coming from IFRS and Basel II;*
- *Including deposits from small enterprises in deposit guarantee schemes.*

The financial crisis has already triggered significant negative effects on the real economy and Europe will be in a recession at least for this year. Discussions about the right policy reply will dominate both the EP election campaign and the incoming Swedish Presidency.

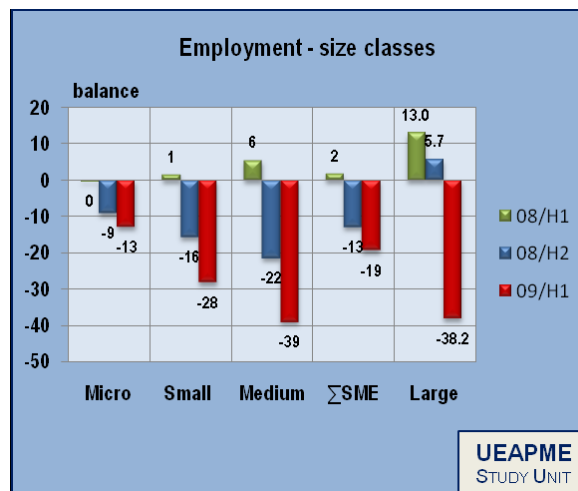
The recovery must be supported by policies which aim to bring back confidence to all economic actors and to stabilise economic demand, without endangering fiscal stability in the long run. The SME sector represents not only 99.8% of all enterprises, 67,1% of employment and 57.6% of added value, but was also the most dynamic part of Europe's economy during the last years as regards growth, job creation and innovation. Consequently, Crafts and SMEs have to – and will – play an important role if Europe wants to master the economic crisis.

Therefore, UEAPME calls on the Swedish Presidency to contribute to a policy mix, which:

- *Uses the extended possibilities offered by the new State aid regulations to support SMEs with public support programmes (namely guarantee schemes, including guarantees for working capital);*
- *Lets the in-built automatic stabilisers work;*
- *Uses the possibilities provided by the Stability and Growth Pact to increase public investments without endangering the long term targets for budgetary consolidation;*
- *Stimulates additional private demand by setting the right incentives, i.e for. energy saving investments in private houses;*
- *Avoids the bailout of industries which are experiencing structural problems or facing overcapacity;*
- *Stimulates public and private demand by investments in infrastructure (research, training, ITC, transport) also via Public-Private Partnerships (PPPs).*

SUPPORT SMEs IN THEIR EFFORTS TO MAINTAIN AS MANY PEOPLE AS POSSIBLE AT WORK

Our recent “European Craft and SME Barometer” demonstrates that smaller businesses have been so far more reluctant to lay off workers compared to larger enterprises. However, small enterprises have specific problems as regards labour market regulations, access to social benefit systems and access to training, which they cannot solve alone.



Therefore, UEAPME calls on the Swedish Presidency to support employment in SMEs by:

- Taking appropriate measures within the ESF and EGF at all levels so that SMEs can effectively benefit from adapted short time working arrangements combined with effective retraining and re-skilling measures for maintaining as many as possible people at work and facilitating transitions of persons becoming unemployed during the current crisis;
- Promoting the occupational and geographical mobility of workers and notably the mobility of young people in vocational education and training in alternating training schemes such as apprentices;
- Ensuring equal treatment between SMEs and larger companies when it comes to real access to employment measures, fiscal incentives, flexicurity measures, social plans designed in recovery plans.

PROVIDE SMEs WITH SPACE TO BREATHE AND PROMOTE ENTREPRENEURSHIP

Craft and SMEs can only use their full potential for growth and job creation if the remaining barriers to markets are removed. The European Small Business Act provides the principles for an effective policy in line with the needs of small enterprises and an encompassing catalogue of concrete measures to be taken at all levels to improve the business environment and to give SMEs enough space to breathe. It will be also up to the Swedish Presidency to ensure that these intentions become actions in the next months.

A key contribution for achieving an SME-friendly environment is a change in the perception of the role of entrepreneurs and risk-taking: entrepreneurship and the associated willingness to take risk should be applauded by political leaders and the media, and supported by administrations. This means at least respecting the voluntary nature of Corporate Social Responsibility for instance.

Therefore, UEAPME calls on the Swedish Presidency to act to fulfil the commitments made in the framework of the Small Business Act and to implement the announced principles and actions – the sooner, the better:

- *Legislation and programme planning at all levels must respect the “Think Small First” principle if they have any effect on small enterprises. This means that rules must respect the majority of those who will use them. This includes independent, specific and rigorous impact assessments for small enterprises, systematic consultation of representative Craft and SME associations, the proportionality principle and the “only once” principle.*
- *The cooperation between the three Institutions must be improved. Therefore UEAPME calls on the Swedish presidency to work on an inter-institutional agreement (IIA) between the European Parliament, the European Commission and the Council to put into practice the policy principles of the SBA. The European institutions will not be credible towards Member States unless they start committing themselves to the SBA principles.*
- *Business transfers must be made easier via new financial products (i.e. mezzanine instruments), consultative services and favourable tax provisions.*
- *The participation of SMEs in public procurement procedures must be facilitated, based on the code of conduct and on the best practices published with the Small Business Act.*
- *Tax systems must be reformed to make investments more attractive and to strengthen private consumption.*
- *The very much welcomed political agreement on reduced VAT rates for labour intensive services, which is an effective measure to fight undeclared work, must come into force as soon as possible in all the sectors concerned.*
- *Internal market barriers resulting from 27 different tax systems, which are prohibitive for small enterprises, must be removed by a common tax base or by mutual recognition of the home tax system.*
- *The existing rules on late payments must become more effective and include also business-to-consumer relations, in order to improve the financial situation of SMEs.*

Crafts and SMEs will only be able to lead Europe's economy out of the current crisis if their capacity to survive, grow, innovate and create new jobs is enhanced.

Therefore, UEAPME calls on the Swedish Presidency to increase the competitiveness of the Craft and SME sector by:

- *Making progress on a Community Patent and an EU-wide jurisdictional system for patents;*
- *Making European financial means, the EGF and the structural funds notably the ESF really accessible to SMEs for further investments including training;*
- *Tapping into the unused potential of women entrepreneurs by creating an environment suitable to an increase in women's entrepreneurship;*
- *Strengthening the implementation of the Environment Compliance Action Programme (ECAP) in close cooperation with SME organisations;*
- *Considering misleading company directories as serious fraud and as a priority by public prosecutors. Therefore UEAPME calls on the Swedish presidency to initiate the strengthening of the administrative and jurisdictional cooperation among Member States in this file.*

PROTECT SMEs AGAINST UNNECESSARY BURDENS

Even if the European Commission is implementing since two years a better legislation and simplification programme, which aims to reduce administrative burdens coming from EU regulations by 25% until 2012, small enterprises have not witnessed concrete improvements so far. This programme will only be successful if all European Institutions and the Member States increase their implementation efforts and if other burdens will not be created in the meantime. The actual standards in the fields of environment, health and safety, consumer protection and others create too often high administrative burdens and compliance costs, especially for smaller companies. Such burdens and costs should be reduced by simplifying procedures and recurring to exemptions only when appropriate and after an independent; specific and rigorous impact assessment.

Therefore, the proportionality principle should be applied as a basic rule whenever SME policy is concerned. This principle means that SMEs should be treated differently according to the level of dangerousness and risks they may impact.

The needs and particularities of SMEs have to be taken compulsorily into account in all relevant policies, programmes and negotiations at EU and national level. Furthermore, the current economic downturn must lead to a review of all pending legislation that may put further – and unnecessary – burdens on small enterprises. Policy projects that were started in good economic times must therefore be re-assessed and checked against the new reality.

Therefore, UEAPME calls on the Swedish Presidency to start a process to review and reassess the following pending pieces of legislation, which may be especially burdensome for SMEs:

- *The new proposal for a Directive on Consumer Rights: UEAPME supports the full harmonisation approach but calls for more balanced regulations towards SMEs within the new directive, especially for the introduction of the producers' direct liability and for a shorter withdrawal period;*
- *The recast of the Eco-design Directive so that it only applies to products made in series;*
- *The revision of the EMAS Regulation with stronger SME-friendly provisions and less red tape;*
- *The revision of the Eco-Label Regulation with less costs and more brand value for SMEs;*
- *The new rules on Green Public Procurement (GPP) to avoid complex and costly audit systems or certification measures;*
- *The recast of the Energy Performance of Buildings Directive;*
- *The Renewable Energies Directive without additional rules on professional qualifications;*
- *The Construction Products Regulation with simplified procedures for small and non-series products;*
- *The new proposal for a directive on non discrimination outside the labour market, which is better dealt with through non-binding and supportive measures;*
- *The revision of the Maternity Leave Directive: UEAPME does not see any need to increase the duration of maternity leave and disagrees with the increase of payment allowances, taking into account the changes made by the European Social Partners in the Parental Leave directive;*
- *The adoption of the Working Time Directive currently under revision, which provides sufficient flexibility in the calculation of working time arrangements and at the same time the necessary legal security for SMEs without unbearable costs in the case of "on call time";*
- *The revision of the Eurovignette Directive on heavy goods vehicles, which might trigger a further increase in transport costs without achieving the desired environmental improvements.*