



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES
EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL'ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

European Policy for Crafts and SMEs: Now it's time for concrete actions

UEAPME's SME policy message to the European Council

European Council - Spring 2006

Brussels, March 9, 2006

European policy for Crafts and SMEs: Now it's time for concrete actions

UEAPME's SME policy proposals for the EU Spring Summit 2006

Introduction

UEAPME welcomes the announcement of the Austrian Presidency to focus on SME policy at the European Spring Summit. Crafts and SMEs count for more than 99% of all companies in Europe and employ 2/3 of the total labour force. Europe cannot achieve its competitiveness and innovation targets without dynamic SMEs. Both, Council President Schüssel and Commission President Barosso are not missing any opportunity to underline the importance of Crafts and SMEs and their crucial role of growth and employment.

Unfortunately, this political rhetoric is rarely followed by concrete decisions and actions, which would unleash the potential of SMEs. Therefore, it will be the real litmus test for Europe; is Europe able to deliver more than nice words?

The European Spring Summit 2006 will take place in a very crucial time for small business. The final negotiations on the financial perspectives will prove, if Europe is willing to provide sufficient money at European level to support all kind of SMEs and not only to a small number of innovative start-ups. Furthermore, the up-coming programmes (CIP, FP7, life-long-learning, structural and social funds, etc.) will build the framework for the European policy during the next years.

If Europe really wants to strengthen the dynamic and the competitiveness of its Craft and SME sector, real decisions have to be made during the next months and the upcoming European Summit must spur the way to these decisions.

With this SME policy proposal, UEAPME wants to provide a list of the most important and the most urgent policy decisions, which have to be taken by the European Council, the Member States and the Commission, if the promises to SMEs, and especially to small and micro businesses, should become a reality.

1. Financial Perspectives: Give priority to Europe's Future

The financial provisions for strengthening competitiveness and innovation within the new financial perspectives for the EU (2007-2013) are not sufficient to fulfil the political commitments made by the Heads of Government in the framework of the Lisbon Strategy.

Recognising existing budget restrains, UEAPME asks the European Council and the Member States:

- to use any flexibility within the overall budget **to avoid drastic cuts** in the most important programmes for SMEs, like CIP, FP 7 and the integrated Life-Long-Learning Programme, during the **ongoing negotiations** with Commission and Parliament,
- to ensure the use of financial means from the structural funds to co-finance programmes for **innovative SMEs, start-ups and business transfers (i.e. via the European Investment Funds - JEREMIE) – (ongoing negotiations)**,

- to strengthen the **innovation targets within the regional and rural programmes** and to open these programmes effectively for small companies – (**ongoing negotiations**),
- to **increase the facilities for the European Investment Bank** in order to enlarge its capacity to support economic growth and innovation – (**ongoing negotiations**).

2. SMEs need the finalisation and a deepening of the Internal Market

For SMEs, especially in the service sector, the Internal Market is still not a reality. High administrative burdens for cross-border operations and missing European standards hinder small enterprises to profit from a larger market. Lower growth rates and missed employment opportunities are the result.

UEAPME asks the European Council and the European Commission:

- to find a final solution for the **services directive before Summer 2006**, which is in line with the outcome of the first reading in the European Parliament and will reduced unnecessary administrative burdens effectively and provides a balance between open markets and fair social, environmental and quality standards;
- to present a new proposal for a **European Patent before the End of 2006**, which can be adopted in the **year 2007**. Such a proposal must focus on the need of the business sector (i.e. reduced fees for SMEs, patent litigation insurance system) instead of national egoism;
- to increase to pressure on the banking industry to create a **Single Euro Payment Area (SEPA) by 2008**;

3. Taxation is still a main barrier to internal market

SMEs in Europe have to face 25 different taxation systems, which cause prohibitive compliance costs and create serious barriers to the internal market. Compliance costs for small companies are up to 200 times higher than for large enterprises.

UEAPME asks the European Council and the Member States:

- to adopt the proposal on a “**One-Stop-Shop**” for VAT compliance **before Summer 2006**,
- to prove an implementation of a pilot project on **Home State Taxation for SMEs** in close cooperation with national Crafts and SME associations, **till June 2006**,
- to use the possibility of **reduced VAT rates for labour intensive services** as an instrument to fight undeclared work; deadline for applying is **End of March 2006**.

4. Innovation policy has to recognise the specific situation of Crafts and SMEs

Innovation policy in Europe has been focusing so far nearly exclusively on R&D and the High-Tech sector and missed the reality of the majority of innovative SMEs. For them, innovation is a permanent process, and they are not engaged in research as officially defined. Even the European Commission used a wider definition of innovation in its latest communications, including also non-technical innovation and all economic sectors, the new approach has to be implemented in different policy areas in order to become effective for SMEs.

UEAPME asks the European Council, the European Commission and the Member States:

- to support the **access for SMEs to existing technologies** by the support of technology transfer via technology centres and incubators – **national reform programmes**;
- to allow the **support of intermediaries, such as clusters and networks**, within the new guidelines for state aid, which have to be adopted by **Summer 2006**;
- to ensure that the CIP will be able to provide the means for an **effective participation of SMEs in the European and International Standardisation Process – ongoing negotiations**.

5. European State Aid regulation should better target the real needs of SMEs

The European Commission announced in its State Aid Action Plan different reforms, which aim at less and better targeted aid and more economic reasoning for aid. Both were welcomed by the SMEs, which want to see now concrete proposals.

UEAPME asks the European Council to demand the European Commission:

- to increase the thresholds for the “**De Minimis Regulation**” from € 100.000 to € 200.000 by the **End of 2006**,
- to draw the new **R&D and Innovation Guidelines before Summer 2006** in line with the specific needs of SMEs regarding Innovation and to allow state aid for examples to intermediaries, for producing prototypes, to finance start-ups by venture capital or loans, etc.
- to include **guarantee schemes for credit and loans**, especially for start-ups, business transfers and innovative projects into the new SME block exemption by the **End of 2006**.

6. SMEs need public support to get sufficient access to finance

The European finance market is not able to finance SMEs in a sufficient way. Market failures in the risk capital and the credit and loan market hinder SMEs, especially start-ups, business transfers and innovative companies, to get the necessary financial means. Both result in lower economic growth and less employment in Europe. Due to their high leverage and multiplier effects, risk sharing models (i.e. mutual and public guarantee schemes) have to be proven as the most effective instruments to compensate for such market failures.

UEAPME asks the European Council, the European Commission and the Member States:

- to provide sufficient **financial means for risk sharing instruments** within the CIP programme and similar instruments managed by the EIF (i.e. JEREMIE), but also with national resources, where necessary – **ongoing negotiations**;
- to make risk sharing models (guarantee schemes) in the fields of credit and loan financing as well as risk capital financing **eligible for state aid** within the upcoming block exemptions for SME and for risk capital – **before Summer 2006**;
- to implement the new **capital requirement directive** (Basel II) as transparent as possible for SMEs (rating procedures) and to provide the necessary supports services to make SMEs able to deal with the new situation – **End 2006**.

7. Flexicurity – the key to modernise labour markets

The increasing demand for flexibility both from employers, especially in the service sector, and from employees to conciliate family and working life, need a better balance with the expectations from the market participants regarding security. Security has to be seen as precondition for a positive approach towards flexibility.

UEAPME asks the European Council and the European Commission:

- to agree on a **working time directive**, which includes the necessary flexibility for companies as regards the reference period, on-call time and opt-out clause **before Summer 2006**;
- to support economic change by promoting a concept of “employment security” instead of “job security” and by encouraging social partners on all levels to find **solutions for increasing the demand for new jobs**;
- to provide the necessary means to **make life long learning a reality** for all (employees and entrepreneurs);
- to improve the **recognition and valorisation of alternating training like apprenticeship** as an important tool for developing skills and competences in crafts and small enterprises;
- to improve the **accessibility of the Leonardo da Vinci programme 2006-2013** for apprentices through specific measures (i.e. accompanying measures for the companies; support to individual mobility).

8. Environmental policy should be based on the “think small first” approach and real mutual integration with other policy should take place

Many micro and small business in the EU still do not have a sufficient environmental policy in place. The activities of the EU in the environmental field should always take account of this reality. Moreover, integration of economic, social and environmental considerations should always take place on a mutual basis to be productive and achieve all its potentialities.

UEAPME asks the Council and the Member States:

- To make sure that the European Commission presents a **Compliance Assistance Programme for SMEs in the environment** according to VI Environmental Action Programme **by summer 2006 at the latest**;
- **To adopt** before the end of a year **a framework to allow SMEs to profit much more of eco-efficient innovation** as a way to increase their competitiveness and to strengthen their potential to produce positive environmental impacts. This framework should take as a basis the proposals made in the report of the **Eminent Persons Group set up in the Competitive, Clever and Clean Europe (CCCE) partnership**;
- To make sure that **the approval of the REACH Regulation** (very likely to happen before the end of 2006) **will guarantee the competitiveness of both SMEs operating in the chemical sector as well as using chemicals to manufacture their own products**, particularly downstream user formulators;

9. Better regulation – much promised and very little delivered

Small enterprises are much more affected by unnecessary administrative burdens and high compliance costs than large companies. SME are waiting urgently for an implementation of the many promises made by the European Commission and the Member States.

UEAPME asks the European Council, the European Commission and the Member States:

- to ensure **independent business impact assessments**, including a specific target towards small enterprises, of all legislative and regulative proposals from the European Commission **by End 2006**;
- to deliver on the most important **simplification projects** affecting small enterprises **till end 2006**;
- to ensure that the Member States implement all directives at time;
- to convince the national and regional governments and legislators to start there own **simplification project targeting** regulation, where “**gold-plating**” has happened by implementing European law.

10. Better governance is key to improve SME policy in Europe

Most of policy actors at national and European level do not know enough about the reality in small enterprises and their real needs. Better involvement of representative Craft and SME associations at all level is a precondition to improve the quality of SME policy in Europe. Strengthening associations of small enterprises is also one to the key elements of the European Charter for Small Enterprises (2000), which is still not sufficient implemented by the Member States.

UEAPME asks, in line with the European Charter for Small Enterprises, the European Council, the European Commission and the Member States:

- to provide the necessary condition for the development of **strong and representative Craft and SME associations**, especially in the new Member States and the candidate countries;
- to **involve representative Craft and SME association** as important stakeholders in the decision making process at all levels;
- to facilitate the **bipartite social dialogue** on sectoral and national level and to deepen the **tripartite concertation** on national and European level and to ensure an independent representation of SMEs in these dialogues.

UEAPME asks the Heads of Government to use the European Spring Council and the different preparatory Council formation (Competitiveness, ECOFIN, Employment) for concrete decisions of the most important SME policy dossiers. Europe’s SMEs need these policy actions in order to be able to realise the growth and employment potential of the largest and most dynamic economic sector within Europe.

For further information on this position paper, contact:

Gerhard Huemer, Director, Economic and Fiscal Policy
UEAPME,
Rue Jacques de Lalaing, 4,
B-1040 Brussels.
Tel: +32 2 2307599
E-mail: g.huemer@ueapme.com



UEAPME is the employer's organisation representing the interests of crafts, trades and SMEs from the EU and accession countries at European level.

UEAPME has 78 member organisations, which represent crafts and SMEs across the whole of Europe, covering over 11 million enterprises with nearly 50 million employees.

UEAPME is a European Social Partner.