



INT/898
SME strategy

OPINION

European Economic and Social Committee

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – An SME Strategy for a sustainable and digital Europe

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1. **Conclusions and recommendations**

- 1.1 The EESC welcomes the eagerly awaited and necessary SME Strategy. It appreciates the strategy's comprehensive and systematic approach and commends the fact that it takes stock of existing tools, instruments and measures that have proven to be useful, and further improves and positions them as a part of a common, well-coordinated framework. The EESC calls upon the European Commission (EC) to implement the strategy by adopting a coherent, integrated and cross-cutting approach, placing SMEs at the heart of all key political decisions, such as the Green Deal, the Industrial Strategy and when shaping the EU budget and empowering the Recovery Plan for Europe.
- 1.2 The EESC is committed to contributing to delivering the strategy promptly for SMEs and advocates applying multi-level governance; at EU level, a Cross-Directorate-General SME Taskforce has to ensure that:
- the "Think Small First" principle is applied in all policy areas impacting SMEs, and especially for the Recovery Plan for Europe, the Invest EU Programme, the Solvency Support Instrument and the European Green Deal Investment Plan;
 - the implementation of the "Next Generation SME Strategy" and the Small Business Act is properly carried out and evaluated within the European Semester exercise and the SME scoreboard that has been created;
 - the Member States (MS) strongly commit to implementing the SME Strategy, since many EU policies have failed due to negative reactions, inaction or evasion, including gold-plating, at national level; here, a special attention has to be given to the position of women in this business environment;
 - organisations representing SMEs and social partners have a central and greater role and can make constructive contributions, as this is somewhat lacking in the EC's current proposal;
 - the concept of ecosystems as priority areas for funding is only introduced after thorough consultations with the organisations representing SMEs at EU, national and regional level to guarantee that it properly reflects the actual situation of SMEs, as it seems to be too bold a step.
- 1.3 While taking note of the fact that the proposal was released prior to the outbreak of COVID-19, the EESC asks the EC to draw up a "Next Generation SME Strategy", which must take stock of the SME supporting measures in the Recovery Plan for Europe to help them to mitigate the negative effects of the lockdown, social distancing and health security measures on their business and to recover quickly. The EESC welcomes the creation of a Recovery and Resilience Instrument linked to the EU budget, but would like to see a real guarantee that it will reach all SMEs in need by providing tailored support measures. This requires a more comprehensive policy review and more precise and specific proposals on how to boost digitalisation, innovation and sustainability in SMEs.
- 1.4 The "Next Generation SME Strategy" will need a strong implementation framework and policy coherence. The EESC suggests that a Multiannual Implementation Roadmap be agreed between the EC, the Council, the EP, the consultative bodies and the EU agencies, with specific milestone indicators and a timeline for action targets for the short, medium and long term.

1.5 The EESC calls for SME organisations to be given more ownership in the SME Strategy implementation process, including by devoting EU programme providing SME organisations and social partners with capacity building and support for joint actions to act as a one-stop-shop for information and technical assistance, involving them closely in designating and shadowing the SME Envoys, and by adopting a monitoring system to measure the effectiveness of the envoys. In order for the Enterprise Europe Network (EEN) to play a greater role in advising SMEs, as envisaged by the EC – especially regarding the sustainable transition – the EEN must be fundamentally reformed, as in most of the MS, the EEN does not reach SMEs and certainly not craft companies. The EESC believes that the progress of implementation and the effectiveness of the strategy must be regularly monitored, assessed and scrutinised by a specially designated Independent EU Observatory with a view to promptly developing and proposing corrective measures whenever necessary.

2. General comments and a forward-looking approach

2.1 The EESC asks the EC and the MS to strongly consider widening the scope – and ensuring the effective delivery of – the measures for promoting SMEs' competitiveness and innovative capacity, and for helping them improve their multi-factor productivity, as well as supporting their routine business operations. While acknowledging the importance of innovation and digitalisation, the EESC points out that the vast majority of SMEs in the EU badly need support to modernise their technology, deal with HR issues and improve business performance.

2.2 The EESC greatly appreciates the EC's intention to implement measures targeting the specific needs of all the SME subgroups, e.g. value-generating, micro-, small, public, family and traditional companies as well as those operating in remote areas, the self-employed and craft companies, and also social economy SMEs, as closely matching their specific needs is a key success factor.

2.3 All SME-focused components within the European Recovery Fund need to be systematically monitored to guarantee their ability to provide SMEs with the necessary support, such as the new Solvency Instrument.

2.4 The EESC calls on the EC to draw up a realistic Multiannual Implementation Roadmap, clearly outlining appropriate resources and measures, consultations and joint action with the social partners, an independent progress report, monitoring and impact assessment mechanisms. For the digital transition to succeed, it is vital that the ambitious proposals for the Digital Europe and Horizon Europe programmes in the next Multiannual Financial Framework be better targeted to SMEs and provide for a fairer geographical outreach. The EESC stresses the importance of efficiently channelling SME funding and support measures to micro companies, including traditional businesses.

3. Pillar 1

3.1 The EESC praises the recognition of the need to tailor the support measures to SMEs to help them thrive in a climate-neutral, resource-efficient, digitally proficient and agile manner.

Sustainability advisers and digital volunteers can help SMEs become digitally fluent, update their technology, prepare for a successful transition to sustainability and identify resource-efficient, climate-neutral solutions. Their role and responsibilities must be facilitated and enhanced by EU, national and regional SME organisations.

- 3.2 The EESC appreciates the special role that social partners are expected to play and hopes that the partnership principle will be further strengthened and MS will apply it more effectively. EU, national and local SME organisations have a key role to play in helping SMEs become aware of and understand the SME policy support measures, especially those SMEs – representing the vast majority – that are traditional and/or micro-companies and/or are operating in remote and rural areas, and need to catch up with the rapid pace of the digital revolution. The EESC is ready to land its support in making these organisations and social partners part of a network for collecting and exchanging best practices and ideas for support measures and specific social conciliation, within the framework of social dialogue.
- 3.3 The EESC welcomes the broad assortment of mechanisms for facilitating SMEs' transitions towards sustainability/circularity and their respective compliance with legislation. The Committee stresses the importance of swiftly implementing the Circular Economy Action Plan (CEAP) and introducing an ambitious carbon price floor, as well as the carbon border adjustment mechanism. The EESC underlines the Just Transition Mechanism's ability to support the rise of the new economy and recommends that, where necessary, social and support measures be taken to prevent the crisis and the transition to a low-carbon circular economy from harming the weakest, including support for the private sector, when negative effects are felt, and especially for SMEs. To encourage SMEs to become greener, their potential for radical and disruptive innovations must be stimulated so as to bring forward the green transition. With the right in-kind and legislative support, SMEs will be able to capitalise on innovative and sustainable practices more quickly than larger firms.
- 3.4 An effective Intellectual property rights (IPR) policy is key to the success of innovative businesses, in particular SMEs and start-ups. IPR, including patents, trademarks, copyright and other knowledge-based assets, need to become an integral part of many SMEs' business strategies. Businesses need a solid and reliable IPR framework that is fit for the digital age. The single EU patent system should rapidly become operational, so as to provide legal certainty and allow SMEs to develop and protect their inventions at a reasonable cost and with reduced administrative burdens. A collaborative approach between the EC, the MS and the European Patent Office (EPO) to expand patent application services, including financial support, to improve SMEs' access to justice in the event of patent infringement, notably through a "before-the-event" insurance scheme, and to redesign the EPO appeals process, would be essential to further strengthen the development and protection of SMEs' know-how.
- 3.5 Entrepreneurship is the driving force behind SMEs. The EESC asks the EC to concentrate more on promoting, enhancing and cultivating entrepreneurial initiative, an entrepreneurial mindset and an informed approach to risk-taking, as well as providing a more positive image of entrepreneurs in financial distress. As important as it is, it is not enough to just focus on entrepreneurial education and training, at all levels of learning, but on upgrading the societal appreciation of the role of entrepreneurs, including by promoting good examples and

showcasing role models. Upskilling and training of entrepreneurs should be promoted. The strategy could set out measures for further enhancing intra-EU and third-country labour mobility, and explore instruments in addition to the simplified EU visa scheme. The EC, together with the MS, must provide SMEs with infrastructure for innovation, i.e. laboratories, ICT facilities, office buildings, and legal and intellectual-property (IP) support, which, at adequate levels, would substantially lower the threshold for start-ups and open up the field for part-time entrepreneurs. The EC could also incentivise government agencies to provide environments where SMEs can test their prototypes, thereby facilitating the financing of innovative SMEs by reducing the technical risk for investors. Developing effective skills intelligence by influencing schools' curricula is also key.

- 3.6 Human resources are a key determinant of competitiveness, especially for SMEs, which usually have fewer organisational, managerial and financial tools to attract, motivate and retain qualified staff. Therefore, the EESC stresses the importance of helping SMEs recruit experienced and skilled staff, including by financial means, and expects this to be a key part of the dedicated SME component of the future Pact for Skills. The EESC supports the shared responsibility for up/reskilling of workforce with governments, employers, regions and individuals. Vocational education and training (VET) needs to become a first-class option, together with promoting tertiary education to support the labour market transition. It is important that curricula are oriented around learning outcomes as this will help to foster timely and effective transitions.
- 3.7 Improving SMEs' digital capacity is vital. This must begin with the least-prepared SME groups, e.g. micro-companies and very traditional businesses with limited or no experience in digitalisation. They must be the targets of digital crash courses aimed at both SME entrepreneurs and employees and their needs must be further addressed when shaping the Digital Innovation Hubs (DIH), so as to allow them to upgrade and improve their professional skills and become proficient users of technology. DIH should be properly equipped to help SMEs carry out risk assessments and should efficiently protect data. The EESC supports the announced European strategy for data, aimed at making data more widely accessible and enabling data flows between businesses and governments. The free movement of data must be ensured. Business-to-business data sharing should be encouraged to improve cooperation within value chains and provide opportunities for increasing our economy's economic power by improving the availability and accessibility of information (from the government or the value chain) on data sharing and portability.
- 3.8 The broadband network in the EU – as an essential prerequisite for digitalisation – needs to be comprehensively expanded so that companies can become more digitalised, with none being left behind. Since the EU still achieves too limited progress in it, especially in rural areas where many SMEs are located, all other EU-wide initiatives should take this into account from the ground up and take action there.
- 3.9 The EESC calls for targeted support measures focused on the digitisation and enhanced connectivity of sectors such as health, education, public administration, food and agriculture, manufacturing and transport. The digital transformation should be founded on openness (i.e. non-dependency), simplicity, intelligence, automation, trust and security as we look to build

new business models, processes, software and systems. It is at the heart of the EU's climate leadership and economic recovery. The EU should accelerate investments in energy efficiency, transport, low-carbon buildings and industrial processes, where digitalisation has a key role to play.

- 3.10 The EESC recommends accelerating the roll-out of ubiquitous high-capacity and secure networks, incentivising private investment and boosting funding for rural and sparsely populated areas. Planned spectrum allocations that may have been delayed due to the COVID-19 crisis should also be accelerated once normal operations recommence. At that time, governments should also prioritise further new spectrum allocations – both licence-exempt and licensed – to make wireless connectivity more robust.

4. **Pillar 2**

- 4.1 The EESC welcomes the special attention given to SMEs and the rigorous application of the "once only" and "digital by default" principles. The EESC asks the EC to also implement the new strategy on the basis of the "act for SMEs" principle, and warns that any delay in the implementation of the support measures for SMEs would be counterproductive. After all, SMEs are currently facing more challenges than ever before: the negative effects of the COVID-19 outbreak, fierce competition, a shortage of skilled labour, new forms of work and consumption, an increasingly complex and heavy flow of information, limited resources for innovation, a constant downgrading of the role of entrepreneurs, volatile financial markets, difficulties accessing finance, a high dependence on the external environment and limited bargaining power. Regarding the assessment of the impact of "gold-plating measures" on SMEs, the EESC reiterates its view that regulatory burden reduction targets should be based on a thorough SME-test, sound impact assessments, and comprehensive evaluation including civil society and stakeholder dialogue. The existing level of protection of citizens, consumers, workers, investors and the environment in Member State must not be questioned when implementing the EU legislation.
- 4.2 The issue of late payments continues to require careful consideration, and the planned review of the Late Payment Directive is an important step that should closely involve the consultation of SME stakeholders. It could be useful to intervene on a cultural level so as to promote virtuous behaviour. In this sense, a specific measure for supporting this process could be to create a tool, for example a website, asking companies to commit to certain principles related to timely payments. To protect SMEs from the superior bargaining power of larger companies, the EESC suggests that the EC expand and strengthen its provisions on unfair business-to-business and platform-to-business trading practices, extending them to all sectors, possibly as part of EU competition law, with the option for SMEs to lodge confidential complaints with a central authority, which in the case of the EU could be DG COMP.
- 4.3 In line with its previous opinions, the EESC expresses doubts about the actual usefulness of the Network of SME Envoys, which is not fully operational in all MS, and its ability to deliver real added value. It recommends that the role of SME organisations be enhanced rather than a new role being created in the form of an EU SME envoy, which will provide no guarantee whatsoever of SME-friendly regulations. The EESC suggests that the national SME envoy be

appointed upon agreement with the national SME organisations, which must be in constant contact with the envoy and hold them accountable on a regular basis. The implementation of the "Next Generation SME Strategy" and the Small Business Act must be included in the European Semester exercise and the SME scoreboard that has been created.

- 4.4 Regulatory sandboxes have proven to be a useful tool and the EESC calls for them to be more widely used when introducing regulations for SMEs, and better promoted among national lawmakers. The EC should clarify how, where and why these regulatory sandboxes will be applied. There is still a clear need to improve the SME test in the impact assessment to make sure all proposed legislation is SME-friendly. The EC's new "Fit for Future Platform" should focus heavily on checking for potential burdens that could create obstacles to socio-economic regeneration. The EU should also set up regulatory sandboxes at EU level so as to enhance the single market, ensure it fosters harmonisation, and to promptly provide innovators with legal security for innovative solutions across Europe. The EU has more start-ups and innovative SMEs than the US or China, but several studies show that these businesses prefer to deploy their innovative solutions outside of Europe. There are many reasons for this, including the lack of financial incentives in Europe and the fragmented single market. Hence, the importance of introducing regulatory sandboxes: these would encourage companies to stay in Europe and hopefully help create European champions in the longer term.
- 4.5 Making procurement more accessible and SME-friendly prevents cross-border criminality and market abuses. Encouraging SMEs to be more actively involved in solidarity and strategic and essential sectors, such as health and safety goods/services, aerospace and defence, is an effective way of better integrating them within value chains and would certainly be welcomed in an open trade system fighting against rising protectionism. Moreover, the COVID-19 outbreak has shown how important it is to have diversified supply chains, but also to have them onshore/nearshore, and it is essential to help SMEs find their place in this process. The crisis has also provided many examples of how fragile the single market still is; an action plan is needed to ensure that each and every sector runs smoothly, which is key for SMEs, as well as to encourage SMEs to actively expand to external markets.
- 4.6 The EC must be more ambitious in its efforts to open up public procurement to SMEs, endeavouring, in cooperation with public service providers, to make public procurement more transparent and to safeguard the compliance of public contracts with the EU's single market rules. The EESC suggests that this be done in particular by:
- increasing and constantly monitoring the SME participation rate;
 - simplifying administrative procedures and providing better public and digital services;
 - appointing a Single Point of Contact in every MS where complaints about or issues with public procurement can be registered and monitored;
 - improving access to processes for appealing the outcome of tender procedures.
- 4.7 Similarly, the EU must continue its efforts towards greater transparency and closer cooperation with EU industry as a whole during trade defence instrument investigations and must continue to facilitate SMEs' access to these instruments.

- 4.8 The EESC is concerned about the difficulties being experienced by the retail sector, especially during the COVID-19 lockdown, and calls for specific support and promotion measures.
- 4.9 The Single Digital Gateway, linked to one-stop-shops in the MS, will provide information and support to SMEs, with national and regional SME organisations helping them identify and recognise the solutions best suited to them.
- 4.10 Facilitating business transfers is extremely important as it will further motivate an entire generation to keep family businesses operational, and will make transfers of ownership easier in cases where the owner(s) lack(s) the skills, resources and ideas required to continue running the business. Workers' buy-out of businesses through the creation of a cooperative and other forms of employee ownership can also be explored in such cases. It is also extremely important to identify the two different types of business transfer in order to understand how the specific legislation affects each type. A distinction needs to be made between "intra-family business transfers" and "external business transfers", with each given a separate definition. The legislative framework needs to be more flexible to make it easier to buy an existing company where great risks, significant costs and complicated procedures are currently involved. Special attention should be paid to cross-border SME transfers to address the high costs associated with these transactions and the substantially different MS regulations. Beyond the question of transfers, the EESC recommends establishing a European company 2.0 for SMEs in the form of a revamped European Private Company (Societas Privata Europaea (SPE)) to facilitate cross-border expansion and scale-ups by SMEs.
- 4.11 To allow SMEs to fully reap the benefits of trade agreements, the EESC calls for SME chapters to become a standard approach in future EU bilateral trade negotiations with third countries, and for SME committees to be set up to launch initiatives for sharing information about FTAs and technical standards with SMEs and for monitoring the use of FTAs by SMEs in both the EU and the other country(/ies) party to the agreement. The EEN, as a tool for supporting SME internationalisation, should be improved, as well as cooperation and synergies with national service providers, and sectorial and national SME federations.
- 4.12 The EC should continue to explore the option of a European company law form designed for SMEs, taking inspiration from the work done on the European Private Company proposal. In its SME Strategy, the EC plans to assess the need for additional company law measures to facilitate cross-border expansion and scale-ups by SMEs. A specific proposal for addressing such goals is the creation of a European company law form designed for SMEs, as mentioned above. As only 2% of European SMEs invest abroad by establishing branches there, due to linguistic, administrative and legal differences between the MSs, which make it difficult to create subsidiaries abroad, the need for a legal mechanism allowing companies to better manage their expansion within the EU should be considered.
- 4.13 Given that promoting trade is essentially the competence of national governments, the successful implementation of FTAs ultimately relies on the capacity, ability and willingness of individual MS to promote a given EU trade agreement within their national business community. The EESC invites the 27 MS and the EC to commit voluntarily, and in accordance with their respective competences, to implementing specific measures and activities at home,

through European Implementation Action Plans, to complement at intra-EU level the "external" implementation roadmaps set up alongside the EU's FTAs. Such Action Plans should further contribute to effective monitoring of the actual transposition of negotiated FTA commitments in the respective third country, while enabling the monitoring and benchmarking of specific measures undertaken by governments and the business community at national and regional level.

5. **Pillar 3**

- 5.1 The EESC reiterates its proposal that the MS be incentivised to create and develop a network of "financial ombudsmen", coordinated by the EU. With the support of the proposed SME liquidity task force, this network should use appropriate methodologies to monitor the implementation of the new EC measures geared towards the short-term liquidity of micro-SMEs, which have been proposed at EU and MS level. As well as helping SMEs access funds on a daily basis, the network may also help the EC collect and analyse qualitative data to learn how intermediary banks use financial instruments to reach the SMEs most in need of financial resources and why credit is not granted to them, in line with the principles governing feedback from banks. The network should also settle more overarching disputes between SMEs and banks, other financial service providers and liquidity providers.
- 5.2 The EESC is satisfied with the dedicated efforts to diversify sources of funding for SMEs by promoting equity financing and the use of SME growth markets and by finding alternative listing options for them. The EESC asks the EC, with the active assistance of SME organisations, to consider introducing specific measures to educate managers about the benefits and opportunities offered by the various funding options and to help them choose the one that best matches their needs, as well as to promote further tailor-made solutions provided by experts.
- 5.3 In line with previously adopted positions to encourage and to stimulate female entrepreneurship, the EESC particularly and warmly welcomes the proposal of the Commission to launch a gender-smart financing initiative to stimulate funding for women-led companies and funds and to empower female entrepreneurship. Indeed, the greater and stronger presence of women, also in the entrepreneurial environment, is an absolute necessity for the realisation of the Europe of the future.
- 5.4 The EESC welcomes the development of a private-public fund focused on initial public offerings (IPOs) and fully supports the creation of additional equity, quasi-equity, venture-capital and risk-sharing financing instruments for SMEs. The EESC believes that promoting them and ensuring their accessibility is particularly important for innovative small and mid-caps.
- 5.5 While the EESC recognises that SME listing provides opportunities for businesses, it also notes that it is not for all businesses due to the nature of the associated administrative burden and costs. The use of non-voting stocks could be a good way to encourage SMEs, especially family-owned businesses, to access capital without losing control over their business. Treating equity financing in the same way as debt financing is another challenge.

- 5.6 While the next EU budget will logically focus on leveraging money for investment, the value of funding pan-EU SME capacity-building activities and joint actions should not be underestimated and is of particular relevance in the current situation. The EU budget is particularly important for skills development measures, internationalisation, the promotion of the circular economy, entrepreneurship, support for businesses in difficulty and access to public services. Such initiatives can deliver a tremendous return on investment for EU taxpayers and the individual SMEs that benefit directly, so they should also be firmly factored into the revised MFF.
- 5.7 Concerning the use of crypto assets and digital tokens by SMEs, the EESC invites the EC, in cooperation with the SME representative organisations, to closely monitor their use, since crypto assets possess unique characteristics that differ from traditional financial assets and as such pose new challenges for businesses (including SMEs), especially around security and internal controls. SMEs should thus first understand the risks and benefits associated with crypto assets and design an effective control environment that can ensure security. In addition, since crypto assets are highly unregulated, SMEs may face fraud investigations should their investors file complaints against them.

6. Implementation and commitment from MSs

- 6.1 The MS' full support and commitment is a key success factor for the swift implementation of the strategy's measures. The EESC believes that fully applying the partnership principle, by working closely with the Strategic Entrepreneurship Ambassadors – whose work should bring added value – to implement these measures will produce tangible results. The EESC again stresses the importance of also closely involving in this process organisations representing SMEs at EU, national and regional level, as they are the direct liaison with the business community.
- 6.2 The EESC understands the EC's reasons for not amending the definition of an SME, although there are different views as to what extent it is fit for purpose, and welcomes the commitment to assess and report on the specific issues raised in the consultation process. Meanwhile, in line with its previous opinions, the EESC asks the EC to help the MS be flexible when choosing the implementation method.

7. SMEs strive and thrive in the time of COVID-19

- 7.1 The tragic and worsening impact of COVID-19 on economic systems has hit SMEs hardest, especially micro-companies. This huge negative impact fundamentally threatens the systemic role of SMEs in the economy and has proven the importance of fully and systematically including the social partners and relevant civil society organisations (CSOs) in all stages of decision-making and in the establishment of the resceEU knowledge and training network, under the current EU Civil Protection Mechanism, as already proposed by the EESC.
- 7.2 The EESC is open to further discussing the new approach proposed by the EC to favour support provided to ecosystems rather than to companies according to their sizes. The Committee notes

that, currently, the EC recognises 14 ecosystems and would like to underline the need to provide for effective communication and governance, so that the voices of all stakeholders within these ecosystems are heard and the active involvement of organisations representing SMEs at EU, national and regional level is ensured.

- 7.3 Priority short-term emergency measures, which are key for SMEs, especially micro-businesses, should be aimed at providing liquidity transparently and in good time, with a fair interest rate, using financial intermediaries, and without unjustified obstacles and unreasonable administrative banking burdens. At the same time, SMEs that conclude that their business model has become obsolete deserve help with liquidating the company in an orderly fashion and with starting a new business.
- 7.4 EU-level support measures need to effectively reach SMEs as fast as possible, with their implementation being assessed and monitored closely at EU and MS level based on an appropriate common feedback mechanism, where SME organisations, financial intermediaries, and the banking and credit guarantee sectors can share their data. The aim is to prevent unjustified delays being imposed and arbitrary, discretionary decisions being made in response to the urgent liquidity needs of the craft industry and SMEs, which might be caused by existing differences in the implementation of such measures by national credit systems and financial intermediaries.
- 7.5 It is vital that a harmonised and rapid EU liquidity response system be devised and made fully operational, focused on micro- and small businesses. The EESC suggests that the EC set up a permanent EU "High-level Expert Micro- & Small Business Liquidity Task Force" aimed at facilitating SME liquidity flows based on analyses of independent data provided periodically, and at better understanding how to overcome existing obstacles to SME liquidity. Economic and financial data and practices could periodically be assessed by the Independent SME Observatory.
- 7.6 The EESC asks the EC to consider amending Annex III the VAT Directive so as to give MS the freedom to temporarily decrease VAT rates for some of the most severely affected sectors, such as tourism and the connected hospitality sector (HORECA), the self-employed, the craft industry, etc. The EESC supports such actions on condition that they will not create unfair competition, and believes that this will be fulfilled, due to the temporary character of the measure.
- 7.7 Special support measures are needed to help workers get back to work, especially those working for SMEs. These measures include a "yellow pass", support to enable minor local public works to begin immediately, information and advice for people on how to behave and comply with hygiene and health and safety measures to further reduce the risk of COVID-19 contamination, and a COVID-19 risk assessment to be carried out by national and external occupational safety and health (OSH) bodies to ensure that such measures are properly implemented and to reduce the related burdens and costs. It is crucial to provide the necessary personal protective equipment to enable employees to go back to work and to boost the production capacity of SME manufacturers that produce them by making direct investments and providing technical assistance, as well as by adopting relevant harmonised standards. SME organisations have a key

supporting role to play by exchanging protocols and practices among their members to facilitate recovery and reduce the time required to get back to work.

- 7.8 Yet another request from the EU social partners was fulfilled in the recent amendment to the Temporary Framework for State Aid Measures regarding SMEs. While it has taken into account special benefits given to companies during the COVID-19 crisis, such as tax deferrals and loans, it has left the general *de minimis* rule unchanged. Remote and rural regions and islands traditionally benefit from transportation subsidies that can easily account for the bulk of the *de minimis* amount. In the aftermath of the COVID-19 crisis, such regions will be left with few if any tourists and will need to take advantage of the restored trade in goods to recover.
- 7.9 An effective recovery will need a huge amount of public and private investment to finance the twin transitions, allow companies to stay competitive and enable new businesses to start up. However, SMEs face difficulties when it comes to adapting to changes and complex regulations in transition. To make such extraordinary investments possible, the EU will have to enlarge its existing funding instruments (the MFF, InvestEU, the Cohesion and Structural Funds, Horizon Europe, Digital Europe, and so on, and financial support from the EIB Group, plus the deployment of the ESM), ensure their long-term flexibility and establish a permanent recovery fund to help MS meet the upcoming challenges. To support SMEs in financial difficulty across Europe, it is of utmost importance that MS fully implement the Insolvency Directive concerning preventive restructuring frameworks and provide professional support to SMEs so that they can complete a viable turnaround or get a second chance.
- 7.10 The EESC calls for an EU programme providing SME organisations with capacity building and support for joint actions to act as a one-stop-shop for information and technical assistance, which will be urgently needed after the exit phase. It is equally important that the EU finance freely accessible, multilingual databases of product-group life-cycle analyses to allow SMEs, which cannot generate these data directly, to manufacture in a greener way.
- 7.11 Even before the crisis, SME organisations were involved in developing and providing various services to help SMEs in financial difficulty, including the Early Warning Europe initiative. Such support will be in even greater demand during the coming months and years. The implementation of the early warning tools defined in the Insolvency Directive must be ramped up to guarantee access to effective support for businesses in difficulty.

Brussels, 18 September 2020

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