



OPINION

European Economic and Social Committee

SMEs, social economy enterprises, crafts and liberal professions / Fit for 55

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[Own-initiative opinion]

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1. **Conclusions and recommendations**

- 1.1 Micro, small and medium-sized enterprises, be they traditional enterprises, family businesses, traders, social economy enterprises, crafts or liberal professions (referred hereafter as MSMEs) are an essential part of the solution towards a competitive, climate-neutral, circular and inclusive EU economy, provided that the right conditions are created and prevail. Positive impact is generated by MSMEs through improving their own environmental performance and through providing expertise and solutions to other enterprises, citizens and the public sector. While acknowledging and highlighting the diversity and different needs of MSMEs, the EESC calls for specific attention to be paid to the smallest and most vulnerable ones.
- 1.2 Many MSMEs lack knowledge on the continuously evolving legislative requirements, established to deliver on achieving climate neutrality, and on how to respond to them. Furthermore, they have difficulties in identifying potential business benefits and opportunities provided by the green transition. The EESC thus highlights that there is an urgent need to support MSMEs in understanding and managing the green transition in the best possible way.
- 1.3 The EESC calls for wide-ranging and targeted information and awareness-raising measures, delivered in a coordinated and complementary manner by the EC and MSs, together with business organisations, chambers, social partners and other relevant stakeholders.
- 1.4 The EESC also calls for a comprehensive programme, aimed at supporting MSMEs through all the issues they face in their business operations and activities in going green and complying with legislation. As there are considerable differences between MSMEs, highly customised solutions and well-targeted policies and measures are necessary.
- 1.5 Immediate and targeted short-term support for MSMEs is pivotal for boosting their economic recovery from the pandemic and helping them manage the implications of the Russian invasion of Ukraine, such as high energy prices and lack of supply of materials and products. Due to the extraordinary circumstances, the EESC considers that proper flexibility in the European Green Deal (EGD) schedules should be given over time until the end of the crisis, while ensuring that the objectives are not abandoned for any reason.
- 1.6 To improve the resource efficiency of MSMEs, the EESC proposes establishing "circularity hubs" in various regions. This should enhance cooperation between companies across sectors and facilitate the development of new practices and processes, including demonstrating new technologies. MSME organisations, chambers, academia, social partners and other relevant stakeholders should be an integral part of the process.
- 1.7 The EESC believes it important to involve MSME representatives in preparing sectoral climate action roadmaps at national level, as well as in shaping the EU level transition paths for various business ecosystems, thus also enhancing knowledge on sharing best practices, proper resource allocation and efficient implementation.
- 1.8 The EESC calls on the EU and MSs to accelerate green investments of MSMEs by ensuring an enabling, predictable and encouraging regulatory environment, including smooth permission

procedures and avoiding burdensome administrative duties, as well as by providing fast, easy, simple and traceable access to finance, tailored to the different needs of all diverse groups of MSMEs.

- 1.9 The EESC calls for close cooperation between education providers and MSMEs in shaping training to meet the competences and skills needed in the green transition, including through upskilling and reskilling employees and entrepreneurs alike. Moreover, the EESC calls for supporting innovation activities for the MSMEs by incentivising and facilitating cooperation with other businesses, their organisations, chambers, universities and research organisations.
- 1.10 The EESC urges the promotion of trade in green solutions produced by MSMEs, including in the context of public procurement, by providing MSMEs with a level playing field in the single market and by facilitating their access to foreign markets of green products, technologies and services. A competitive business environment must be ensured for EU enterprises in relation to third countries, deploying all means of diplomacy, including in the spheres of climate, resource and trade policy, and paying specific attention to moves by China and other emerging markets.

2. **The green transition and MSMEs**

- 2.1 MSMEs contribute to a job-rich and sustainable economy. They keep societies stronger together, often combining economic with social functions, and in this way strengthen the basis of democracy, unity and inclusiveness. They are key for economic and social recovery and prosperity, being grass-rooted at each and every corner of the EU and especially in the remote and rural areas, where quite often they are the only economic-activity-generating factor.
- 2.2 Climate change drives the sustainable energy transition, but – most significantly – it drives the whole economy and society towards climate neutrality, circularity and overall sustainability. It causes extreme weather phenomena and natural disasters, and is linked to other major environmental challenges such as biodiversity loss, environmental pollution, and the degradation of natural resources.
- 2.3 The Fit for 55 package focuses specifically on mitigating climate change and includes many pieces of legislation that affect MSMEs in various ways. It is part of the implementation of the EU flagship initiative – the EGD, that addresses sustainable growth related to industries, trade, services and energy, transport, buildings and food systems. MSMEs play an essential role in all these sectors.
- 2.4 MSMEs are an essential part of the solution in the implementation of the EGD, provided that the right conditions are created and prevail. This positive impact is generated, on one hand, through improvements in the performance of the wide variety of MSMEs, and on the other hand through the actions of those MSMEs, providing expertise and solutions to other enterprises, citizens and the public sector.
- 2.5 The green transition is closely linked to the digital transformation, and MSMEs need to manage both parts of this twin transition – a very demanding double challenge because of the substantial need for resources. Digitalisation is a tool for making business operations more efficient,

helping new market expansion and internationalisation, and has the considerable potential to decrease emissions, waste and the use of natural resources. But digital services and equipment also cause environmental impacts which need to be managed simultaneously.

- 2.6 Besides striving for the green and digital transitions, MSMEs are struggling with the economic recovery from the pandemic and with the implications of the Russian invasion of Ukraine. High energy prices and a lack of supply of materials and products are among recent issues that have significant impacts on MSMEs and their business. Their competitiveness, as well as the overall competitiveness of the EU economy, is further jeopardised by the sudden moves of China and other emerging markets, that also benefit from avoiding sanctions on Russia and following lower climate and environmental requirements.
- 2.7 Climate- and environment-related issues are not only environmental sustainability matters but are also, to a great extent, an essential part of the competitiveness, profitability and overall economic performance of enterprises. Besides relying on their own values and general consciences, MSMEs meet climate and environmental requirements and expectations through various mechanisms.
- Direct requirements of the regulatory framework for MSMEs, e.g. on emissions, energy, materials and products, or administrative obligations.
 - Indirect effects of some requirements, impacting the availability and prices of production factors such as energy and materials, or through other costs of running a business, including taxation.
 - Requirements through the value chains in the form of customer, investor and financier expectations, such as those regarding sustainable finance and reporting, or through the expectations of other stakeholders.
- 2.8 Many MSMEs are not fully aware of the impacts of specific climate and environmental policies and requirements on their businesses and their supply and value chains, nor how to adapt or convert products and services at an early stage to prevent later losses or even market exclusion. Moreover, they are confronted with limited human and financial resources for everyday operations and for developing their businesses, and there is a risk that their limited size presupposes or requires too much multi-expertise. A remarkable share of enterprises face difficulties due to the complexity of continuously evolving pieces of legislation, administrative burdens, financial rules and high costs, lack of specific environmental expertise and knowledge for choosing the right actions¹, accompanied by difficulties in accessing new value chains, finance, staffing, and new business models, among others.
- 2.9 While the lack of awareness of requirements and ways of responding to them are an important challenge, so too are the difficulties in identifying potential business benefits and opportunities such as reduced energy and material costs, improved access to finances, higher demand and new markets, and an improved image among stakeholders.

¹ Data from Flash Eurobarometer 498. SMEs, green markets and resource efficiency report, p. 46, March 2022.

- 2.10 MSMEs with a business value proposition in the circular economy, climate, biodiversity, renewable energy and other EGD themes have an inherent incentive to explore, invest and pursue new business opportunities in those areas. They have many opportunities, e.g. in the renovation of buildings, in the planning and construction of infrastructure, in industrial production and maintenance of equipment, in providing legal and accounting services, and in developing digital solutions. The transition process is, to a high degree, dependent on their smart solutions, generated by the experts they employ, which underlines the importance of high-quality and relevant education, VET and constant upskilling.
- 2.11 The most vulnerable group of MSMEs, that also have the highest need of information are, in turn, those who believe the EGD is just an additional piece of legislation adding to cumulative administrative burdens, putting their current business models under pressure, and limiting profitability in a business-as-usual scenario. This highlights the fact that all MSME categories, be they vulnerable laggards, followers or leaders, require support that is different and specifically targeted towards them².
- 2.12 Besides, in terms of capacity and preparedness, there are many differences between MSMEs in terms of the nature and magnitude of climate and environmental issues, the requirements and expectations targeted towards them, and the opportunities that open up to them. The differences stem from various factors: the natural resource intensity of the business, the size of the enterprise, the position of the enterprise in supply chains and business ecosystems, the location of the enterprise, the types of customers, the sources of production factors, and the geographic markets of the enterprise.
- 2.13 This calls for highly customised solutions and well-targeted policies and measures that take account of the differences between, say, medium-sized enterprises in manufacturing industries, enterprises operating in hospitality and retail sectors, family and traditional businesses, innovative start-ups, social economy enterprises, and crafts and liberal professions.
- 2.14 Despite the many differences between MSMEs, the successful management of the green transition in every enterprise starts with proper awareness of and knowledge on topical issues and trends, which makes it possible to see the strengths, weaknesses, opportunities and risks of the enterprise, and define how it wants to position itself in the green transition.
- 2.15 The most concrete efforts at enterprise level are related to planning, organising and monitoring the overall business, including the production and trade of goods and services, transport and logistics, and procurement of energy, raw materials, and other production factors. Climate and environmental aspects are also an integral element in innovation activities, in skills development and the involvement of all personnel, and in communication and cooperation with stakeholders.

²

Smit, S.J., *SME focus – Long-term strategy for the European industrial future*, EP Policy Department for Economic, Scientific and Quality of Life Policies, PE 648.776 – April 2020.

3. **Policies and measures to support MSMEs under Fit for 55**

3.1 In order to be Fit for 55 and able to successfully accomplish the green transition, MSMEs must be thoroughly informed and facilitated to better understand the implications of the new and complex legislative proposals³. This requires wide-ranging and targeted information and awareness-raising measures, delivered in a coordinated and complementary manner by the EC and MSs, which have a crucial responsibility here. The role of business organisations and chambers is also central in informing and supporting their members, complemented by education and training providers, regional development offices, cluster organisations, social partners and relevant CSOs.

3.1.1 Following the Russian invasion of Ukraine, the EGD policies are now under open consultation in terms of schedules due to the new extraordinary circumstances, and to the EU's dependence on energy and food from Russia and Ukraine. The EESC recognises the extraordinary circumstances and dependences, and considers that the green objectives should not be abandoned for any reason, however a logical flexibility should be given over time until the end of the crisis.

3.1.2 In addition to the appropriate impact assessment of all legislative initiatives, the EESC calls on the EC to provide a comprehensive, clear and unambiguous guide on all the existing and upcoming climate-related requirements and their implications for MSMEs, which should cover:

- the direct requirements or restrictions for MSMEs under the various pieces of legislation, broken down according to various types and categories of enterprises (sector, size, etc.);
- the indirect impacts on MSMEs to be anticipated through market mechanisms, due to the requirements targeted towards big companies.

3.1.3 The EESC calls for corresponding guidance on legislation on other major environmental issues to also be prepared. More generally, this kind of guide should become regular practice and accompany any future initiatives in the field of the EGD. MSMEs need a stable legislation framework which provides clear perspectives and planning for their investments. Therefore sudden changes, such as the recent change of renewables and energy efficiency targets proposed in the REPowerEU plan, must be avoided, as they aggravate the already highly complex and uncertain environment.

3.2 In view of the wide scope and depth of the EGD, a total industrial transformation is envisaged. Following the Think Small First principle, and in order to avoid MSMEs "simply going out of business", a comprehensive and wide-ranging support and capability development programme is needed. The aim would be to support MSMEs through all the issues they face in their business operations and activities in going green and complying with legislation.

³ The Fit for 55 package comprises a vast range of legislative initiatives, where the final decision is subject to negotiations between the institutions. Until this process is completed, the MSMEs can only follow partial information, and face uncertainty about the future.

- 3.2.1 The EESC sees a high degree of interest, stated by the EC and the EP, to build on the initiatives already in place to promote the SME strategy and explore further possibilities for successfully delivering on the strategy. The EESC calls for this interest to be effectively translated into policy in all possible areas, and stresses the indispensable role of the MSs, which shall act in cooperation with MSMEs organisations, chambers, social partners and other relevant stakeholders.
- 3.2.2 Young entrepreneurs are the future of further MSME and job growth. Their attention to consumers and attractiveness for young employees, combined with a growing concern about the green transition, must therefore be more specifically identified and addressed, for example in the recovery plans. Moreover, to make use of the full potential of the whole society and to enhance diversity in businesses, any obstacles to female entrepreneurship must be removed. The entrepreneurial spirit of all the vulnerable groups, such as persons with disabilities, migrants and minority communities, must also be stimulated and promoted.
- 3.2.3 In order to enhance the synergies of digitalisation and greening in MSMEs, both trends need to be considered simultaneously in shaping policies and measures. As neither the green nor the digital transition are merely technical or financial matters, major personal and business issues need to be dealt with to get the broad majority of MSMEs to adopt a long-term and future-proof twin transition⁴.
- 3.2.4 The EESC also calls on the EC and MSs to monitor the effects of the implementation of the green and digital transitions in terms of the supply and value chains, and the respective regional economic and societal developments in order to be able to counteract possible negative effects on MSMEs and employment at an early stage.
- 3.3 In order to support the development of the MSMEs' everyday business operations, such as the production of goods and services, energy production and use and the organisation of logistics, a proper supply of practical advisory services and cooperation platforms needs to be available.
- 3.3.1 The EESC calls on the EU and MSs to enhance and encourage the establishment of technological and managerial support services available for MSMEs, deploying the full potential of different instruments, especially in the implementation of the national recovery and resilience plans and Partnership Agreements, with the aim of assisting enterprises to improve energy and material efficiency, and decrease the generation of emissions and waste, so as to minimise both costs and environmental impacts. The EESC also calls for integrating environmental aspects into the advisory services in the digital field.
- 3.3.2 To improve the resource efficiency of MSMEs, the EESC proposes establishing "circularity hubs" in various regions. This should enhance cooperation between companies across sectors and facilitate the development of new processes for recycling and reusing waste and by-products, including the demonstration of new technologies.

⁴ SME focus, EP Policy Department, April 2020.

3.3.3 The EESC calls for the involvement of MSMEs and their representatives in preparing sectoral climate action roadmaps at national level, as well as in shaping the EU level transition paths for various business ecosystems, thus also enhancing knowledge on sharing best practices, proper resource allocation and efficient implementation.

3.4 In order to enhance and support investment in the greening of MSMEs, the economy, and society as a whole, a favourable investment environment and enabling conditions for MSMEs to enjoy proper access to financing need to be ensured.

3.4.1 The EESC calls on the EU and MSs to accelerate investments of MSMEs by:

- ensuring an enabling and encouraging regulatory environment, including short and simplified permission procedures and avoiding burdensome administrative duties;
- providing fast, easy, simple and traceable access to finance, tailored to the different needs of MSMEs stemming from their type, activity, location, sector, etc., including through targeted grant instruments.

3.4.2 The EESC calls on the EC to take due account of the indirect impacts of the sustainable finance criteria on MSMEs. The same applies to the solvency requirements for banks and any other policy measures in the fields of economic and fiscal policy that have an indirect impact on the MSMEs' capacity to invest and operate, which result in job creation and job retention.

3.4.3 The EESC calls for sticking to the rules of sound competition when allocating public funding for green investments. The EESC also stresses the need for monitoring the finance flows with appropriate indicators. It is important to grant MSMEs equal access to public procurement and investment, e.g. in general infrastructure, as well as to encourage investment in the greening of the MSMEs themselves, e.g. by using public funding as a leverage for private investment.

3.4.4 Following recent developments in the energy markets, the EC has recognised the vulnerability of MSMEs caused by the increasing risk of energy poverty⁵. The EESC welcomes the definition of "vulnerable micro-enterprises", and calls for an extra effort to provide them with relevant support to tackle this burden.

3.5 The EESC calls on the EU and MSs to enhance trade in green solutions by MSMEs by developing and ensuring proper market conditions that do the following.

- Provide MSMEs with a level playing field in the single market, in terms of trade in products, technologies and services that contribute to the green transition.
- Ensure that MSMEs are given proper access to provide green solutions to the public sector in the context of tenders regarding, for example, construction, technologies and services. It is necessary to make quality-based procedures mandatory for such services, and to reduce capacity requirements that hinder MSMEs in participating in public procurement procedures.

⁵ COM(2021) 568 final, 14.7.2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0568>.

- Facilitate equal access to foreign markets of green products, technologies and services by MSMEs, by means of multilateral and bilateral trade agreements. The EESC also encourages MSs to take due account of the needs of MSMEs in their export promotion activities.
- Ensure a competitive business environment for EU enterprises in relation to third countries, deploying all means of diplomacy, including in the spheres of climate, resource and trade policy. Specific attention should be paid to China and other emerging markets, through agile and coordinated responses to their sudden moves.
- Ensure that standards promoting the green transition are drafted in an MSME-friendly way, and allow for innovation by enforcing equivalent alternative solutions.

3.6 To strengthen the role of MSMEs in the development of new green solutions for businesses, consumers and society at large, the EESC calls for the following measures.

- The various innovation programs and initiatives must be more easily understandable and accessible for MSMEs, and guidance should be provided regarding diverse funding instruments available in the field of green innovation, including the European Investment Fund tools.
- The funding should promote MSME access to innovation ecosystems and partnerships with leading big companies. Moreover, MSs should facilitate cooperation between MSMEs and universities and research organisations in developing new products, technologies and solutions.
- The development of common data spaces and easy access to them for MSMEs should be accelerated, with the aim of contributing to the development of new green and digital solutions, including those based on AI.

3.7 In order to ensure the proper skills needed to develop and run businesses in line with the green transition⁶, the EESC calls for the following.

- Ensuring that the curricula of vocational and university studies and of continuous professional development (CDP) approaches take full account of the competences and skills needed in the green transition, focusing on the wider process of job greening and the interdependence between sectors.
- Encouraging close cooperation between education providers and MSMEs in shaping the supply of training, including modules and micro courses applicable for upskilling, to meet the needs of enterprises.
- Making use of social dialogue to identify needs and develop skills at workplaces. Given the size and diversity of MSMEs and the specificities of various national systems, social dialogue and collaboration between employers and employees in MSMEs has various modes.

3.8 The EESC calls for the creation of proper indicators and practical tools that contribute to the systematic monitoring of the operations and impacts of enterprises in relation to the green transition. This should also serve for communicating to the wide range of stakeholders.

⁶ [Also in line with OJ C 56, 16.02.2021, p. 1.](#)

Meanwhile, the EESC calls on EU policy-makers to refrain from setting burdensome reporting obligations for MSMEs, and to also evaluate the indirect implications for MSMEs caused by the reporting requirements targeted towards big companies.

4. Specific comments on liberal professions, crafts and social economy enterprises

- 4.1 In order to ensure a fair ecological transition in which no one is left behind, it is crucial that EU policies be formulated bearing in mind their potential impact on trades and crafts. These economic players are indeed important to local economies, providing indispensable goods and services tailored to the needs of consumers, even in geographic areas that are less connected to urban centres. Dialogue with their representatives, such as business organisations and chambers, allows for wise policy decisions that factor in the potential impact on the ground.
- 4.2 Independent professional expertise is needed to find optimised innovative solutions for climate change and other environmental challenges. Liberal professions respond to this need in several fields of the economy and society by providing technical, legal, financial and non-financial expertise and advice. The EESC calls for EU-wide measures for incentivising the Member States to promote professional regulations to ensure the implementation of the green and digital transition in a proper way, e.g. in complex technical approaches, so as to promote the most market-driven and innovative solutions.
- 4.3 Increasing sustainability in local and regional spatial planning can be ensured by enhancing consulting services for municipalities. It is also important to further develop the concept of strategic environmental assessment in the direction of sustainability assessment (ecological, economic, and social). Public procurement procedures across the EU should apply climate and other quality-oriented criteria, and through this promote MSME innovation and facilitate their access to projects, especially in the field of planning services.
- 4.4 New techniques, products and processes are needed in the transition to the circular economy. For example, in the construction sector this requires recycling renovation and construction waste, reusing elements, and introducing new building materials, including acknowledging quality-assured secondary building materials, and close cooperation between producers, the crafts, professionals and the recycling industry. Regional value chains and building clusters must also be strengthened through the involvement of the crafts.
- 4.5 The environmental challenges related to social economy enterprises are essentially the same as those of other enterprises in terms of the issues in question. However, the specific conditions of these enterprises need to be duly considered in line with the numerous EESC opinions, through targeted measures built on the recent EU social economy action plan.

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