



# EUROCHAMBRES POSITION ON THE SME RELIEF PACKAGE

## SME Relief Package

Eurochambres remarks the need for concrete actions in support of European businesses to cushion the impact of recent economic headwinds. The SME Relief Package must include implementable and effective measures to tackle the urgent need for affordable and secure energy supplies, provide financial stability, and provide breathing regulatory space. Lighter administrative burden and reporting obligations are essential and must not jeopardise the long-term objectives of a competitive business environment.

### 1. Executive summary

The SMEs of Europe have been facing difficult times in recent years. The COVID-19 pandemic brought uncertainty, restrictions forced many businesses to temporarily close down, while several sectors were affected by supply-chain shortages. After the brief recovery period that followed the pandemic, the world economy and SMEs are now facing new challenges: inflation, skyrocketing energy prices, and supply disruptions – all exacerbated by the war in Ukraine.

As indicated by the results of the 30th annual [Eurochambres Economic Survey 2023](#), some of the highlighted challenges are access to affordable energy and raw materials and a shortage of skilled workers.

Eurochambres welcomes the announcement of the SME Relief Package by Commission President Ursula von der Leyen during her State of the Union speech. While the revision of the Late Payment Directive is a good start, further measures are needed to relieve the burden on small and medium-sized enterprises and to support them in the twin transition.

We would like to point out below those areas of intervention which, from the SME's point of view, have a particularly

detrimental effect on SMEs and propose concrete solutions:

- Reinforce the application of the SME Test and the Better Regulation agenda
- Reduce reporting obligations for companies
- Facilitate access to finance
- Put SMEs at the heart of industrial strategies and discussions
- Ensure a level playing field for SMEs
- Enhance access to green and digital skills

The Package should be aligned with the objectives of the Communication on the “Long-term competitiveness of the EU looking beyond 2030” and the proposed KPIs. In this sense, also the SME Relief Package should foresee a clear KPI approach for short-term objectives, to keep track of the advancement and monitor the results according to defined key economic indicators.

The aim to increase Europe's competitiveness, prosperity, and economic and technological sovereignty can be achieved with a comprehensive, cross-cutting approach that addresses the needs of all European SMEs.

### 2. Why chamber network considers Net Zero Industry Act relevant.

Eurochambres believes that support for digital and sustainability transformations remains an urgent need while a new, unexpected dimension arose: the need to increase the resilience of SMEs against economic disruptions and to seize opportunities from adversities. Economically resilient SMEs will guarantee the steady supply and movement of goods and services while stimulating regional, national and cross-border supply chains and the whole EU economy. SMEs, both front-line and subcontracting, will need to be made aware of and supported to face several challenges at once: recovery, industrial transformation, and existing regulatory and reporting burdens. The SME Relief Package will have to be based on incentive programmes and targeted actions in close cooperation with chambers of commerce and industry. In this regard, the chamber network remains available to contribute to the successful implementation of the initiatives, both at the EU level as well as by working together with businesses and national/regional authorities.

### 3. Eurochambres recommendations for the SME Relief Package

#### 3.1 Revision of the Late Payment Directive

- Considering the individual and unique national frameworks of European economies, **Eurochambres is in favour of a revision of the Directive instead of a Regulation** as an ideal legal instrument granting member states more flexibility in addressing territorial concerns.
- Eurochambres urges caution when legislating on business-to-business (B2B) payment dynamics. It is important to strike the right balance between treating commercially sensitive information and the need for companies to maintain good commercial relations. **Eurochambres underlines the importance of flexible negotiations when setting payment terms and highlights strong concerns in proposing a cap to payment terms in B2B transactions.**
- **Maximum payment terms for public authorities (G2B) should remain at 30 days. However, stricter regulations for contracting authorities are needed to avoid exacerbation of payment periods** by the latter as a result of their possibility to choose contractual partners from a large number of providers under the specification of the contract terms. Moreover, contracting authorities must ensure that general contractors pay their subcontractors on time. In practice, this is possible only if the contracting authority issues timely payments in the first place. Consequently, any auditing mechanism may only be applicable if the public entities have already complied with their payment obligation to the general contractor.
- Minimizing late payment occurrences must go hand in hand with **the improvement of digital payment practices and safety regulation standards**. This should be accomplished by systematically implementing (voluntary) processes for electronic invoicing, transfers, and easily accessible procedures to solve payment disputes.
- With SMEs lacking oftentimes credit and financial literacy, Eurochambres believes that business associations should be granted support and means to train businesses on these matters. The revision of the Directive should also foster cooperation between SMEs and large companies. Allowing SMEs to enforce their right to receive

punctual payments will strengthen their position and avoid making unnecessary concessions on their prices to achieve different payment terms.

### 3.2 Reinforce the application of the SME Test and the Better Regulation agenda

- **Eurochambres calls on all Commission services to apply the SME Test guidelines consistently, in line with the “Think Small First” principle.**
- The Commission services must reflect on SME needs early in the impact assessment (IA) process. This could be done systematically, foreseeing a more inclusive involvement of SME stakeholders.
- In the [SME Test Benchmark report](#), published in November 2022, we have identified several priorities including the need for proper chapters in the IAs dedicated to thoroughly assessing the impact on SMEs. IAs should also differentiate companies between different size classes (micro, small, and medium) to allow for a more granular and targeted assessment of each initiative’s impact.
- IAs should assess the indirect effect of policies, thus going further than assessing the sole direct effect of a policy. To quote the Regulatory Scrutiny Board, proposals must “*explore the unintended consequences (...) on SMEs.*”
- Eurochambres wants to emphasize the importance of independent and external checks and balances. **The lack of robust methodologies in IAs and ex-post evaluations is visible and has a detrimental impact on the effectiveness of the final legislative proposal.**
- Additional coordination should be pursued across the EU services involved in the legislative process. In particular ex-post evaluations of final proposals should be systematically foreseen to make sure the final impact on businesses is in line with the IA evaluations.
- We suggest the introduction of a dedicated observatory group by the end of 2023 to ensure that all amendments proposed by European Parliament and Council are SME Test compliant and to guarantee that the expected impact of legislation is constantly monitored throughout the whole legislative process.
- A crucial role in the correct application of the SME Test is played by the Regulatory Scrutiny Board (RSB). This is why **we recommend the Commission to increase the number of RSB members by involving more SME experts.** Furthermore, the RSB’s assessments should not be disregarded, as has been done previously. This is very much needed to make sure that the SME angle is fully considered.

### 3.3 Reduce immediately reporting obligations and other administrative burdens

- Eurochambres calls the Commission to urgently **assess the cumulative impact of legislation on SMEs** by:
  - Collecting information on the regulatory obligations stemming from EU legislation
  - Quantifying the costs of obligations on SMEs.
  - Assessing and comparing the implementation of already existing programmes in different member states.

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- We urge the Commission to **map burdensome areas and swiftly proceed with implementing a European regulatory burden reduction programme**. Such a programme should tailor measures by targeting sectors and areas according to country-specific needs. It will be extremely important to **produce easily accessible information and indicators on how the Commission intends to monitor the progress** of its implementation by, for instance, setting up a web page for the transparent consultation of information and results. Furthermore, a calibrated review of the target and objective should be performed periodically, ideally every quarter/semester.
- Eurochambres welcomes the objective of reducing reporting obligations by 25% as presented in the Communication on “*Long-term competitiveness of the EU looking beyond 2030*”. However, **we consider the need for relief for SMEs as an immediate, crucial issue**. To deliver on its commitment, the Commission should set short-term targets and not limit the objective to 25%. Furthermore, we ask the Commission to **focus not only on existing reporting obligations but also on legal acts that are in the process of emerging**. All new legislation should systematically foresee an analysis to quantify in detail the expected administrative burden.
- Eurochambres considers the current configuration of the “One-In-One-Out” principle as not feasible and rather unclear. To be consistent with the Commission’s intentions of reducing reporting requirements, we call for more clarity in the methodology applied. The chamber network is concerned about how the Commission will find the data to analyse and quantify the efficacy of offsetting compliance cost in one regulatory area vis-à-vis the savings in other areas not necessarily related. In addition, the list of exemptions attached to overarching political decisions or other “exceptional circumstances” carry the threat of rendering the OIOO exercise largely ineffective.

### 3.4 Facilitate access to finance

- As the access to finance remains a key issue, counter-guarantees to reassure financial institutions in their risk-taking are needed, as well as increase state/public guarantees. The Commission should allow investors to have a synthetic view and reliable indicators of the financial health of SMEs by means of a framework established on standardised SME investment profiles.
- **It is advisable to promote and ensure that minimal banking packages are available on the market** despite demanding compliance regulations. This is needed to facilitate the opening of bank accounts for start-ups and SMEs. Alternatively, non-bank financing instruments and alternatives – such as business angels, factoring, bootstrapping or startup accelerators – should be encouraged.
- More should be done to implement venture acceleration programmes targeting series A or less mature tech startups with a ready-to-market product, combined with deep tech experts’ support in terms of access to finance and market access.
- Allow more opportunities for equity crowdfunding supporting the kickstart of new ventures, through extensive fiscal incentives for private investors.

- **The Commission should set up a framework for better outreach of companies on existing opportunities** with information sessions and dedicated events, e.g., cycle of conferences on European financing, as well as reinforcing the access to the InvestEU SME window.
- Public procurement represents an important share of public expenditure and is an important market opportunity for SMEs. Unfortunately, unreasonably long and complex public contracts, disproportionate qualification and financial requirements, and ineffective electronic procurement portals systematically discriminate against SMEs.
- **We call on the Commission to ensure fast deployment of the current allocation of EU financing and provide incentives for private investments.** The EU Green Industry Plan, REPowerEU, and the revised Temporary Crisis and Transition Framework can help provide a strong anchor to keep investment in the EU.
- Lastly, the Commission should ensure that the Recovery and Resilience Facility and the NextGenerationEU budget are spent impactfully and effectively. In particular, investment opportunities must be guaranteed for the digital and green transition of SMEs, given their precarious investment capacity. **Chambers of commerce and industry are involved in the implementation of RRF, but they continue to observe an inefficient absorption of funding at regional and local levels<sup>1</sup>.** Excessive red tape and burdensome legislation appear to be the factors most significantly limiting an efficient allocation of funding to green and digital projects. Chambers have a strategic role to play alongside national governments to increase the funding absorption level and tackle the factors hindering the efficient absorption.

### 3.5 Put SMEs at the heart of industrial strategies and discussions

- **Eurochambres calls for the swift appointment of the EU SME Envoy by the end of 2023.** SMEs face a long list of challenges that can only be addressed by engaging a high-level advocate with coordinating powers across all Commission services, access to Commissioners' cabinets, and playing an active role in the RSB's appraisals and discussions within the Fit for Future Platform (F4F) and the SME Envoy Network.
- The Industrial Strategy approach of Industrial Ecosystems represents a good platform to identify the sectors in need of economic relief. However, targeted regional policies to improve the business environment in less dynamic areas should be promoted.
- The Enterprise Europe Network plays a key role in supporting SMEs in their recovery and future growth. It is embedded in business support organisations such as the network of chambers of commerce and industry, characterised by their proximity to SMEs. Since its inception in 2008, the chamber network has been a key pillar of the EEN with active participation in the national, regional and local EEN governance structures. Given its role in converting EU policies into practical measures for the grass roots economy, **the chamber network is an essential stakeholder to advise SMEs and start-ups on market opportunities, enhance dialogue with regional and local authorities and promote their activities.** Moreover, the chamber network

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<sup>1</sup> Forthcoming Eurochambres position on the Mid-term evaluation of the Recovery and Resilience Facility.

has competencies and the broadest access to all sectors and industrial ecosystems. In light of this, actions to enhance synergies and partnerships through matchmaking events and online seminars are needed.

### 3.6 Preserve European competitiveness, avoid monopoly in critical sectors on the global stage and ensure a level playing field for SMEs

- To boost businesses' competitiveness in the immediate future a balanced, simplified and predictable regulatory and fiscal framework, and facilitated access to credit by introducing tax relief measures, especially for cross-border activities, are needed. This will provide incentives to SMEs for investing in green and digital projects, as well as increase cooperation between large companies and SMEs.
- Avoiding market distortions and unfairly aggressive competition from global powers is fundamental to preserving the attractiveness of the Single market to foreign investors. As we embark on the digital and green transition, boosting both public and private investments is of utmost importance. This must be facilitated by an acceleration in the clean transition through REPowerEU and by simpler and predictable state-aid rules to flexibly allocate financial support to struggling industries.

### 3.7 Enhance access to green and digital skills to deliver on the EU Year of Skills

- The Commission needs to continue to develop policies and actions that make the validation of qualifications, reskilling and upskilling in Europe more efficient, effective, and prevalent, especially in the twin transition field. **The current speed of change means that a bona fide SME Relief Package must be future-proof. The European economy is in constant adaptation and the right set of skills is crucial for the good functioning of the Single Market.**
- European companies are facing enormous challenges due to the lack of skilled workforce. The Commission should take into account more consistently the persistent skills mismatch and allow for a more efficient connection of employers with incoming talents (e.g., by further improving/developing tools such as EURES and Europass). Vocational training should be upgraded, in close cooperation with businesses, to align the upskilling and reskilling of the adult workforce with the needs of companies.
- The 2023 European Year of Skills is a timely opportunity to work on key instruments to respond to labour market needs, such as mobility schemes, upgrading vocational education and training and forecasting tools. Companies should receive financial aid schemes to incentives the promotion of adult learning opportunities. In view of the twin transition and the changing nature of work it entails, increasing opportunities for lifelong learning and incentives for SMEs to invest in digital human capital development is key.
- To facilitate skills matching and to strengthen mobility, recognition of qualifications needs to be accelerated. While micro-credentials can be a useful tool to support the continuous training of workers, the use of micro-credentials and individual learning accounts should remain voluntary and without administrative burden for companies.
- Europe must prepare the younger entrepreneurial class for the challenges and opportunities of the future. Relevant education and training programmes should



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strongly factor in the green and digital transitions. It should also foster the development of entrepreneurial skills, including through the use of European frameworks such as EntreComp.

- The curricula of school, university, and vocational training programmes must be reviewed to reflect the most recent findings of regional skills intelligence tools. Accordingly, skills intelligence tools should be used more effectively and consistently to update curricula and design policies, targeting the segment of the entrepreneurial ecosystem less represented (undergraduate students, non-qualified workers, women, and migrant entrepreneurs).





Eurochambres, the Association of European Chambers of Commerce and Industry represents over 20 million businesses in Europe through 45 members (43 national associations of chambers of commerce and industry and two transnational chamber organisations) and a European network of 1700 regional and local chambers. More than 93% of these businesses are small and medium sized enterprises (SMEs).

More info and previous positions on: <https://bit.ly/ECHPositions>

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