



Hearing Highlights

On 3 November 2021, the European Economic and Social Committee organised a virtual hearing in the framework of its opinion on "Next Generation SME Strategy – Enhancing Effective and Swift Delivery". The purpose of the hearing was to contribute to the EESC opinion by notably presenting the SME position on how to channel in the best way the unprecedented financial support, coming from the MFF 2021-2027, Next Generation EU and Recovery and Resilience Facility Mechanism, and by identifying and respond to the difficulties SMEs face when accessing the single market and generate ideas on how to use the COVID-19 crisis as a driver for change and catalyst of the transition of the SMEs towards sustainable and digital economy.

Welcome



Georgios Kavvathas, President of the Hellenic Confederation of Professionals, Craftsmen and Merchants –GSEVEE

- We are convinced that we need a concrete opinion on the strategy of new generation SMEs. The last 18 months have been an important and difficult period. SMEs have faced challenges and restrictions due to measures imposed by governments. There have been many disruptions in supply chains. The pandemic has affected a range of sectors, such as trade, the service sector, catering, tourism, etc. SMEs have faced significant challenges such as digital adoption which requires adaptation, as well as the green transition which creates conditions for businesses to operate sustainably. This requires a policy of leadership and adaptation.
- This new generation of SMEs is a precondition for the adaptation of SMEs in this new economic structure. A partnership between progress and the economic future must be high on our agenda. Our Confederation will remain close to the SMEs at national and international level.



Georgios Karanikas, President of the Hellenic Confederation of Commerce & Entrepreneurship –ESEE

- SMEs are called upon to transform themselves rapidly. Declining demand, lack of liquidity and lack of investment have accelerated the process of business transformation. However, a series of challenges do not promote an optimistic view of their post-COVID transformation.
- Moreover, Greek SMEs are facing many difficulties to adapt quickly to the twin green and digital transition. As an organisation we will support them in implementing their transition.



Christophe Lefèvre, president of study group "Next Generation SME Strategy – Enhancing Effective and Swift Delivery", EESC

- I would like to thank the Hellenic Confederations of Professionals, Craftsmen and Merchants –GSEVEE et the Hellenic Confederation of Commerce & Entrepreneurship –ESEE for their welcome and I welcome the panellists who will take part in the two panels that will deal with various issues, such as "how to assist SMEs' access to financial support", and "how to use the COVID-19 crisis as a driver for change and catalyst of the transition of the SMEs towards sustainable and digital economy"?



Milena Angelova, Rapporteur of the EESC opinion on "Next Generation SME Strategy – Enhancing Effective and Swift Delivery", EESC

- I thank you all for being here today in Greece. This is a first local meeting that is taking place today in the framework of this opinion on "Next Generation SME Strategy – Enhancing Effective and Swift Delivery". What we will see here today in Greece, we must remember when we return to the EESC in Brussels. We want to protect the SMEs most affected by the crisis.
- Despite the fact that the European Commission unfortunately believes that the updated industrial strategy is sufficient, we will continue to promote this opinion on the need for a Next Generation SME Strategy. We would like to see other elements addressed that we should take into account in order to give more and adequate support to SMEs.
- In addition, the European Commission has confirmed that the current definition of SMEs will be maintained. However, this definition still does not take into account certain groups of SMEs. More appropriate and targeted support is needed. The legislative environment in Europe is the most complicated in the world. Smaller companies need more support. The difficulties they face have been compounded by the burden of the double transition. SMEs need specific support. Adapting and contributing to climate neutrality requires specific measures.
- Regarding the access to funding, we need to ensure a fast track for the SMEs: Why do they not currently have access to finance? We insist on this need to create and develop a network of "financial and funding ombudsmen", who would monitor implementation in particular of the measures geared towards improving the short-term liquidity of SMEs, and who would promote SMEs' access to funds and ensure financial instruments to reach the SMEs most in need of financial resources.
- The development and increase in energy prices, together with the scarcity of energy sources, further complicates the situation for SMEs. Some companies cannot sustain the additional costs. The European Commission needs to take additional measures to take this into account.
- Finally, the purpose of this hearing is to hear your ideas and take into account the key elements that will emerge from our discussions.



Panagiotis Gkofas, Co-rapporteur of the EESC opinion on "Next Generation SME Strategy – Enhancing Effective and Swift Delivery", EESC

- As the rapporteur, Ms Angelova, pointed out, these opinions are very important for SMEs.
- Here is a video of the speech by Queen Maxima of the Netherlands, Special Representative of the UN Secretary General, to the G20 in Rome in October, which summed up the need for action and support for SMEs: [speech link](#)
→ three areas of action that apply to all SMEs: digitalisation, investment in skills and capabilities and access to finance.
- This message is comprehensive and complements our proposal for an ombudsman, which we need to ensure that the funds actually go to SMEs, and that they do not lose their focus. If we add this to the Queen's proposals, everything has been said.

Panel discussion: Assisting SMEs' access to financial support



Moderator: **Dimitris Dimitriadis, member of the study group "Next Generation SME Strategy – Enhancing Effective and Swift Delivery", EESC**

- The main problem is financing. It is a crucial issue and not only in Greece. Banks set many conditions for loans and do not always respect the rules of the European Investment Bank and apply their own criteria. There is no common approach in Europe. The ECB plays a key role in structuring the European economy. In Greece, it is almost impossible for micro and SMEs to get a bank loan. The European Commission does not follow what often happens, especially in the Mediterranean countries.
- We need to clarify what support we need and why. We need to have financing without having to follow bank conditions. The EU must respond to this need. We also need to adapt the definition of SMEs.



Valeria Ronzitti, Secretary General of SGI Europe

- We are now halfway through the decision-making process. My organisation is not a typical organisation: we represent service providers, mostly at local level. Many of our members have moved from industry to small service providers (small public companies that are the size of a traditional SME but do not fall under the definition of an SME as they usually have 25% of their capital owned by the public). This definition, which dates from 2003, is no longer relevant. It is based on an outdated concept. I therefore welcome the strategy proposed in the opinion. The legislative framework must include these actors and their activities at local level in a competitive manner.
- The need for innovation, access to funding and the double transition mean that we do not have access to simplified procedures. The impact of this double transition and the speed of it means that SMEs cannot cope without financial support, without the financial framework to promote the necessary skills. Companies, at local level, do not have the financial and human resources to move into this digital and green era. Energy costs are also a barrier at local level. This must be taken into account in the general financial framework.
- I hope that the final version of the opinion will take this reality into account. These companies suffer from not being in the definition of SMEs and all actors should promote this idea of the ombudsman in order to dissolve this misconception, including among SMEs. We need more transparency.



Frederico Martins, policy adviser at Eurochambers

- There are diverse obstacles to business expansion and jobs. When there is a lack of liquidity and a drop in demand, businesses face the risk of insolvency. How can SMEs access more capital? As far as debt is concerned, it is accumulating every year, and this shows that entrepreneurs are very worried. What are the recommendations for the future?
- Firstly, there should be solvency support in the national recovery plans linked to SMEs. However, when we talk about the procedures to access more financial support, they must be SME-friendly and quickly channelled.
- Secondly, we need a review of the EU state aid framework and increase the de minimis regulation exemption of the notification requirement threshold from €200.000 to €500.000. On the issue of late payments, it would be good if public authorities set a good example by paying their debts in time.
- Thirdly, the Commission should work towards addressing regulatory contradictions: on the one hand we want to reduce the legislative burden but, on the other hand, small businesses see their reporting and compliance obligations increase. SMEs need an appropriate legislative framework that allows them to recover and thrive.



Paolo Borchia, Member of the European Parliament

- We have to see what the expected results are. The Commission's first SME strategy should be seen as a first step. However, it does not yet take into account how many efforts SMEs still need to make in order to adapt to this complicated context and its current constraints. For these reasons, we must also avoid taking too many regulatory measures that may hamper enterprises' ability to survive the crisis and maintain their competitiveness, which is further hampered by a sharp and relentless global competition.
- We need to help micro-enterprises and businesses that lack experience in digitalisation, such as those that operate in traditional sectors as manufacturing, by identifying tailor-made digital solutions that may help them to improve their daily business operations. While the European Union has made important steps in this area, yet we need to ensure that policy-making provides support and pays proper attention to the real economic needs of each type of business, including the manufacturing sector which makes up the core of EU economy. Institutions must realize that innovation must serve the needs of businesses, not the other way around.
- Also innovative companies do create jobs. The European Innovation Council has selected start-ups and SMEs to receive funding to promote innovation. EUR 7 million is allocated for these companies to develop their technologies. However, we must ensure easy access for SMEs, including the smallest ones, to these programmes. EU tools such as Horizon Europe do support the development and implementation of new policies, knowledge and technologies, and can therefore generate also job creation, provided though that SMEs are given a real chance to access these instruments in the first place.



Irene Vlachaki, Economic Analyst, European Commission

- Our team in Athens is in close contact with partners in Brussels and Greece.
- I share your views that SMEs face significant challenges related to their green and digital transition, the skills of their staff, their innovation capacity, their access to finance etc. which have been intensified with the pandemic.
- Including through the EU 'support to mitigate Unemployment Risks in an Emergency (SURE), there has been a real response from the European Commission to support employment and mitigate the economic and social impact of the pandemic. This loan facility allowed financing employment support measures such as the short-time work scheme (SYNERGASIA), as well the special allowances and social contributions for employees who had to stay at home during the repetitive confinement periods.
- NextGenerationEu is a resilience scheme. This Resilience and Recovery Facility which is at the heart of NextGenerationEU offers up to 17.77 bn in grants and 12.73 bn in loans for Greece for the next 6 years. It also aims to support the reforms and investments needed for the green and digital transitions in Member States. SMEs play an important role in this plan and they will be among its beneficiaries.
- SMEs will benefit either directly from the available financing (e.g. through support for energy renovations for SMEs to improve energy efficiency, digital integration measures, incentives to grow) or indirectly (e.g. energy renovations of residences)
- Reform plans can be a burden. Therefore, the Facility will support the design and implementation of key reforms that SMEs can benefit from, e.g. simplifications in the investment licencing procedures, building permits, real estate transfers, public procurement etc. The Facility will also support smart infrastructure, and the purchase of IT infrastructure by SMEs that will facilitate e-business and e-commerce activities. Support is also provided to increase competitiveness and promote Industry 4.0.
- There are also bank loans provided through International Financial Institutions and commercial banks at favourable conditions to support private investments and ease access to finance constraints for businesses. SMEs may submit their loan applications.
- Stakeholders need to seize the opportunities that are now available and be actively involved in the implementation process. As European Commission, we want to listen to your concerns and take them into account.



Manolis Manioudis, Economic Analyst at the Hellenic Confederation of Commerce & Entrepreneurship –ESEE

- Following the financial crisis, there was a reduction in SMEs lending. In the eve of economic crisis new lending shrank more than a tenfold from 2007 and 2008 levels. Then the situation improved in 2017/2019. Now because of the Covid-19 health crisis, the situation has changed and there is less access to the main financing funds. There are bank exclusions. Only 30000 enterprises out of 800.000 could access banking lending. Therefore, interest rates are higher for SMEs, especially in Greece. So there is a dualism between micro and large companies.
- The lack of liquidity endangers the survival of SMEs and makes it difficult for them to adapt to the twin transition. During the pandemic, the Greek government tried to change this situation, but the impact of the pandemic is not clear right now. The green and digital transitions will have a cost at all levels. Surely, the pandemic has accelerated the course of the twin transition. However, This twin transition increases inequality. But without access to finance, this will increase further. We need more equitable access to finance through inclusive financial tools.

Panagiotis Gkofas (EESC)

- SMEs have no money in their cashbox and cannot apply for a bank loan. That is why we need to make sure that the money goes to those who need it. This is why the role of the ombudsman is crucial.

Ilias T. Georgopoulos (IME GSEVEE – SMEs' fostering Network)

- During this decade, there have been three thousand requests from SMEs for financial support. This support takes place within our means, in the framework of various programmes. Our findings show the lack of a connection line between the funds and the entrepreneurs, to allow the accessibility of these funds. How can we do this? The banks set a framework and criteria for granting loans. But the majority of entrepreneurs doesn't fulfil these criteria, either because it is not able to or because it is not willing to present its figures. So we need to train them in the field of financial literature.

Mira Maria Kontkanen (EESC)

- We know that SMEs rely heavily on traditional bank lending. The regulation of bank lending reduces the ability of SMEs to benefit from it. Most SMEs find it difficult to be financial. There is a contradiction: the emphasis is on implementing financing tools and yet, in the general framework, we see that financial actors are moving in the opposite direction.

Irene Vlachaki (European Commission)

- Given the high stock of non-performing loans and the need for deleveraging, the banking system sets rules which are not always compatible with common Eurozone practices. This is unacceptable, as it is also applied to citizens, but ongoing reforms of the financing system, including in the insolvency framework, aim to address such deficiencies. As concerns the Recovery and Resilience Facility, we are trying to ensure that funds will reach the companies that need them. I take your comments on board, we will do our best to improve the situation and get things done for SMEs.

Georgios Kavvathas (GSEVEE)

- 90% of SMEs do not have access to Greek loans. But we need to move to this green and digital transition, we need innovation etc. All this requires funds. There is an inequality between micro and SMEs compared to large companies. They must have the same rights.

Break

Panel discussion: How to use the COVID-19 crisis as a driver for change and catalyst of the transition of the SMEs towards sustainable and digital economy?

Moderator: **Panagiotis Gkofas, Co-rapporteur of the EESC opinion on " Next Generation SME Strategy – Enhancing Effective and Swift Delivery", EESC**



Fin Krogh Jorgensen, Chairman for The Industrial Policy Committee at IndustriAll Europe

- Dedication of the Trade Union to SMEs: SMEs are the backbone of the EU Single Market (2 in 3 jobs are created by SMEs), moreover, they can be industry incubators. Trade Unions must nurture SMEs. SMEs are struggling in the post- COVID era, towards the green transition and technological revolution.
- Ice-breaker Scheme: it is a specific example on how to unleash the potential of SMEs in the post-COVID era (in Denmark). It is a scheme supported by trade unions and employers' organisations as well as regional authorities. It brings together SMEs and University Graduates, breaking the ice between the business world and academia. SMEs are granted a wage subsidy for the hired graduates (ice-breakers). Academia teaches a very useful methodology for the business world (SMEs). The toolbox offered by academia can be successfully used in real-world challenges: logistics, social media, digitalisation, product development, EU funding. 700 SMEs have used this scheme in Denmark. On third of the ice-breakers stayed in the SMEs.
- It is compliant with EU competition law. We should empower such a scheme for the post-COVID era, especially in the sectors which would be potentially affected by the digital and green transition.



Luc Hendrickx, Director Competitiveness of Enterprises - External Relations - Legal Affairs, SME United

- SMEs used their financial reserves to survive during the COVID pandemic (8 out of 10 cases), which has caused liquidity issues. There are a lack of external finance means and a lack of resources to invest in the green and digital economy.
- Ongoing digitalisation due to the COVID pandemic (even public authorities): for SMEs, there has been an increase in e-commerce during the pandemic, which was a necessity to stay in business. At the time there was a lack of information about the available digital tools. Now that physical stores are re-opening, it is necessary to engage with retailers to incentivise them to continue investing in the e-commerce side.
- The consequences of COVID pandemic:
 - Issues with the sustainability and cyber-security of e-commerce: investment needed in these fields.
 - Lock-in effect for SMEs: forced to buy digital tools from big platforms without the right information at the time; we need to protect European SMEs.
 - Teleworking: it makes informal learning, typical of SMEs, impossible; at the same time, employees are requesting more flexibility, so companies need to reflect on this aspect (war for talent, work-life balance).
 - Mobility: SMEs are catching- up with sustainable mobility policies.
 - Disruption of supply chains: the increase in raw materials prices in the post-pandemic era shows how dependent the EU is on other countries. SMEs are heading towards producing locally, increasing the resilience of EU supply chains by following the green and digital transition.
- It is necessary to implement the Small Business Act fully and to grant full involvement of the industry in the decision- making process.



Antonis Angelakis, Research Associate, GSEVEE Small Enterprises' Institute

- Digital transformation is not an automatic and homogenous process for SME's, especially for digital adopters within non-technological sectors. Limited investments on digital technologies, low rate of technology adoption, incorporation of low complexity and low value-added technologies, and limited access to targeted funding instruments create a reinforcing vicious cycle for micro enterprises amid the dawn of a new digital era.
- Digital transition necessitates multi-level and fine-grained policies focused on SME's technological advancement with respect to new technological equipment adoption rate, novel funding instruments, new digital infrastructures/innovation spaces, skills empowerment, and enhancement of digital clusters and collaborative projects.

Closing remarks



Pietro Francesco De Lotto, member of the EESC opinion on "Next Generation SME Strategy – Enhancing Effective and Swift Delivery", EESC

- Liquidity is abundant, but it is not mobilised, which causes shortages of liquidity for SMEs.
- There is a double reality between the adaptation of SMEs to the pandemic/conjuncture and structural need to reform the business world in view of the Green and Digital Transitions.
- It is necessary to create a common EU Legislative Framework for SMEs. However, we do need specificities, especially for micro-enterprises, which represent a different scenario.

