

**“AN OPEN LETTER TO THE EU INSTITUTIONS FOR THE PRESENT AND FUTURE OF SMEs”
A PROPOSAL OF THE SME ACADEMY AVIGNON**

The impact of COVID19 pandemic is a human, global drama of contemporary world that cannot be fought on a national basis. The current health emergency is producing shocks in the economic growth from the demand side with a reduction on goods and services consumption; from the supply side a decrease in the economic activities disrupting the supply chains across the world and leading into a steep slump in production together with a collapse in confidence levels.

Small and medium sized enterprises are the backbone of the euro area economy: they constitute about 98% of all euro area firms, employing around three-quarters of the euro area's employees, and generating around 60% of value added. These data happen to be even higher in the countries which have been most affected by the COVID19 outbreak.

Recently, a set of measures for SMEs have been introduced by the European Commission to mitigate the economic impact of the COVID-19 outbreak:

- 8bn budget guarantee scheme to provide liquidity for 100.000 SME/small mid-cap– via the EIF and the support of national intermediaries.
- Relax state aid regulation to allow extended support by using Art 107.
- Ensuring bank lending by allowing capital reliefs for banks – supervisors will allow banks to work with reduced capital requirements – either less amount or lower quality as regards their regularity capital requirements.
- Funding H2020 reoriented towards research virus.
- Other measures

In addition, ECB announced further measures providing money to be lent to SMEs, and European Investment Bank disposing 10 bn extra investments to SMEs and midcaps.

Following these measures and taking into account that *SMEs* are more likely to be affected by the crisis and by the rationing of credit provision we believe necessary **to develop a short – term Rapid Liquidity Response allowing SMEs To benefit of an EU common standard and harmonized methodologies in money measures provision.**

A COMMON RESPONSE TO SMEs LIQUIDITY NEEDS

Extraordinary lending and liquidity plans are to be decided by EU countries in favour of firms most affected by the crisis. The differences existing in the measures followed by the national credit systems and the financial intermediaries in responding to the SMEs liquidity needs requires the adoption of an EU harmonized and rapid liquidity response, to establish common standards and monitoring procedures in managing liquidity flows.

Our proposal foresees two main phases:

PHASE 1: EU Institutions elaborate common standards and harmonized methodologies for micro and SMEs liquidity support policies in the following areas:

- a) **An EU common standard available “on – line”:** SME Liquidity Form request (platform/software interoperable application), to be accessed by each EU micro SMEs, Intermediary or Credit Guarantee Consortium Network or loan, simplified self - declaration mentioning the following elements:
- calculation of the ceiling on the **35% last year small business turns over or the 2 years payroll plus 50%, write off interest payable to national authorities or banks, supply chain financing, representation and warranties.**
 - **Features of the liquidity tool:** 0 interest rate, cash in 10 days, reimbursable with 120 instalments from 2021, 2 years employment level maintenance “Social Clause”, undertaking was not in difficulty prior to COVID19, free of charge national guarantee through European intermediaries and Credit Guarantee Consortia Network, private debt restructuring for businesses that have seized their operation under state legal mandate (including write offs or prolongation of payments) or have significantly reduced turnover rates because of slump in private and public demand.
- b) **Private debt restructuring for businesses that have seized their operation under state law, or have significantly reduced turnover rates, because of slump in private and public demand.** This shall comprise of:
- Proportional to turnover losses write – off of tax penalties, fees, interests payable to national taxation authorities addressed until Dec 2020.
 - Proportional write-offs of business loans.
 - Private deb to national taxation authorities recalculated including all the penalties addressed until Dec 2020 without the interest, reimbursable with 120 instalments from 2021.

These actions shall be coordinated in order to avoid selective preferences over one or another type of liability.

Broaden the base and beneficiaries of payable advance amounts from tax Authorities in order to cover major current business needs (personnel costs + other fixed costs) for at least one year.

- c) **A European common strategy to harmonize fiscal policies (tax rates and VAT reduction), in line with the implementation of flexible rules in the fiscal stance of national budgets.**

PHASE 2: State Guarantee 100%, free of charge and reach employment and productive level with the support of a strengthened banking and EU wide credit guarantee renewed network functions.

EU common monitoring system with a common, harmonized data framework (“think small first principle”), based on common business data flows and indicators, to measure constant and on time SME liquidity flows to overcome liquidity “bottlenecks” or, rejection letters according to the existing EU Agreement on **“High level principles on feedback on declined SME credit application, signed by Banking Associations and SME United-Business Europe-Euro chambers” in June 2017**). This phase could implemented within EU competent Institutions (EC, EIB, EIF and others) through reinforced cooperation with National intermediaries, Credit Guarantee Consortia Networks, SMEs organizations and other appropriate public and business entities.

Further on, we deem necessary to set up with the EU Commission support an EU **“SME Liquidity Task Force” with the technical support of High Technical Independent economic and social partners, credit guarantee consortia associations and EU SME representative organization and academic experts**, to assist EU and Member States to collect and update data flows, to give technical assistance identifying and suggesting, where appropriate, adapted measures based on SMEs specific needs, effective response, credit intermediaries response capacity.

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The President



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