

ICSB Gazette

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Our small companies at the heart of the European Commission's big efforts to deliver on the SDGs

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How Small Business can play a role to deliver on the SDGs

The COVID-19 pandemic that struck Europe and the world in Spring 2020 has brought about many challenges and fears – for citizens, businesses and governments. But it has also demonstrated that we need to act as a global community in order to come out of the crisis stronger, more resilient and sustainable. This means breaking down barriers, sharing best practices and inspiring big ideas. It also means involving all elements of Europe's social and economic fabric in the recovery process – and our micro, small and medium enterprises (SMEs) are key actors here.

Small businesses have been most affected by the COVID-19 crisis: they have often been cut off from customers, clients and suppliers and deprived of precious liquidity. Many have not survived and many others are only limping through, burning up valuable rainy day reserves.

As we in the European Commission are piloting Europe's way out of this crisis, we have put SMEs at the heart of our approach. It is our main concern to ensure that our entrepreneurs and businesses get the financial support they need, that they are able to reconnect with suppliers or forge new partnerships, and have renewed access to markets in Europe and beyond.

We are also aware that we and our companies cannot simply press the 'Reset' button and return to where we were: we must ensure that they become more resilient to face future crises. This means adopting and adapting to the digital technologies that have proven so essential in the last months, having access to talent and skills, functioning freely as part of ecosystems and value chains, within and across borders. Getting SMEs the right support means that we will not just bounce back from the crisis – we will be able to bounce forward.

Looking ahead, it is clearer than ever that sustainability will be the strongest foundation for Europe's future. The EU is deeply committed to the 2015 Sustainable Development Goals (SDGs). We are implementing these goals across our policies both internally – i.e., through the Green Deal, our Circular Economy Action Plan, and our Gender Equality strategy – and externally, i.e. in our trade and development actions. We want to make the transition towards a low-carbon, climate neutral, resource-efficient and circular economy that goes hand in hand with increased security, prosperity, equality and inclusion across the world.

This is not just the responsibility of public actors and policy makers. It is about actions by everyone, including our people and our businesses. Climate change and the waste of natural resources are issues that affect all of us. We must therefore take a collective approach, and do so across the regions of the EU.

Europe's SMEs are a leading actor in delivering on the Sustainable Development Goals. They represent 99,8% of all companies in the non-financial sector, employ around 100 million people (two out of three jobs), and account for more than half of Europe's GDP. Beyond this, SMEs play an important role in local communities across Europe, including in remote and rural areas. Quite a few of them are among the most dynamic, innovative and forward-looking businesses, already developing environmentally sustainable business practices, products and services. They play a key role in addressing the "3 Bs": Big Ideas, Best Practices, and Barriers. Let me give you some examples of companies, whose stories we have gotten to know well through their participation in European projects and schemes.

Take Timbeco, a construction company started in Estonia. By building houses from prefabricated timber frames made from Nordic pine certified by the Forest Stewardship Council, Timbeco not only saves energy costs - it also preserves the environment. Its timber captures carbon from the atmosphere, and any wood waste or sawdust produced during manufacturing is used to heat its factory.

Bage Plastics of Austria recycles shredded fridge plastics into high-value plastic granules and compounds, which can be used in a wide variety of plastics products such as plant containers, office trays, electrical equipment, or yes, new fridges. In just six years, it has become one of the largest fridge-recycling companies in Europe, working with around 1.5 million old fridges a year sourced from across Europe.

Also let us look at projecttogether.org, a social acceleration platform from Germany. The project is a sign for the young generation having understood that it is now or never that we have to implement actions to fulfil the SDGs. It aims to bridge the gap between societal and economical challenges by supporting impactful start-ups. With over 850 young founders of companies, associations and social initiatives, the project convinced the international jury of the European Enterprise Promotion Awards in 2018 and won in the category 'Responsible and Inclusive Entrepreneurship'. Today, the project works on COVID hackathons and Farm-To-Fork projects.

Timbeco, Bage and project together have one thing in common, besides helping Europe implement the SDGs: they all benefited from European support. Timbeco had partnership and innovation support from the Enterprise Europe Network; Bage was supported by the EU's COSME Loan Guarantee Facility; and Project Together made a number of invaluable contacts after winning the EEPA award. These are only three of the many companies that have benefitted from and evolved in their conquest of sustainability solutions thanks to EU support.

Since SMEs are embedded in every region, in every ecosystem and in every value chain, they help spread innovation and best (sustainable) practices throughout the World. Combined with their capacity to provide jobs, social security, and training, this helps to remove barriers to delivering the SDGs. This is why in the European Commission, we see SMEs as central to achieving sustainability and becoming the first climate neutral continent by 2050. Nevertheless, even before the crisis started, our SMEs were already facing many barriers to their full potential. Given their limited human and financial resources, they find it challenging to comply with rules and complex administrative and legal procedures, access information, markets and finance, and to properly evaluate and mitigate environmental risks. Many small businesses struggle also more than large enterprises to get the finance they need for investments promoting sustainable practices.

Aiming to “unleash the power of Europe's SMEs to lead the twin transition to sustainability and digitalisation”, the European Commission adopted a new SME strategy on 10 March this year. It covers all types of Europe's 25 million SMEs, ranging from the innovative start-up to the traditional bakery, and proposes actions under the three pillars:

- Capacity building and support for the twin transition;
- Reducing the regulatory burden and improving market access to the Single Market and beyond;
- Improving access to finance.

The crisis has made the strategy more relevant than ever: it will be a key tool for post-crisis recovery of the European economy, which will



reflect Europe’s commitment to the SDGs, and thus be “green” and social, and exploit the opportunities of digitalisation in the best possible way. It provides flexibility to refocus key actions and adapt them to the new reality where necessary. The Commission has already adjusted and put in place some of them, aiming to bring immediate relief during the crisis.

Access to finance has been, of course, the immediate priority for SMEs at the onset of the crisis. The Commission has responded with a number of measures, including additional public guarantees for SME financing, and the launch of ESCALAR, a first-of-a-kind risk/reward mechanism to boost the investment capacity of venture capital funds for scaling up.

Moving now to more medium and long term support, also in line with the SME strategy, the Commission will support SMEs’ financing needs, notably under the new funding programme “InvestEU”. Combating late payments is another way of ensuring liquidity, necessary for SMEs to support the achievement of the SDGs. The Commission is pushing the effectiveness of the Late Payment Directive by setting up monitoring and better enforcement tools. In view of helping SMEs quickly, the Commission will propose a set of practical measures and recommendations by the end of the year. Furthermore, cutting red tape across the EU is a key element of the strategy and crucial not only in the context of supplies and services linked to combatting the crisis, but also in reaching the SDGs. A new SME filter will play an important role in identifying initiatives, laws and regulations that are potentially burdensome for SMEs, e.g. linked to innovation.

A key action in the area of sustainability will be the upgrading of the existing Enterprise Europe Network – the world’s largest support network for SMEs. As a major new element, the Commission will introduce dedicated Sustainability Advisors able to advise ambitious SMEs on the steps they need to take to become more sustainable – including moving towards reduced waste and greater circularity – and on how to access the finance to make necessary investments. We also take the social aspects of sustainability at heart: gender equality and decent employment will be a core part of the advisory services of the EEN.

This is just a start and European Commission will continue to develop further actions. It is our aim to continue breaking down barriers, sharing best practices and inspiring big ideas. We see our SMEs as potential world leaders on sustainability and hope that others will follow our example.

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This ICSB Gazette issue is featuring an article written by Kristin Schreiber

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