



CONPYMES

CONFEDERACIÓN NACIONAL DE PYMES

CONPYMES FRAMEWORK DOCUMENT:

For a real defence of SMEs interests and a more productive economy in the framework of a new inclusive capitalism

I. Description of the financial and business situation (in world, European and Spanish advanced economies) in Spain and the EU according to the new CONPYMES.

In spite of the alleged incipient economic recovery, mainly based on an accommodative monetary policy and low interest rates, negative deposit facility and purchase by Central Banks of public and corporate debt, the transformation undergone by the productive framework in Spain in the last years is and continues to be of massive proportions. The crisis has destroyed thousands of businesses and millions of jobs, many of which will not be recovered. Spain and the European Union (EU) have changed forever.

Large companies, monopolies and oligopolies with excessive rents have also suffered the crisis, but have managed to endure it better, thanks to their assets, favourable regulations, financial engineering and the competitive advantage provided by the obtaining of excessive rents. Mortality has been lower for that business sector than for thousands of SMEs and self-employed who have gone out of business forever.

At the same time, new technologies are forging a new economic and business order, from which our SMEs and self-employed cannot be excluded. Digitisation, robotics, 3D printing, Industry 4.0, artificial intelligence or renewable energies are trans-

forming our environment and decisively affecting the factors of business competitiveness.

The process of "internal devaluation" in costs, among them salary devaluation, fulfilled in due course a determining function, allowing us to gain in competitiveness globally, but without achieving significant gains in productivity; therefore, it is essential to abandon the focus exclusively based on the reforms in the labour market. Instead, we should go for reforms in the product market which favour improvements in productivity and competitiveness in the short term. Together with the above, a pending issue are the structural reforms which support a long-term solid growth, based on productivity improvement on the short term, and on the long term through innovation, strengthening the capacity to generate more added value without resorting to salary devaluation.

The aforementioned internal devaluation in salary costs improves our external position, but in itself does not produce a sustainable economic convergence. There is a risk that, if the unit labour cost mainly adjusts with the drop of salaries and this improves the current account balance, it may bring about a relaxation of law-makers in the solution to productivity problems. If this happens, unbalances will remain latent in the future. So, the experience of devaluation in the 90s suggests that adjustment only with relative prices with no gain in productiv-

ity is not sustainable. That is why reforms for the increase of productivity are the backbone of the sustainable process of economic convergence with the EU core.

It would involve the implementation of structural policies aimed at increasing competition and reducing distortion in the product and labour market, by means of regulatory frameworks in which SMEs and self-employed have their place.

The proposed mechanism is the so-called structural devaluation, which reduces the exterior unbalance by increasing productivity.

On the short term, the most immediate reforms to improve productivity would involve, on the one hand, intensifying the measures so that capital is positioned in the truly productive sectors mostly linked to SMEs and self-employed, and, on the other hand, relocating resources in the most productive sectors and, within these, in the most productive companies.

Therefore, the increase in productivity in the short term with no need to resorting to long-term processes, as well as the promotion of innovation and new technologies or internal devaluation itself, can be implemented with reforms that approach, among others, the issue of price formation in products.

Before the crisis, excessive income in certain sectors distorted business profits and promoted the mislocation of capital. Now it would be about capitals flowing towards companies with more productivity and, for this, it would be necessary to deepen into the single market and into the competitive forces in services and other non-tradable sectors, thus trying to reduce excessive rents in oligopolistic markets.

Countries described by the economic doctrine as low income countries in the EU, such as Spain, have developed remarkable reforms in the legal framework to increase competition, such as for example the following:

- Strengthening of competition authorities.
- Reduction of administrative burdens.
- Flexibilisation of administrative authorisations.
- Assurance of a fair participation in public tenders.

However, the progress to reduce excessive rents and improve price formation in certain oligopolistic good and service markets has been less ambitious, especially in network supply sectors. This reduction in excessive rents would mean fighting against vested interests. Reforms in these sectors are essential, not only because they involve the relocation of capitals, but because they increase competitiveness in the tradable sector, by reducing the cost of their consumption.

II. Some proposals of CONPYMES on structural economic reforms from supply policies for the improvement of productivity.

CONPYMES proposes to introduce certain structural economic reforms to improve the productivity of the economic system. Thus, among the pending reforms we find, for example, the introduction of a progressive business tax system, avoiding the "unfairness" suffered by SMEs and self-employed, who pay effective tax rates on their income higher than those of large companies.

Likewise, we consider it is appropriate to approve and apply a penalty system to put an end to the scourge of late payment mainly benefiting large companies, especially those having a dominance position in their markets, and public Administrations, therefore undermining the competitiveness and viability of SMEs.

Thus, large companies listed on the stock exchange systematically take advantage regarding payments, as they charge on an average of 84 days and pay their suppliers on an average of 187, according to the data for 2017 published by the Multisectorial Platform against Late Payment.

In the field of energy, differences are also obvious in Europe. Our SMEs pay double in the electricity bill, when the countries in our vicinity such as France, The Netherlands or Portugal are placed much lower. However, companies with high electricity consumption pay similar prices to the European average.

The real effective rate of the Corporate Tax paid by SMEs in our country, referring to the equivalence between the accounting result and the tax base, is clearly higher than the one paid by large companies, which for example benefit from reductions in the tax base with regard to the accounting result, which SMEs have no access to. It is an unfairness repeated for many years and which has been

acknowledged by the Ministry of Finance itself, which resulted in slight changes to the Corporate Tax recently.

It is undeniable that the interests of SMEs and self-employed are not always taken into account when legislating, even though these groups represent 99% of companies, 70% of employment and 60% of our country's added value. The European Commission, in its document Small Business Act advises to "think first on a small scale". Unfortunately, this principle is not normally followed in most regulations, laws and administrative procedures in our country, rather thought for the large company, unlike other countries of the EU.

III. Need to analyse, propose and defend the interests of SMEs by providing a differential value.

In order to face these challenges and promote the pending reforms, it is essential to count on strong and efficient associations and business platforms, seeking common objectives for all SMEs and self-employed, the real backbone of our productive framework.

It is totally necessary to have a clear voice with no hidden interests, truly representing the interests and values of companies operating in competition, beyond the monopolies, oligopolies and some large companies. These companies, in defence of their privileges of excessive income, operate in many cases with dynamics against the general interest of SMEs and society and, as a general rule, have a capacity of influence and representation which determine many of the decisions taken by various governments and regulators.

In the scope of the EU, business representation is held by two large organisations: Business Europe, representing mainly large companies, and UEAPME, representing SMEs, defending each of them the interests of their respective groups separately, and acting together whenever necessary.

In Spain, like in most EU Member States, this different representation of SMEs' business interests is not sufficiently clear and only happens clearly in Catalonia and the Balearics through representative business organisations such as PIMEC and PIMEB, respectively. In the rest of Spain, this different business representation does not exist in such a clear way.

As a specific example we have the field of public procurement, where European Directive 2014/24 was

not transposed into Spanish legislation within the period required by the EU and it was a complaint before the EU by a Spanish organisation representing SMEs which forced the immediate transposition. The main aim of this Directive is to favour the access of SMEs to procurement with Administrations. It must be born in mind that the participation of Spanish SMEs in public procurement nowadays is still way under the European average of 30%.

It is fully proved that while large companies, monopolies and oligopolies with excessive income have historically organised themselves to defend their interests both in Spain and in the EU, even obtaining control of SMEs representation, to the detriment of SMEs. On the contrary, SMEs have not had space, leadership, or a unique voice allowing them to present proposals with sufficient strength at the state and supranational level that, if they had been adopted, would today allow our country to be in a much higher level of productivity, competitiveness and economic growth potential.

This is how the National Confederation of SMEs (CONPYMES) was born, as an intersectorial organisation at the national level shaped as a space for participation, reflection, analysis and proposals, led by the civil society in the economic and business field, with the participation of business associations and federations and SMEs, and businesspeople and directors of this group on an individual basis, with the aim to grant SMEs the appropriate prominence and relevance, so that their voice is heard attentively by public Administrators, law-makers and social agents, at the local, regional, national and supranational levels.

Beyond the national level, CONPYMES was born with a clear will to be a supranational movement, looking for mainstreaming and hoping to serve as an example for similar movements in the rest of the EU.

CONPYMES adopts that wise sentence of "Unity makes strength".

IV. Principles News: economic and business pro-grammes of CONPYMES.

Considering CONPYMES as an area of dynamic participation and open to new current and future proposals, the Platform's member organisations consider their adherence to a series of essential programmatic principles, including but not limited to the following:

1. To defend an inclusive capitalism model, as opposed to the neoclassic, financial, clientelist, rentier and extractive capitalism, such as ideological anti-capitalism. Therefore, we defend a social and inclusive market economy, based on equal opportunities and competition among companies and the commitment with society and our environment. An equitable capitalism based on inclusive and sustainable economic growth with equal opportunities for all companies, against the vested interests by a neoclassic capitalism furthering excessive income which increases the production costs for SMEs. In the model we defend, the positive effects extend to all population sectors, thereby reducing the inequalities among the population, by increasing the productivity that furthers at the same time the economy's growth potential and the redistribution of income from the needed profit inherent in any business activity.
2. To fight against the oligopolies with excessive rents, an explicit expression of the "vested interests" prevailing in neoclassic capitalism. Thus, against this excessive rents which, according to the International Monetary Fund (IMF), prevails more and more in world economy, and in the same contrary line held by CONPYMES is already showing in the IMF.
3. To promote a legal and regulatory environment favourable to SMEs, aimed at administrative simplification, strict compliance under sanction of the payment legal deadlines (Law 15/2010), as well as the growing participation of SMEs in public procurement, in line with Directive 2014/24/EU.
4. To intensify the structural economic reforms from the supply policies and regarding the product market, which should be reflected in the next Reform National Plans to be sent by Spain to the EU, before a change takes place in monetary policy so far in force of low interest rates, negative deposit facility and debt acquisition by Central Banks.
5. To demand our participation in all consultations made by international economic organisations such as the IMF, the European Commission and the ECB to issue reports on the Spanish economy in their different missions to Spain (article IV of the IMF or the Post-programme Surveillance of the Financial Assistance Programme to Spain for the recapitalisation of financial institutions).
6. To report to the European Union and Spain, and their competition defence bodies, the negative effects for Spanish and European SMEs (in production costs) of the Declaration of Cooperation signed in December 2016 by the OPEC (14 countries) and the non-OPEC countries (11 countries), all of them oil-producing countries, in a concerted effort to accelerate the stabilisation of the global oil market through voluntary production adjustments, which amounted to approximately 1.8 million barrels per day. The aim is the increase of the oil barrel price, in order to improve the income of producing countries, avoiding deflation, and the yield of their investments in oil assets, at the expense of stimulating inflation in the consuming countries.
7. To support a labour framework where SMEs can decisively have an influence on collective agreements and allowing to link salary increases to productivity improvements, a key aspect to compete in a monetary union like the Euro area.
8. To fight against the restrictive practices of the competition, by supporting more actively the role of the National Commission on Markets and Competition (CNMC) as supervisor of markets and the defence and counselling of SMEs, as injured party, for the claim, through collective actions, for the damages derived from those practices, as established in Directive 2014/104/EU and Royal Decree Law 9/2017 transposing said Directive.

To support a legislative reform ensuring that the National High Court (Audiencia Nacional) in the same proportion as the Supreme Court, does not admit judicial appeals against the administrative sanctions started and solved by the CNMC for restrictive practices of the competition
9. To promote a fiscal framework in the Corporate Tax that levies the accounting result and not the tax base after deductions, reduces the compliance costs for SMEs, guarantees equal tax treatment for them, promotes business continuity and growth and favours capitalisation through

a preferential tax treatment of Allowance Corporate Equity, instead of the debt as a preferential formula for business funding.

In Personal Income Tax, to defend the establishment of tax system fairer to the self-employed, reducing the current tax unbalance they bear compared to companies, allowing them to deduct their labour activity in the net return of their economic activity, taking as a reference their Social Security contribution base, and establishing a unique tax rate for the taxation of their economic activity, as well as allowing the deduction of exempted allowances, established at the moment only for employees

10. To demand key competitive supply markets in Spain, subject to clear and transparent dynamics of supply, demand and price formation.
11. To defend a sustainable production model based on the generation of energy with renewable sources and at competitive costs, as well as efficiency in the use of resources through the promotion of the circular economy.
12. To defend the creation of a stronger European single market, always to increase competitiveness and business relationships, avoiding barriers to trade and furthering the service provision among Member States. This single market must guarantee fair competition among States, activity sectors and companies themselves, establishing rules that favour so.
13. To improve the productivity of the economic growth and competitiveness potential, not based on salary devaluation, as opposed to the current financialisation of the economy, which expands the growth potential of the economy and the increase of decent jobs, quantifiable and comparable through the U6* variable, which registers the real magnitude of unemployment, quantifying part-time employment as such as well as the negative conditions of the activity rate.

Productivity gain, under structural devaluation, should be achieved through structural reforms of the economy, such as the increase of the activity rate of the labour and investment factor, both much deteriorated variables as a consequence of population ageing and

the Great Financial Crisis, as well as the increase of competitiveness.

14. To demand that Administrations preserve legal protection and regulatory stability, compensating for the damage caused to SMEs and self-employed by retroactive rules.
15. To demand before all public bodies, whether national or regional, a new definition of SME, including also companies from intensive labour sectors with more than 250 workers if their annual turnover is under 50 million euros, extending this demand before the European Commission, so that it updates Recommendation 2003/361.
16. To support a stable, fair, egalitarian and democratic globalisation of the economy, which in the financial field would be called Globalisation 2.0, which would seek a more efficient assignment of financial resources, focusing on the productive activities developed by SMEs.
17. Real implementation and updating of the 10 principles included in the recommendation of the Small Business Act (SBA) launched by the European Commission in 2008 and supported by the Council and the European Parliament, aimed at improving the conditions so that European SMEs can develop all their potential.
18. To defend the creation in the Spanish Congress of Deputies and in the European Parliament of a specific Parliamentary Commission for SMEs matters, just like the one existing in the legislative body of the USA.
19. To include in the EU legislation the principle included in the USA Small Business Act establishing that the essence of the private enterprise system is competition, and that only competition assures free markets and equal opportunities for companies, and SMEs, and their promotion, ensure the preservation of competition.
20. To report the corruption generated on the side of supply by private actors before supranational economic bodies such as the IMF and the European Commission, as well as national ones, such as the CNMC, given its negative effect in the inclusive and sustainable economic growth and on the productivity of SMEs, as well as its contribution to the promotion of economic inequalities, by altering the free

play of competition and favouring the obtaining of excessive income by corrupting private actors.

To call upon the General Council of the Judiciary to consider, in the corruption repository periodically published to transfer data of its judicial evolution, the inclusion of not only the figures of how corruption affects the public sphere, but also the private one, including in the repository data of legal entities and/or individuals involved as corrupter in proceedings, rulings and serving sentences of deprivation of liberty.

21. To reform the tax imposition of the labour factor, through the study of the amendments to be implemented to Social Security contributions, highlighting the need to avoid any increase thereof and proposing, among others, measures such as the suppression of the limit for maximum bases, which would increase the collection of contributions without affecting SMEs.
22. To defend the special company tax regime in the Property Tax and the Inheritance and Donation Tax currently enjoyed by the partners of SME family companies in the holding and transfer of company shares, just like in other countries of the EU and the USA, as a fundamental requirement to preserve the SME family companies.
23. To defend a future reform of the Economic and Monetary Union (EMU) based on the dual principles of solidarity-responsibility and reduction of risk-sharing to apply to the European Fund for Bank Restructuring, the European Deposit Guarantee Fund and the European Financial Stability Mechanism, by means of intergovernmental agreements and not EU-dependent bodies. We defend a solution of the toxic financial asset stock in each Member State before any EMU reform and the incorporation of the principles adopted in the EMU reform which entail the transfer of state economic sovereignty, by means of a possible reform of the Spanish Constitution through democratic processes of citizen consultation.
24. To demand respect on the part of Spain of the Stability and Growth Pact of the EU to comply with the public deficit parameters, defending a comprehensive growth-friendly tax reform and a proportional distribution of profits and charges according to the economic capacity of each EU Member State, in such a way that Spain stops being the only EU Member State subject to the excessive deficit procedure.
25. To address a reform of the Basel III principles which are prejudicial, through greater capital consumption on the part of financial entities, to the SMEs bank financing.
26. To assimilate SMEs to the concept of consumers regarding the transparency control in mortgage contract, like in many countries of our European environment, thus furthering the processes of mortgage debt restructuring linked to the funding of SMEs in the framework of the second opportunity.
27. To include transparency control to the transactions between SMEs and oligopolies, by assigning SMEs the status of consumer adherent to this type of contracts.
28. To include in the plans to fight underground economy the priority action towards reducing the existing debt with the Treasury as outstanding debts during the enforcement period, currently amounting to 26 billion euros, which no doubt translates into a greater and unnecessary tax pressure on SMEs.
29. To address a reform of the Justice Administration establishing measures aimed at achieving efficient and well provided Courts that speed up legal claims affecting SMEs and self-employed, transposing the mandate established in this field in the European Directive on combating late payment, aimed at avoiding and correcting the current and huge accumulation of non-implemented legal rulings and court payments deposited, which seriously affect the competitiveness, viability and liquidity of Spanish SMEs.
30. To explore a new salary model, without resorting to salary devaluation, but not only from demand, but also on the side of supply, in an agreed manner, fighting against oligopolies with excessive rents to improve productivity. The new salary model based on nominal salary increases should also entail a reconsideration of tax imposition on the labour factor (social security contributions).
31. To attain, through an improvement of productivity, an average GDP growth in Spain and the

EU, constant in the medium and long term, of 3% annually or above, without entailing a growth of public and private debt. Thus, we propose regulations and proposals that facilitate and promote the inclusion in company's business models principles related to widely extended Corporate Social Responsibility (CSR), to clearly encourage business and economic practices that are respectful of the various interest groups or stakeholders who have a relationship with enterprises. Furthermore, regulations should further corporate commitment with, on the one hand, (close) local economic development of the territory where the companies operate as well as with the environmental sustainability and, on the other hand, with social cohesion in general and with the integration of people with special difficulties for their social and labour integration in particular.

32. To eliminate over-regulation in the national transposition of the minimum established by European Directives (gold-plating) and in the regional and local regulations with regard to the national minimum established which does not meet the comparative of the per capita GDP in Spain compared to other EU Member States, thus achieving in the medium term a reduction of production costs and improvement of SMEs' productivity.

To consider the possibility to establish regulatory moratoria that contribute to an improvement of productivity.

33. To meet the technological changes and their consequences by providing, especially to SMEs and self-employed, the debate, knowledge, support and implementation of digital transformation, industry 4.0, benchmarking and artificial intelligence, among others, demanding policies, actions and resources in that direction. Furthermore, to work for the improvement and flexibility of Vocational Training to respond to these changes in a quick and appropriate manner, especially adapting the supply to the training demand.
34. To fight so that supranational business organisations, representing SMEs, acquire a more prominent role in the meetings prior to each European Council of the Tripartite Social Summit, favouring that in said framework they hold meetings

with the President of the European Council and the President of the European Commission.

35. To defend the creation, just like in international business forums of large companies called B-20 and B-7 that meet before meetings of the G-20 and G-7, of an SME-20 and SME-7 business forum, made up of business organisation representing SMEs.

V. Composition of CONPYMES.

CONPYMES began its activity with a "stable core" of business organisations, at the territorial, sectorial and multisectorial level, that share the same ideals and differential characteristics, accommodating all those organisations and institutions, companies and businesspeople and directors, according to the provisions of article 2 of CONPYMES's Rules of Procedure, which, assuming the fundamental principles exposed in the Framework Document, its Founding Act and Rules of Procedure of CONPYMES, wish to actively participate in the consolidation of said organisation.

The objective criteria to be able to join CONPYMES are defined in its Articles of Association and Rules of Procedure, but, in any case, their membership must be based on the following premises:

- Strictly business entities, independent from parties, currents, political movements and trade unions.
- Entities that defend the interests of SMEs and/or self-employed businesspeople, applying the European definition of SME included in Recommendation 2003/361 of the European Commission and considering also as SMEs the companies from intensive labour sectors with an annual turnover under 50 million euros.
- Entities with headquarters in Spain. And in the future other entities with headquarters in the rest of Europe may join.
- With a strict transparency policy in their accounts and management.
- With full financial independence, mainly based on member contributions.
- Open to the collaboration with other Spanish and

European organisations, given that CONPYMES has a fully inclusive nature.

- Companies and businesspeople individually and company directors who are considered SMEs according to the European definition and who operate in markets subject to competition¹.

- The Founding Act
- This Framework Document
- Its Articles of Association, especially article 7, defining the characteristics of the members that may join CONPYMES.
- Its Rules of Procedure, which in article 17 reflect the Platform's ethical commitment, and in article 29 establish the Platform's commitment to hold annually at least a monographic session on SMEs

VI. Setting-up and Operation of CONPYMES.

On 12th november 2020, in Madrid, after a year of intense debate and analysis on the current economic reality and the need for SMEs and self-employed to be appropriately represented in order to really defend their interests, the National Confederation of SMEs (CONPYMES) for short, was established under Law 19/1977 of 1 April on the regulation of the right of trade union association (Official State Gazette of 4 April 1977) and Royal Decree 416/2015 of 29 May on the deposit of statutes of trade union and employers' organizations (Official State Gazette of 20 June 2015), and promoted by 23 founding members, including business organisations and enterprises, which hold the representation of 2,140,000 SMEs and self-employed throughout Spain.

The business and economic principles supporting CONPYMES are gathered in the founding and ideological documents:

On 6th March 2018 and by resolution of the Ministry of Interior, CONPYMES was registered with the National Associations Registry, establishing its registered office at calle Alejandro Ferrant nº 3, local, in Madrid.

The address of the official web page of CONPYMES is: www.conpymes.org

CONPYMES's web site is planning the daily publication of information circulars of interest to SMEs and self-employed, which will be accessible with access password restricted to its members and dealing with all sorts of economic and business topics.

The plan is to publish over 1,000 annual circulars on CONPYMES's web page, which will place CONPYMES as the EU business organisation with the highest number of circulars issued per year for its members. Said circulars, which will be notified by prior e-mail alert, will be on-line advice of extraordinary value for business organisations, SMEs and self-employed integrated in CONPYMES.

12st. november 2020

¹ Sectors with high entry barriers and of an oligopolistic nature, such as banking, energy and telecommunications are excluded.