



The future of EU SME Policy

Small and Medium-sized Enterprises (SMEs) are the predominant contributor to economic growth and job creation in Europe. To further increase their contribution, future SME policy must actively support the development of a business-friendly environment that enables them to **grow, scale-up**, and provide **job opportunities**.

At the core of SME policy at EU level are the objectives enshrined in the **Small Business Act** and the “**Think Small First**” principle. These should be the paradigm for measures undertaken at European level - not only in specific programmes or projects, but throughout the legislative process. Spill-over effects on SMEs should be taken into account when designing **macroeconomic, monetary and trade policies**. Furthermore, initiatives at EU level must respect the principles of **proportionality** and **subsidiarity**, thereby offering a **true European added-value** for businesses, rather than additional requirements. The objective should be a **simple, accessible** and **intelligible** corpus of laws and requirements that minimizes fiscal and administrative burdens for **businesses** in general and SMEs in particular.

Laudable efforts have been undertaken with the **Better Regulation Agenda** and the **SME test**, for example. However, there is room for improvement in the implementation of such tools. EUROCHAMBRES therefore calls on the European Commission to ensure a higher level of **coordination** between different Directorates-General and with the corresponding competent authorities in each Member State.

Future SME policy should **focus on improving the EU policy-making process**, thereby ensuring a sound delivery of the principles and objectives contained in the **Small Business Act** and the **Better Regulation Guidelines**. In this respect, EUROCHAMBRES calls for further **openness and cooperation** with the relevant stakeholders and **transparency** throughout the entire legislative process.

Essentially, EUROCHAMBRES calls for:

- Greater transparency, accessibility and coherence in the policy-making process: It is important that regulatory activities are restricted to where they are necessary. They should reflect the views and needs of stakeholders and minimise administrative burdens for SMEs.
- Renewal of the commitment by all EU institutions and member state authorities to deliver policies and actions in accordance with the “Think Small First” principle.
- Strengthen the application of the Better Regulation Guidelines and keeping the focus on facts and data-based policy making in order to correctly assess the effects of legislation on SMEs.

The road to 2024

The principles outlined above should guide future EU SME policy in the following key areas, where efforts have already been undertaken and future developments are expected.

Competitiveness and Innovation

In order for SMEs to remain key players in the international arena and for the European economy to be competitive, the next European Commission must - in coordination with the other EU institutions and member states - continue to foster programmes and initiatives designed to enhance the innovation capacity of SMEs. This requires a broad concept of innovation and a recognition of the need for **disruptive innovation** in some sectors of the economy with that of **incremental innovation** in others.

Energy, Climate Change and Sustainability

Innovation is crucial to the continued competitiveness of European SMEs in this critical area. EU policies must ensure a clear and stable vision for the transition towards more sustainable economic activities, tackling in a coherent and balanced manner critical issues such as sustainable access to raw materials, cost-effective and secure energy supply, competitive energy-only markets and protection against carbon leakage.

SMEs encounter several barriers that slow down the shift towards sustainable and/or circular production models, the main one being finance. Solutions need to be proportionate and should not create any further financial or administrative burden. Chambers recommend the creation of **programmes and incentives and to invest in research to make effective sustainable solutions affordable**.

Future EU environmental policy should ensure a **legislative framework that ensures the best possible environment for competitive and sustainable companies**. Public authorities must promote incremental actions generating new knowledge and innovation at reasonable costs for all, as envisaged already in the **Small Business Act**. This further demonstrates the current need to **strengthen delivery of already agreed goals**.

Promotion of entrepreneurship

The promotion of entrepreneurship and of an environment where entrepreneurs can thrive – already cornerstones of the Small Business Act and of the **Entrepreneurship 2020 Action Plan** – should be further pursued at EU and national level over the next five years and beyond. The process of fostering an entrepreneurial mindset should already start in school, with the introduction of entrepreneurship education in curricula from primary to tertiary level in order for students to develop ‘entrepreneurial’ attitudes and skills from an early age.

Despite the Commission’s recommendation that all young people should have gained practical experience before leaving compulsory education, the uptake of entrepreneurship education still has a significant way to go in Europe. **EUROCHAMBRES would like to see a stronger commitment from member states and more substantive progress in this respect.**

Among existing initiatives to promote entrepreneurship, the **Erasmus for Young Entrepreneurs** programme has proved to be particularly successful and should be progressively and coherently expanded to new countries.

Early warning tools have an important role to play in identifying and supporting businesses in distress, as well as in pursuing cultural and a regulatory changes to the way in which such situations are handled. The European Commission should continue to foster programmes to achieve these objectives effectively across the member states.

Skills

Skills gaps and mismatches are an increasingly pressing issue for the competitiveness of SMEs and, more broadly, for the European economy and society. An ageing population, rapid technology advances and the inability of education systems to keep up with the changing needs of the economy have contributed to a rise in skills mismatch-related issues in recent years. Furthermore, in today’s highly dynamic labour market, maintaining a **clear understanding of employers’ current and projected skills needs is crucial.**

Educational reform across European countries should be promoted through closer cooperation between companies and educational institutions. **Strengthened European cooperation on vocational education & training (VET)** is a key factor in improving the situation. Common objectives should be identified and innovative solutions to similar challenges pursued. EUROCHAMBRES supports the continuation and enhancement of such collaboration and advocates a new strategic framework to build on “**Education and Training 2020**”.

Access to new EU markets and internationalisation

Access to new markets and customers allow businesses to expand demand for their goods and services. It can also streamlines the production process and widen the possibility of further specialisation. In this respect, the **Single Market** is one of the main achievements of the European integration process. **EUROCHAMBRES calls for a renewed commitment and stronger momentum to the Single Market in order to ensure its correct functioning.**

Regulatory discrepancies constitute indeed a major obstacle to the growth and expansion of the SMEs as does the lack of implementation of the existing *acquis*. Reducing and eliminating many remaining barriers will allow SMEs to export to other EU markets more easily. Member states also need to increase efforts to guarantee a higher degree of harmonization of standards.

Looking beyond Europe, growing protectionist tendencies must be mitigated. The incoming European Commission should act to revitalise a **constructive multilateralism. Trade wars are at the expense of business and entrepreneurs.** Furthermore, SME policies in this field will be successful if the impact of trade agreements and policy initiatives on businesses is duly assessed. In this context, the “Think Small First” principle is again of great importance. Reflecting this, EU free trade agreements (FTAs) should consistently include EU SME chapters that ensure clear, simple and coherent rules. In order to increase SME uptake, FTAs should also be flanked by the delivery of European Implementation Action Plans at EU and national level, in close cooperation with business intermediaries such as Chambers.

Digitalisation

Digitalisation offers considerable opportunities for businesses if duly mastered and capitalized upon. New technologies will allow businesses to make their procedures more efficient, faster and accurate. Digital tools will help SMEs to reach a potentially wider pool of clients and customers, thus easing the access to new markets.

In this sense, EUROCHAMBRES welcomes the initiatives envisaged in the Digital Europe Programme. SMEs are vital partners in these activities.

The digitalization of public administrations also benefits SMEs through streamlined procedures and EU level coordination should facilitate this process across member states.

From a regulatory perspective digitally active SMEs may be negatively affected by laws focusing primarily on the economic activities of large companies. In this sense, the correct application of the “Think Small First” principle is of particular relevance, with the use of exemptions or different regimes for SMEs if and when appropriate.

Better and more diversified access to finance

Access to finance enables a business to develop, from its early stages to maturity. It allows entrepreneurs to grow and invest. European SMEs, differently from those in the US for example, still rely heavily on debt-based financing, particularly bank loans. Venture capital, business angels, dedicated growth markets and trading venues still remain comparatively underdeveloped in the EU. In addition, there is still a bias in some fiscal systems in favour of debt finance compared to equity.

The outgoing European Commission made considerable efforts to change the current scenario and allow SMEs and entrepreneurs to access additional sources of financing. **EUROCHAMBRES calls for the continuation of this policy and the promotion of a well-functioning Capital Markets Union, which could really benefit SMEs.** In addition, it is of utmost importance that the programmes in the next Multiannual Financial Framework to support SMEs (e.g. InvestEU) effectively reach the intended target group whilst ensuring **proportionality and subsidiarity**, and in **respect of fair competition and market integrity**.

Further information: Angelo PARNOFIELLO Tel +32 2 282 08 59, parnofiello@eurochambres.eu
Press contact: Karen ALBUQUERQUE, Tel +32 2 282 08 62, albuquerque@eurochambres.eu

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EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 93% of which are SMEs – through members in 44 countries and a European network of 1700 regional and local Chambers.

ASSOCIATION OF EUROPEAN CHAMBERS OF COMMERCE AND INDUSTRY
Chamber House, Avenue des Arts, 19 A/D • B - 1000 Brussels • Belgium
• Tel +32 2 282 08 50 • Fax +32 2 230 00 38 • eurochambres@eurochambres.eu • www.eurochambres.eu