

Vice President Frans Timmermans  
European Commission  
Rue de la Loi 200  
1049 Bruxelles

Brussels, 31 January 2019

**Subject : The application of the SME test by the European Commission**

Dear Vice President Timmermans,

With reference to our previous letter to Mr. Timmermans as well as his short encounter on Tuesday morning at ESBA's Better Regulation Event with one of the members of my team – Oscar Burman – I would once again like to draw his attention to the following issue.

In accordance with a study we conducted in 2017 on the Commission's application of the SME test (attached), it was revealed that the Commission's services often fail to apply the Commission's Better Regulation guidelines when assessing the policy impact on SMEs. The study analysed 13 impact assessments (IA) related to dossiers of relevance to SMEs that were published between July 2015 and January 2017. The IAs were checked against the Better Regulation guidelines, following the four steps of the SME test.

The persistence of serious flaws in the application of the SME tests remains evident. The absence of a thorough cost-benefit analysis, a low level of detail and accuracy and insufficient attention to the differences between SME size-classes (micro, small and medium) undermines the correct identification of SMEs' needs and have a knock-on effect on the assessment of the impact of proposed legislation on SMEs. We are concerned that such flaws in the application of the SME test are detrimental to the policy-making process and that insufficient attention is being paid to the 'think small first' principle.

EUROCHAMBRES recognizes that SME tests are not a goal in themselves, nor indeed are the principles of better regulation and evidence-based policy-making. But job creation and growth are goals; very important goals. That is why it is crucial to our competitiveness that legislation relevant to SMEs – 99% of all EU businesses and well over half of employment and value added – is based on a thorough analysis of the impact on them. This cannot be optional. It must be a pre-condition for moving forward with the legislative process.

Our members would like reassurance that the SME test is thoroughly and systematically applied in the impact assessments that affect (or might affect) SMEs. I would very much appreciate a response from your side to the question of what is being done to improve the application of the SME test within the Commission and ensure that its results are taken into consideration in the formulation of proposals.

Our study contains several recommendations to improve the application of the SME test. I would like to highlight that we are not asking for a radical new approach or major shift in procedures. On the contrary, our main recommendation to the Commission is very simple: apply the existing guidelines! It is crucial to ensure that SME tests are done properly and are not just a box-ticking exercise.

I look forward to hearing from you.

Yours sincerely,

Arnaldo Abruzzini

Annex: EUROCHAMBRES SME Test Benchmark 2017 report