



Council of the
European Union

162913/EU XXVII. GP
Eingelangt am 22/11/23

Brussels, 22 November 2023
(OR. en)

15791/23

COMPET 1149
IND 617
MI 1014

NOTE

From:	General Secretariat of the Council
To:	Council
Subject:	2023 Report of the SME Envoy Network to the Competitiveness Council - <i>Presentation by the Commission</i>

Delegations will find attached the 2023 Report of the SME Envoy Network to the Competitiveness Council with a view to its meeting on 7 December 2023.

SME ENVOY NETWORK

**2023 REPORT OF THE SME ENVOY NETWORK
TO THE COMPETITIVENESS COUNCIL**

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FOREWORD

The EU SME Envoy Network submits this Annual Report to the Council, following the request by the Competitiveness Council of September 2013 to the SME Envoys to report annually on the

1. SMEs IN EUROPE – HOW ARE THEY DOING?

On 27 June, the Commission published the [2023 SME Performance Review](#) (SPR)².

It highlights the on-going economic uncertainty but also shows that some SMEs have demonstrated remarkable resilience. **Overall, the economic picture for SMEs is difficult, especially due to high inflation. Real-terms value added in SMEs declined by 2.3% in 2022.** Although SME employment increased by 2.4% in 2022, this increase indicates largely a rebound from the previous negative “Covid-19” effect. In terms of inflation-adjusted value added, EU SMEs are still lagging behind their pre-pandemic performance in 2019, and have only barely reached their pre-pandemic levels in terms of employment. Estimates for 2023 indicate no substantial change to this challenging picture.

Nevertheless, there are silver linings. There are segments within the EU SME population that managed to defy the difficult economic environment.

First, the group of **micro SMEs with less than 10 employees have outperformed all other SME size classes**. Their employment performance was impressive with a growth of 3% in 2022. Their employment growth since 2019 was as high as 4.1%, thus proving that the 2022 performance was not just a post-pandemic bounce-back from a low base.

Secondly, there are also entire ecosystems where SMEs managed to expand their business amidst the crisis: two industrial ecosystems experienced value added growth in real terms - these were ‘energy - renewables’ and ‘retail’. This increase is reflected across both SMEs and large enterprises. SME employment expanded in all 14 industrial ecosystems, with the largest bounce-backs in SME employment in those ecosystems that suffered most from the pandemic-induced restrictions, especially tourism (with a growth of 8.0%).

Concerning SME value added in 2022, **eight Member States (MT, DK, ES, SI, PT, IE, LU, BE) managed to experience actual growth** even after adjusting for inflation. This goes to show that even in the currently challenging environment SME growth is possible.

Confronting this challenging environment for SMEs is even more relevant as SMEs play a crucial role in the EU's plans regarding the twin transition of its economy towards more sustainability and digitalisation. For example, more than 60% of greenhouse gas emissions are estimated to be accounted for by the EU's 24 million SMEs. Hence, realising the much needed and aspired for gains in greening the EU's industries implies that SMEs have to be at the forefront of investment in green technologies. Recent Eurobarometer data suggests that some 20% of EU's SMEs have a concrete plan in place to become climate neutral, following in the footsteps of the 4% that already are. In order to enable those enterprises to realise their plans and for other SMEs to follow suit, policy makers have to ensure that they can do so in a supportive business environment. The same goes for digitalisation and their role in improving the competitiveness of the EU's economy.

² [How are European SMEs doing? Insights from the SME Performance Review \(europa.eu\)](#)

2. ACTIVITIES OF THE SME ENVOYS IN 2023

In 2023 the Envoys met 4 times: in March, May, October, and in November during the SME Assembly. The main subjects of discussion were high energy prices and inflation and their impact on SMEs, the preparation of the SME Relief Package, reduction of administrative burden and access to finance.

In addition to their work described below, the SME Envoy Network provided input to Mr Enrico Letta for his High Level Report on the Future of the Single Market to the European Council.

2.1. Better regulation and burden reduction

The economy doesn't work without rules; this being said, there is a danger that rules risk stifling economic activity rather than enabling it. SMEs are particularly concerned by that. In fact, SMEs have identified regulatory obstacles and administrative burden as their biggest problems (55%)³. Better regulation and burden reduction is therefore one of the Network's priorities. The Commission's SME Strategy from 2020 recognised that and reinforced the role of the SME Envoy Network. The SME Relief Package, adopted on 12 September, went further in underlining the importance of this work strand of the Network.

The work of the SME Envoy Network can be divided into three broad strands:

Firstly, for the development of new initiatives, the Envoys need to signal to the Commission those that merit close attention from an SME perspective. This is done via the SME filter.

Secondly, also related to new initiatives, the EU SME Envoy has to raise awareness on SME-related aspects in a regular dialogue with the Regulatory Scrutiny Board, to ensure that the scrutiny process works well for SMEs.

Thirdly, it is necessary to fix what is already in place and not working well enough. For this purpose, both the EU SME Envoy and the Network have been given a specific role in the Fit for Future Platform, which prepares opinions on existing legislation.

In addition to these three strands, the Envoy Network contributes to the work of the Commission's Single Market Enforcement Task Force to address issues such as gold-plating in the transposition process with a view to keeping the regulatory burden on SMEs to a minimum.

With this in mind, the Network held also two ad-hoc meetings on the draft Single Market Emergency Instrument and the draft proposal for a Regulation on effectively banning products produced, extracted or harvested with forced labour.

2.1.1. Single Market Enforcement Taskforce - SMET

As foreseen in the SME Strategy, the EU SME Envoy and the Network are contributing to the work of the SMET. The SMET started its work towards the end of the second quarter of 2020.

³ Flash Eurobarometer 486: SMEs, start-ups, scale-ups and entrepreneurship, February-May 2020, ISBN 978-92-76-20792-4; https://data.europa.eu/data/datasets/s2244_486_eng?locale=en

Representatives of the SME Envoy Network attended SMET meetings. For more details on SMET meetings please check out the dedicated webpage of the Taskforce⁴.

2.1.2. *Fit for Future platform – F4F*

The EU SME Envoy and the Network are contributing to the work of the Fit for Future (F4F) platform. The platform has been operational since the end of 2020. For more details on the Platform and its meetings please check out the dedicated webpage⁵.

The platform helps the Commission simplify EU laws and reduce related unnecessary costs. F4F examines whether existing laws can achieve their objectives efficiently. The Commission takes into account the platform's opinions to ensure EU laws help people and business, in particular small and medium-sized enterprises. The platform also supports the Commission in ensuring that Union policies are forward-looking and relevant in light of new challenges, such as greening and digitalisation.

The platform issues opinions on the topics listed in its annual work programme. The platform draws up the programme in agreement with the Commission, based on information on burdensome pieces of EU legislation from Member States, the SME Envoy Network, the Committee of the Regions, in particular through RegHub, and the European Economic and Social Committee, as well as representatives from civil society.

For the preparation of the 2023 Work Programme of the F4F platform, the SME Envoy Network proposed the following topics:

- SME test application;
- Digital fairness – fitness check on EU consumer law;
- Evaluation of the functioning of Regulation 1025/2012 on European standardisation;
- Evaluation of the Digital Contracts Directives;
- Evaluation of the 2012 Directive on waste from electrical and electronic equipment.

The adopted 2023 work programme includes 8 topics⁶, which were selected among 17 topics on the basis of an internal F4F members survey and only retained if an expert was ready to be rapporteur for that specific topic.

Most topics in the final 2023 WP are relevant for SMEs:

- Application of SME test, which resulted as the topic supported by most members of the F4F platform members in the internal survey; two members of the SME Envoy network act as rapporteur for this subject.
- The Digital Europe Programme;
- Public procurement;
- Evaluation of the functioning of European Standardisation Regulation;
- Fostering professional mobility in the Single Market;
- Ensuring a future-proof regulatory framework for the Single Market;

⁴ The Single Market Enforcement Taskforce (europa.eu).

⁵ Fit for Future Platform (F4F) | European Commission (europa.eu)

⁶ F4F work programme for 2022 is available here: https://ec.europa.eu/info/sites/default/files/2022_annual_work_programme_-_fit_for_future_platform_en.pdf

- Social economy entities and their access to finance, state aid, public procurement and taxation;
- General Data Protection Rules (GDPR).

With the SME Relief Package, the Commission committed to follow up on the recommendations that the Fit for Future Platform will issue later in 2023 on the application of SME test to ensure even more granular and consistent assessments of the impacts of its legal proposals on SMEs.

2.1.3. Assessment of European legislative initiatives (SME Test and SME Filter)

SMEs are affected by costs created by legislation, because of their limited human and financial resources. The 2020 SME strategy stated that 'To ensure that new legislation is SME-friendly, the EU SME Envoy will filter EU initiatives, in collaboration with SME stakeholders, to signal to the Commission those that merit close attention from an SME perspective. In this context, the EU SME Envoy will also bring in the national expertise of the SME Envoys network. It is the Commission's ambition that all future legislation, at European and national levels, should be made with the end user in mind, by identifying potential barriers and mitigating them early in the process, for example using digital tools.'

Already in 2021, the Envoys have contributed to the development of the filter and have held first discussions about how it should work in practice. In February 2022, the Envoy Network started to filter the legislative initiatives published on the Have Your Say portal since 1 January 2022. The [SME filter](#) is publicly available and updated every 2 weeks if new SME relevant initiatives are announced.

From the beginning of 2023 till end October, the network has filtered 18 announced legislative initiatives and found 67% of them to be (at least) relevant for SMEs (a total of 12 legislative initiatives). 67% of those initiatives are planned for adoption in 2023.

In its first 18 months of activity, the SME filter found that around 80% of all EU legislative initiatives are relevant for SMEs. With the SME Relief Package, the Commission announced that the EU SME Envoy, based on the SME filter, will provide to the Commission the list of initiatives that are most impactful for SMEs, on which the Commission will carry out the full SME test.

2.2. Energy situation

Earlier in 2022, the Envoys also decided to investigate the influence of the high energy prices on SMEs. Maria Munoz Martinez, then SME Envoy for Spain, and Caroline Mischler, SME Envoy for France, and their respective teams produced a report. It has shone light on the difficulties to establish/define SME tailor-made solutions and listed the measures taken at EU and national level. The comprehensive nature and the SME approach of the report have been appreciated by the stakeholders.

The report concluded that energy prices had already been high before Russia started its unprovoked and unjustified invasion of Ukraine, and since then they have soared. The impact of rise of energy crisis on companies, in general, depends obviously on the energy-intensiveness of their production respectively service provision, their ability to pass prices on to customers and consumers and, ultimately, on their financial situation. However, all companies were impacted. In response, Member States have taken a wide range of measures to support companies, and SMEs, many of them authorised or coordinated at European level. These measures aim at: securing supply and diversification of imports, addressing the high prices in the EU on the short term and foster renewables in the medium/long term. They comprise 1) soft loans and guarantees to have access to finance for energy efficiency projects or diversification on energy production or consumption; 2) temporary regulatory measures, mainly on reduced taxation on

electricity and gas, VAT and excise duties; 3) long term measures towards a carbon-neutral economy, promotion of new or alternative energy sources; 4) energy audits, projects to develop skills for the deployment of renewable energy. The Report also underlines the importance of shared best practices and the need to better trace the SME energy consumption in the future.

The Envoy Network will continue to monitor the situation; reports and updates will be published depending on the development of the situation with specific reference to the SME dimension that was found difficult to assess. A possible update of the report could be discussed in 2024.

2.3. 2023 European SME Week

2023 saw the revival of the European SME Week after the pandemic. It was held in the Basque Country in Bilbao, Spain, together with the Spanish Presidency of the Council from 13 to 17 November and organised under the motto 'Promoting Enterprise: powering Europe's SMEs and start-ups towards a sustainable future'.

The European SME Week featured the SME Assembly, which brought together over 450 delegates from all over Europe who discussed the future direction of SME policy for the coming years, as well as the Annual Conference of the Enterprise Europe Network (EEN).

Integrated in the SME Assembly were the European Enterprise Promotion Awards that promote initiatives that support enterprises and the founders and CEOs and the Small- and Mid-caps Awards organised by the Federation of European Securities Exchanges – FESE and European Issuers, with the support of the European Commission.

During the week, the Basque Government also organised Basque Open Industry 4.0, a forum to present the potential of Basque industry.

This wide range of activities and in particular the back-to-back organisation of the SME Assembly and the Annual Conference of the EEN strengthened the link between policy making and policy implementation.

3. CONCLUSION AND OUTLOOK TO 2024 AND BEYOND

2023 was a year of preparation for the SME Relief Package work, concentrating on better regulation and the measures to contain the negative impact of heightened inflation as well as the continuous issues created by Russia's war of aggression against Ukraine. These themes will remain at the centre of the attention of the SME Envoy Network.

With the nomination of the EU SME Envoy, reporting directly to the President of the Commission and the Member responsible for the Internal Market, the governance and effectiveness of the SME Envoy Network will take a leap forward. The Network will be able to fulfil its role to the full, in the key priority areas listed below, as well as in the day-to-day exchange of best practices and the development of further policy initiatives.

The key **priority areas** for the SME Envoys will be the following:

- reducing administrative burden significantly and making better regulation, especially in the context of the green and digital transformation, promoting a robust moratorium on further reporting obligations as well as simplifying the existing obligations; in this context the SME Envoy Network will take a close look at the use of the SME Test and report on this during the course of 2024,

- strengthening the resilience and competitiveness of SMEs,
- supporting SMEs in relation to high inflation and energy prices,
- making sure that SMEs are on the path to sustainability and helping them to transform step by step their business models towards sustainability, if necessary by re-adapting the EU's targets and policy tools to the possibilities of SMEs,
- supporting SMEs in their greening and digitalisation endeavours,
- improving access to finance with adequate instruments for the green and digital transformation,
- assessing the framework for business transfers, in line with the SME Relief Package,
- contributing to the work on open strategic autonomy in relation to SMEs,
- supporting entrepreneurship and innovation,
- improving access to markets, mainly by completing the Single Market, and
- helping to improve skills and the availability of skilled workers in all industrial ecosystems, especially with regards to greening and digitalisation, and further.

The SME Relief Package is a push for continued mainstreaming of SME policy. The SME Envoy Network welcomes its adoption and will continue to closely look at Commission's initiatives with a particular impact on SMEs. In 2024 the SME Envoys will:

- Accompany the implementation of the SME Relief Package, in particular by
 - assisting in the assessment of the conditions for business transfers,
 - working for a decisive shift towards a culture of prompt payment in the context of the proposed regulation on combating late payment in commercial transactions,
 - speeding up the implementation of the Digital Gateway and thus the full deployment of the Once-Only-Principle, starting from the A1 certificate,
 - intensifying the work related to the SME filter,
 - assisting the EU SME Envoy, in particular regarding the work with the Regulatory Scrutiny Board and
 - assist in the work related to the SME Definition as mentioned in the Relief Package.
- Closely follow the implementation of the SME Window of InvestEU.
- Keep an intense dialogue on SME policy and the exchange of good practices for SMEs;
- Continue their support to further complete the Single Market, access to finance and access to markets as well as strengthen start- and scale-ups. This includes following new developments related to advances in technology such as artificial intelligence, or blockchain.

The SME Envoy Network invites Ministers to

- take note of this report;
- provide guidance to the SME Envoy Network on the suggested priorities for 2024.

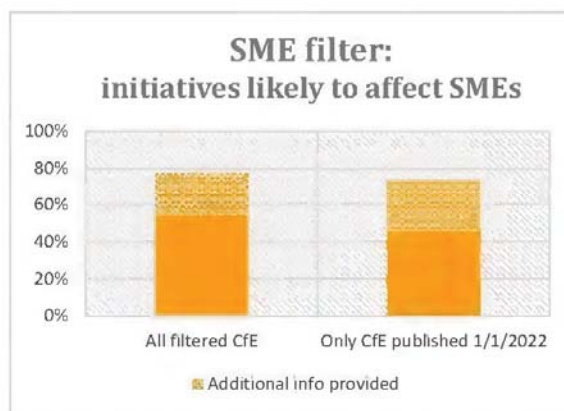
ANNEX: REPORT ON THE FIRST 18 MONTHS OF ACTIVITY OF THE SME FILTER

Summary

With the [2020 SME Strategy](#), the EU SME Envoy and the Network have obtained a clear mandate to contribute in a more systemic and institutionalised way to the Commission's Better Regulation agenda.

Since 2022, through the SME filter activity, the Network helps to identify at an early stage (shortly after the publication of the call for evidence) initiatives that are likely to affect SMEs ("relevant" or "highly relevant" for SMEs) and need to be accompanied by a proportionate SME test. For some initiatives, the Network signals additional information pointing to aspects of the initiative that are particularly important for SMEs, and that would merit consideration to classify it as highly-relevant for SMEs by the Commission services or need to be taken into account even

if an impact assessment is not foreseen.



In its first 18 months of activity, the Network has filtered a bit more than 90 calls for evidence (CFE). The SME filter results confirm that **about 80% of legislative initiatives should be based on SME test**. The Network provided additional information for almost 40% of initiatives published after 1/1/2022, pointing out that around a quarter of initiatives could usefully perform a more in-depth SME test. It raises the need to duly take into account

SMEs also when an initiative is exempted from an impact assessment (and therefore SME test is not mandatory).

[SME filter updates](#) have been regularly published on the [Network webpage](#) and also shared inside the Commission, leading to an increased use of the SME test helpdesk and, in few cases, the organisation of ad-hoc meetings between the Network and the Commission services in charge. Understanding if the SME filter, together with the revised SME test, have helped improving the implementation of SME test within the Commission, goes beyond the scope of this report.

SME filter content

The SME Envoy Network agreed that the SME filter will **not contain a separate list of initiatives that are considered non-relevant for SMEs**. Therefore, the SME filter lists upcoming initiatives that are found relevant (or highly relevant) for SMEs. For some initiatives, the Network signals additional information pointing to aspects of the initiative that are particularly important for SMEs and that would merit consideration to classify it as highly-relevant for SMEs by the Commission services.

Given that the SME filter has been applied only from 1 January 2022 onwards, **there are initiatives that do not appear in it because their call for evidence had been published before**

that. For example, the legislative proposal for an [Environmental performance of products & businesses – substantiating claims](#) was recently adopted by the Commission and it is not included in the SME filter because both its call for evidence (20/07-31/08/2020) and the public consultation (27/08-03/12/2020) date back to 2020, therefore much earlier than the introduction of the SME filter. This does not mean that the green claims initiative is not relevant for SMEs, but it means that it is out of its scope because of its timing.

In its pilot phase, the Network filtered also initiatives whose public consultation was published from 1 January onwards (but call for evidence published earlier); the results of this filtering have been made available internally to the Commission services, but are not included in the public version of the SME filter as most of such initiatives fell into the transition phase between previous and revised Better Regulation rules.

SME filter scope

The SME filter has been initially applied to legislative initiatives announced on the Better Regulation portal⁷ that require an impact assessment. After a year of implementation, the Network discussed the scope of initiatives to be filtered.

Aside from legislative initiatives and delegated/implementing acts that are accompanied by an impact assessment, the Network agreed that **also legislative initiatives that are exempted from an impact assessment** will be filtered. By filtering legislative initiatives that are exempted from an impact assessment, the Network wants to flag to the Commission those that are important for SMEs and where SMEs should be taken well into consideration, despite the absence of an SME test. Examples of such initiatives are: [Fighting against corruption in the EU – updated rules](#), [Electricity market – reform of the EU’s electricity market design](#), [Motor vehicle block exemption – review of the Supplementary Guidelines](#), [State aid – exemptions for small amounts of aid \(de minimis aid\) \(update\)](#), [Effectively banning products produced, extracted or harvested with forced labour](#).

For **non-legislative acts that are accompanied by an impact assessment**, the Network agreed to decide **on a case by case**. Members of the Network have the possibility to propose to filter specific non-legislative initiatives. An example of non-legislative initiative included in the SME filter is the [EU climate target for 2040](#).

SME filter process

To support the implementation of SME test in the Commission, the SME filter is tied to the publication of the calls for evidence⁸ in the Have Your Say portal, as this allows to identify as early as possible the importance for SMEs. The internal process was fine-tuned during a first pilot phase, with the aim of striking a balance between keeping the SME filter timing (4 weeks from the publication of the call for evidence) and giving the Network time to consider the calls for evidence and collectively agree on their relevance for SMEs.

The Network was concerned especially by the need to consult the SME community at national level to get input for the SME filter, which does not fit with the tight timelines. It concluded that

⁷ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives_en

⁸ The use of the Commission Work Programme would have helped in limiting the work needed for the SME filter, but previous experiences show that for some initiatives the impact assessment work is already ongoing when the CWP is published.

the participation of business organisations as observers in the Network helps overcoming this issue.

The SME filtering is mainly based on the information provided in the call for evidence and on the expertise available within the Network (SME Envoys, their sherpas and teams, business organisations teams).

In operational terms, the Network has agreed the following steps:

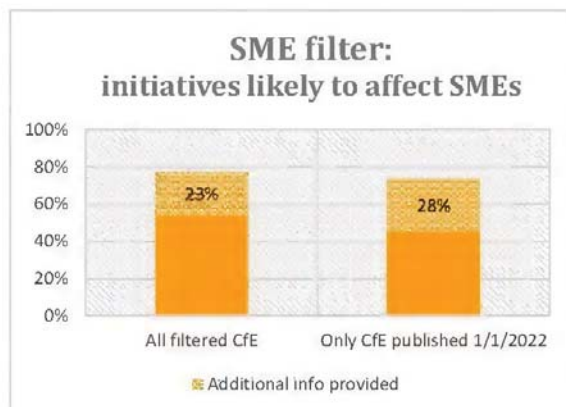
- The SME Envoy Network secretariat regularly scans the legislative initiatives published on the Better Regulation portal, lists them in a table, summarises key elements for SMEs from the call for evidence and proposes for each initiative its relevance for SMEs.
- Every two weeks (if there are new calls for evidence published), the table is circulated to the SME Envoy Network for reaction within 5 working days, with a silent agreement policy.
- During this first week:
 - o Members of the SME Envoys network (observers included) can request a different category of relevance for a specific initiative or can signal aspects that should be taken into account by the Inter-Service Steering Group of the European Commission when considering the relevance of the initiative for SMEs.
 - o Observers are also invited to add additional information and comments.
- If there are requests for changes, the secretariat alerts members and gives them 5 additional days to support those changes. A request for change of category needs to raise the explicit support of other SME Envoys.
- In case of a stall, as a general rule the decision of the Network members is based on general consensus and -should that not be reached- it aligns with the majority.
- The final list of initiatives is validated by the EU SME Envoy and published on the DG GROW / SME Envoys Network webpage.
- The public version of the SME filter lists initiatives that can be either relevant or highly relevant (without clearly distinguishing between the two). The Network can also provide additional information in the SME filter table. In some cases, this information refers directly to the SME test criteria used to consider an initiative highly relevant for SMEs.
- The EU SME Envoy alerts the relevant departments in the Commission and the secretariat of the Regulatory Scrutiny Board of the SME filter publication/update.

This timing ensures that the whole process is finalised within 4 weeks, which is the same length of the period of consultation for calls for evidence, and allows to provide the results of the filtering process no later than 1 month after the publication of the 'call for evidence' on the "Have Your Say" portal to the Commission Services, as requested in the SME test tool.

When agreeing on the relevance of an initiative, the SME Envoy Network keeps in mind that:

- relevant initiatives require an SME test that looks at the differences between SMEs and large companies and at least a qualitative assessment of options (quantitative assessment for the preferred option where feasible).
- highly relevant initiatives require a substantial additional effort in terms of targeted consultation of SMEs and quantitative assessment of options, and an analysis that looks at the differences between sizes of SMEs.
- despite efforts, it is acknowledged that reaching out to consult SMEs and getting quantitative estimates of likely costs of obligations can be challenging. DG GROW is supporting Commission services through EEN targeted consultations.

First results



In its first 18 months of activity, the Network has filtered a total of 92 calls for evidence:

- 24 initiatives whose call for evidence was published before 2022 and
- 68 initiatives whose call for evidence was published in 2022 or 2023⁹.

Overall:

- 77% of initiatives were found relevant (or highly relevant) for SMEs (74% for initiatives whose call for evidence was published from January 1st 2022 onwards);
- the Network included additional information for 30% of all relevant initiatives (38% for initiatives whose call for evidence was published from January 1st 2022 onwards). By including additional information, the Network either signals that an initiative is particularly important for SMEs and would merit to be classified as highly-relevant for SMEs by the Commission services (around 25% of initiatives listed in the SME filter) or need to duly take into account SMEs even if an impact assessment (and therefore SME test) is not foreseen.
- the Network filtered 8 calls for evidence for initiatives exempted from an impact assessment and found 6 to be relevant (or highly relevant) for SMEs;
- During the filtering process, the level of relevance was changed compared to that proposed by the Network secretariat for 7 initiatives. In other cases, changes to the level of relevance either did not meet sufficient support in the Network or were received after the deadline and could not be submitted to the Network.

The SME filter results confirm that **about 80% of legislative initiatives should be based on SME test**. The Network filtering also suggests that around 25% of those SME tests should perform a more in-depth analysis.

Inside the Commission, the SME filter updates have been regularly signalled to the departments, to allow them to better organise their impact assessment work, and to the Regulatory Scrutiny Board secretariat. This communication activity has increased the amount of requests for meetings with the SME test helpdesk on specific files to better understand the revised SME test and discuss how to implement it for specific initiatives.

⁹ As explained above, the SME filter published on the Envoys Network webpage lists only the result of the filtering of this group of initiatives.

In few cases ([Single market – new EU instrument to guarantee functioning of single market during emergencies](#), [Effectively banning products produced, extracted or harvested with forced labour](#)), the inclusion in the SME filter triggered the organisation of ad-hoc meetings between the Network and the Commission services in charge.

In order to understand if the SME filter, together with the revised SME test, have helped improving the implementation of SME test within the Commission, an analysis of SME tests that accompany the initiatives should be performed. Such analysis goes beyond the scope of this report.

[Network members can add if and how they use the SME filter or whether their participation in the SME filter process influence their work]

BACKGROUND

SME filter in the SME policy and Better Regulation frameworks

The 2020 SME strategy provides for an active involvement with the Regulatory Scrutiny Board, the Single Market Enforcement Task Force and the Fit for Future platform; it also foresees an **SME filter**.

“To ensure that new legislation is SME-friendly, the EU SME Envoy will filter EU initiatives, in collaboration with SME stakeholders, to signal to the Commission those that merit close attention from an SME perspective. In this context, the EU SME Envoy will also bring in the national expertise of the SME Envoys network. [...]”

The objective is that all future legislation is made with the end-user in mind, mapping the process in such a way that those proposals that are most likely to turn out as burdensome for SMEs are identified early on and mitigated, for example by the use of digital tools.”

The Commission published in 2021 a Better Regulation Communication¹⁰ which “recognises that SMEs have been severely affected by the crisis. Careful assessment of the impacts of Commission proposals on SMEs will ensure that action is targeted, achieves its objectives and does not add unnecessary costs. A more systematic and proportionate application of the ‘SME test’ will help achieve this aim”.

At the end of November 2021, the new Better Regulation toolbox was published. A new version of SME test tool¹¹ is now available. The **SME test has been revised** with the objective of giving more guidance regarding the proportionality of the SME test assessment and clear indications to what it has to contain.

The Commission internal Inter Service Steering Group –where different DGs are represented- is tasked with deciding early on in the process if a legislative initiative is:

- “not relevant”,
- “relevant” or
- “highly relevant” for SMEs.

¹⁰ [Better regulation: Joining forces to make better laws | European Commission \(europa.eu\)](#)

¹¹ [Tool #23 The “SME test”](#)

The content of the SME test will have to be adapted accordingly: the highest the relevance of an initiative for SMEs, the more the SME test has to go in-depth.

Concretely, the Inter Service Group has to reply to the following question *“To what extent is the legislative initiative relevant for SMEs?”* (not relevant, relevant, highly relevant). This question would be key to design a consultation strategy and plan proportionate activities for the assessment of impacts.

For initiatives that are likely to have little or no impact on SMEs (**“not relevant”**), the impact assessment report has to identify if SMEs are among within the scope of the initiative or if they are impacted directly or indirectly by it and it has to distinguish SMEs in the analysis of the consultation results.

For **“relevant”** or **“highly relevant”** initiatives for SMEs, the impact assessment report will have to reply to the whole set of SME test questions and recommendations, with a different degree of detail for steps 2 (consultation of SMEs) and 3 (analysis of impacts on SMEs), covering all the four steps of the SME test.

The SME test provides the following questions and considerations to guide the ISG in **establishing the relevance of the initiative** it is working on.

To identify **initiatives that are relevant for SMEs**:

‘Are SMEs within the scope of the legislative initiative?’

Does the initiative specifically target SMEs?

Will the SMEs be significantly impacted directly or indirectly by the legislative initiative? (Even when exempted from the scope of a legislative initiative, SMEs can be affected through the supply chain or subcontracting, or through changes that affect their ability to access finance, the Single Market, non-EU markets, skills, raw materials, data, customers, etc.)

Are impacts on SMEs likely to be more substantial than on other companies, for example in terms of adverse effects?’

To identify **initiatives that are highly relevant for SMEs**:

- *‘The horizontal nature of the initiative: if SMEs of all sizes (micro, small, medium) across the EU are concerned by the initiative.*

- *If a very high impact of the legislative initiative is expected overall on SMEs in particular in terms of compliance efforts.*

- *If an evaluation has identified important problem(s) for SMEs such as high regulatory costs, a widespread lack of compliance, a critical feedback from SMEs and their representative organisations, etc.’*

The summary table at the end of the SME test tool provides an overview of what a proportionate SME test should look like for the different levels of relevance of the legislative initiative for SMEs.

The new SME test contains explicit reference to the SME filter:

'A new process will help to identify initiatives that are important for SMEs. As announced in the "SME strategy for a sustainable and digital Europe" the EU SME Envoy, in cooperation with the SME Envoy Network, will filter EU initiatives to signal to the Commission those that merit close attention from an SME perspective. The results of the SME filter will be made available to the concerned Commission services. In order to timely feed into the policy preparation process, the EU SME Envoy should endeavour to provide the results of the filtering process no later than 1 month after the publication of the 'call for evidence' on the "Have Your Say" portal to the Commission Services.'

Regarding the role of the SME filter vs the role of the ISG, the BR guidelines points to the SME filter as one of the tools that help distinguish between non-relevant and relevant initiatives. It is in the end up to the ISG to decide about the relevance of the initiative for SMEs.