



OPINION

European Economic and Social Committee

Next Generation SME Strategy

Next Generation SME Strategy – Enhancing Effective and Swift Delivery
(own-initiative opinion)

INT/947

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1. **Conclusions and recommendations**

- 1.1 SMEs are the backbone of the EU economy - hence, the economic recovery depends largely on how successfully they will adapt and operate in the new post-pandemic reality, shaped by the profound changes imposed by the digital and green transitions. To be able not only to survive, but also to thrive, grow and expand successfully, driving the EU economy forward, and creating quality jobs and well-being for the citizens, SMEs need extra efforts by the EU and the Member States to provide them with a favourable business environment and proper funding and support measures.
- 1.2 A fit for the future policy and regulatory framework need to provide SMEs with certainty, consistency, clarity, and a level playing field, respecting the principles of better regulation¹ and competitiveness checks when introducing new or revising existing policy measures, while maintaining high level of standard of environmental and social protection. The EESC calls for streamlined administrative procedures so as to avoid focusing resources on activities that hamper efforts to develop business.
- 1.3 The EESC reiterates its proposal to create and develop a network of "financial and funding ombudsmen", who would monitor implementation of the measures geared towards improving the short-term liquidity of SMEs. Such a network would: promote SMEs' access to funds; collect and analyse qualitative data to learn if and how intermediary banks use financial instruments to reach the SMEs most in need of financial resources and why credit is not granted to them; and may also mediate more overarching disputes between SMEs and financing and funding providers. The EESC suggests that the EC and Member States draw up and implement swiftly a one-sheet-application process for SMEs, to ease and accelerate their access to EU funds.
- 1.4 The EESC sees enabling the fluid operation of both internal and international markets as an important short-term policy measure and calls on the Member States to make a special effort to provide opportunities for SMEs to bid for and win public contracts, and speed up public investments in general so as to increase the companies' turnover, together with effective application of the Late Payments Directive. The EESC welcomes the EC's proposal to extend the State aid Temporary Framework to June 2022, providing a bridge to market-based post-COVID-19 conditions.
- 1.5 The EESC stresses that enhancing competences and skills, including digital and green skills, is key for SMEs. This need applies to entrepreneurs, enterprise managers and workers alike. The demand for new skills requires both adjustment in vocational education and training and upskilling and reskilling. Social dialogue plays an important role in skills development, and good VET practices should be promoted and exchanged through relevant EU initiatives in cooperation between SME organisations, the social partners and Member States.

¹ [OJ C 517, 22.12.2021, p. 45](#), p. 3.6.3.

- 1.6 In particular, micro and small enterprises, family and traditional businesses and social economy enterprises need practical grassroots-level support, specific campaigns, tools and advice. Much more should be done to ensure the availability and accessibility of sufficient and applicable advisory services – also with the indispensable support of the SME organisations. The EESC welcomes the launch of the Social Economy Action Plan² by the EC.
- 1.7 Enhancing networking, cooperation and partnerships with other businesses and stakeholders also help speed up the recovery, digitalisation and greening capacity of SMEs, including through close involvement of SMEs in preparing the transition pathways for industrial ecosystems. While the COVID-19 pandemic has boosted the uptake of digitalisation for the digital frontrunners among SMEs, it has also deepened the digital divide for those that were lagging behind. There is also an underlined need for a more in-depth work to assess the chances and challenges that SMEs, especially the most vulnerable ones with least resources, face due to the green transition, and to support their success in this endeavour. The process can be facilitated and assisted by the SMEs representative organisations – and special support measures and funding for joint actions should be designed and offered to them for that.
- 1.8 The EESC underlines the pivotal role of the SME Envoy network, EEN and SME organisations to publicise and spread information on all support measures to the widest possible audience of SMEs and calls for them to develop their structures and working methods so as to better meet these needs. The EESC suggests that relations between SME organisations at EU and national level and the SME Envoy network should be further strengthened, with a view of achieving a more interactive model, where there is a constant, direct link and consistent, close and comprehensive connection with SMEs and their representative organisations and a better understanding and recognition of the role of the SME Envoy. It is the SME Envoys who will translate and tailor EU policies in concrete measures and support schemes in their relevant Member States and arrange the practical measures to deal with the particular situation of each and every SME, so that no one is left behind. The EESC looks forward to soon seeing the appointment of an EU SME Envoy to really lead this process.

2. **Background**

- 2.1 The EESC called for the elaboration of a "Next Generation EU Strategy for SMEs" that would respond to the new situation³, as the EC launched the EU SME strategy just before the emergence of the COVID-19 pandemic⁴. Furthermore, when concluding the work on the 2021-2027 MFF and on the recovery and resilience national plans under NextGenerationEU, it is important to assess whether the goal of placing SME support measures at the heart of all these programmes has really been achieved. This is especially urgent and important as many recommendations and proposals made by SME representative organisations still need to be better integrated at EU, national and regional level to safeguard prompt and successful delivery.

² <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=10117&furtherNews=yes#navItem-1>.

³ [OJ C 429, 11.12.2020, p. 210.](#)

⁴ [COM\(2020\) 103 final.](#)

2.2 This EESC own-initiative opinion focuses, by building on the previous opinion⁵, and without repeating its recommendations, on how to better meet SMEs' promotion and support needs. These needs arise not only from the new post-COVID-19 reality, but also from the fact that the EU's SMEs, which have an important role to play in the recovery and resilience of the economy and society at EU and Member State level, must comply with one of the most complicated legislative frameworks. It discusses how EU funds and other policy support measures help tap the potential of SMEs and what can be done to accelerate implementation and guarantee successful and swift delivery on the SME strategy, including possible adjustments based on recent experiences and developments.

3. Challenges, opportunities and the varying capacities of SMEs

3.1 SMEs face serious challenges with respect not only to the economic recovery from the pandemic and the adaptation to the new post-pandemic circumstances, but also to the digital and green transitions and demographic change. The new situation also generates opportunities for SMEs, especially if there are adequate support measures, tailored to the significant differences in the characteristics of SMEs and their capacities to recover, digitalise and become greener⁶.

3.2 The pandemic has changed the operating environment of SMEs in a radical way, due to the remarkable changes it has also caused in global markets and the increase in costs of energy and freight, recently aggravated by rising inflation and negative interest rates. Moreover, SMEs have been hit by: drops in customer demand and revenue, impacting negatively cash flow and capital availability, supply chain disruptions (raw material shortages and increased prices), and challenges related to balancing employee capacity, welfare and skills mismatches. Liquidity shortages, payment delays and increased demand for finance are also major challenges that have been aggravated during the pandemic.

3.3 SMEs are widely diverse and heterogeneous and their capacity to recover and develop also varies, depending on whether they produce goods and services for consumer markets or provide intermediate goods to larger firms. Furthermore, the recovery of SMEs that mainly operate at national or even local level is strongly dependent on the revival of domestic conditions, while those trading in the Single Market are affected by its fluid operation and those operating internationally will count on the repair, nearshoring or diversification of disrupted international value chains and the swift implementation of FTAs.

3.4 Regrettably, the level of digitalisation of EU-27 SMEs trails behind that of their peers in the UK, Norway, the US and Asia. While the pandemic period has helped raise awareness of the significance of digitalisation, it has also deepened the digital divide between the frontrunners and the followers, and the problem of insufficient expertise and resources in SMEs to benefit from it remains, i.e., due to the lack of:

- awareness, skills development and availability of digital technology and tools required for digitalisation;

⁵ [OJ C 429, 11.12.2020, p. 210.](#)

⁶ [OJ C 197, 8.6.2018, p. 1.](#)

- good connectivity, digital tools and services;
 - time and funding;
 - capability to combine a digital strategy with a concrete business model (including the inability to integrate new technology with existing technology and business processes or to migrate from previous systems/decommission old technologies).
- 3.5 An SME survey's findings prove the validity of the EESC's earlier conclusions⁷, as 72% of SMEs are of the opinion that better access to public support schemes would be useful to allow them to pursue digitalisation, together with support to find the required skills or expertise and gain access to networks (for 61% and 62%), and assistance with fundraising (50%). All SMEs would benefit more from grants and subsidised public funding than from financial instruments.
- 3.6 Intangible business assets, such as image or long-term relationships with customers to meet constantly changing and increasing needs and the increased level of competition due to sustainability, are also increasingly important for SMEs. Digitalisation and greening go hand in hand in that digitalisation helps enterprises optimise the use of resources and reduce environmental impacts, while the negative impacts of digitalisation on the climate and the environment also have to be tackled, mostly at a wider system level.
- 3.7 Many SMEs face uncertainty and lack of knowledge and understanding of the specific climate and environmental policies, including the requirements of all the new financial tools. The Green Deal and the Fit for 55 package, among others, may affect SMEs through direct requirements or indirectly through increased costs of resources, while improved efficiency in energy and material use and logistics may also result in cost savings, and more sustainable products may create benefits in the markets, depending on the expectations of customers. The increase in both domestic and global demand for environmental and climate technologies and solutions is an opportunity for businesses that provide other businesses or the public sector with solutions. There is also a clear trend of growing sustainability expectations by investors and financiers.
- 3.8 Furthermore, an SME's positioning in the digital and green transitions is affected by the:
- SME's size which affects the availability and accessibility of resources. While micro-, small- and medium-sized enterprises are similar in terms of the proportion of value added they generate, the number of enterprises in each of these categories differs considerably (93.3%, 5.7% and 0.9% respectively, in 2020). The predominance of micro-enterprises, which have fewest resources, shows the nature and size of the challenges;
 - differences in market positions and the sectors they operate – e.g., enterprises that develop and provide technologies and solutions for digitalisation and greening are in a different position to those that take up and use these solutions;
 - age and growth intensity of enterprises. Start-ups and scale-ups are more likely to use advanced digital technologies than other SMEs;
 - overall business environment, which must be attractive and supportive for entrepreneurship, innovation, investment and trade;

⁷ [OJ C 429, 11.12.2020, p. 210](#) and previous opinions.

- differences between the Member States – in terms of the digital transition, these mainly refer to digital infrastructure and digital skills, while differences in terms of the green transition stem from, for example, the natural resource intensity of the economy and different traditions and cultures in environmental management;
 - various locations - the framework conditions for SMEs differ e.g., between cities and rural areas.
- 3.9 As EU entrepreneurs are ageing, the EC should promote and facilitate business transfers as they benefit the whole economy by safeguarding employment and companies, and help SMEs meet future needs, as they may mean better preparedness and skills for digitalisation, greening and business renewal. Through a successful business transfer the business model can be upgraded and transformed to become digital and sustainable while failed or unrealised business transfers ultimately lead to the loss of jobs and economic growth. Promoting diversity in entrepreneurship – e.g., to include women and third country nationals, can bring value added and speed up growth of several sectors in strategic industries and business sectors. Social economy models such as worker-owned cooperatives have a role to play, as well.

4. Key principles for a successful Next Generation SME Strategy

- 4.1 The EESC calls on the EC and the Member States to accelerate the implementation of the SME strategy and have it adjusted according to the various conditions, capacities and needs of SMEs, in line with the principles set out below.
- 4.2 Any measures boosting recovery and resilience at the EU and national levels should promote economically, socially and environmentally sustainable development. While public investment and funding play an essential role, this must not obscure the importance of private investment and the need for a favourable business environment, especially at times when disruptive processes also have to be properly governed. As a general rule, EU policy measures should lead towards a sustainable post-pandemic economy, based on innovation, skills and competition rather than on State aid and protectionism.
- 4.3 As businesses play a vital economic and societal role by generating jobs and improving overall wellbeing, support measures that enable them to thrive must be at the heart of EU policies. This call is also justified by the fact that businesses are core players in achieving both the twin transitions and the objective of a competitive, digital, climate-neutral and circular economy. Market mechanisms are increasingly steering this development, supported by responsible social dialogue.
- 4.4 Considering that SMEs account for 53% of the value added and 65% of the employment generated by all businesses in the EU (in 2020), their crucial role in the EU economy and its successful recovery is undeniable. Special attention should be devoted to the particular needs of micro-SMEs (93% of all SMEs) and to enhance their role as the main driver of the social economy. As the SMEs and large companies are interlinked in many ways, more efficient integration in the relevant ecosystems and value chains is mutually beneficial.

- 4.5 As SMEs differ greatly in their recovery, digitalisation and greening capacities, there is no one-size-fits-all solution. Support measures need to consider that the overall capacity of SMEs depends on the nature, extent and cause of the enterprise's losses during the pandemic (often sector-specific); the enterprise's position in the markets, value chains and business ecosystems; the role and level of the enterprise in the digital and green transitions; the enterprise's financial, physical and human resources; and the operating environment in the Member State in question.
- 4.6 As the short-term implications of the pandemic have not yet been tackled, it is still important to help sound businesses survive the current situation. At the same time, conditions to enable and support the longer-term digital and green transition need to be enhanced immediately. SMEs should thus be at the heart of the implementation of both short-term and mid- to long-term EU funding and other policy measures.
- 4.7 The COVID-19 crisis has emphasised the need to support businesses and entrepreneurs in financial distress to avoid unnecessary bankruptcies and to save jobs. EESC calls on the EC and the Member States to continue their work on removing obstacles for entrepreneurs' second chance and restart, and to swiftly and properly implement the Directive on restructuring and insolvency⁸, which encourages Member States to create early warning systems to enable timely help for entrepreneurs in distress.

5. **Enabling a sound business environment**

- 5.1 The SME strategy is closely linked to the industrial strategy, and they need to be developed and implemented simultaneously in terms of creating favourable conditions for doing business, including a well-functioning single market of goods, services, capital, data and people, a smooth twin transition, and the open strategic autonomy of the EU in the key industrial sectors and related SME value chains. The close involvement of SMEs in preparing the transition pathways for industrial ecosystems is a must.
- 5.2 Member States can help accelerate SMEs' development by providing them with increased opportunities to bid for and win public contracts, at both EU and national level and by speeding up public investments in general so that the turnover of the companies involved is boosted more quickly. The rules laid down in the Late Payments Directive as regards payments by public administrations to businesses, require stricter enforcement and new remedies need to be envisaged, also targeted at speeding up transactions among private companies. Increasing the speed of payments can further improve SMEs' liquidity.
- 5.3 The mutual recognition of goods can ensure the free movement of goods in the EU, but many SMEs still face difficulties in entering the market in other Member States due to burdensome national administrative procedures. The EESC highlights the significance of standardisation in removing market barriers and facilitating cross-border activities. The effective participation of stakeholders such as SMEs should be further promoted in the standardisation processes, both at EU and international level. Standards should be drafted in an SME-friendly way and support and guidance should be provided for the application of standards in SMEs.

⁸ 2016/0359(COD).

- 5.4 International trade plays an important role in boosting the growth and development of businesses and the EU economy. In addition to addressing the pandemic-related obstacles, longer-term bilateral and multilateral negotiations for open and rule-based trade need to be continued to enhance the market access, internationalisation and growth of SMEs.
- 5.5 To be able to achieve its objectives, while addressing numerous challenges in terms of costs and transparency, the Next Generation SME Strategy must be accompanied by an enabling and encouraging regulatory framework, which promotes the efficient and swift recovery of SMEs and their development and ability to employ. The EESC emphasises that the policy and regulatory framework need to provide SMEs with certainty, consistency and clarity, to comply with the Better Regulation agenda⁹, including competitiveness checks and an assessment of the cumulative impacts of various initiatives, and to fully implement the SBA and "once only" principle, while maintaining high standard of environmental and social protection and securing a level playing field. The regulation must also consider the size of the playing field, thus assessing whether some specific rules should be the same for all companies, or shall be tailored according to the companies' size. The EESC also calls for streamlined administrative procedures to avoid focusing resources on activities that do not enhance but instead hinder efforts to develop business.
- 5.6 The better coordination of measures between Member States in the single market during unforeseen circumstances such as the pandemic is needed to ensure the free flow of goods, services and workers, as well as the business continuity of SMEs. The upcoming initiative on the Single Market Emergency Instrument is an important basis for this work.
- 5.7 The EESC believes that for SMEs with a high degree of information asymmetry between service provider and client and for services where the service provider acts as a custodian of the client (e.g., in the liberal professions), professional regulation can protect the safety, independence and quality of services, while market distortions, including possible cross-border barriers also need to be counteracted.
- 5.8 To enable the uptake of digital and green solutions, proper physical infrastructure at an affordable price is needed at all business sites, including rural and remote areas. While investment in efficient digital connections and sustainable transport and energy systems is useful in any circumstances, it also boosts recovery.

6. **Financial and other support**

- 6.1 SMEs' extra needs in terms of financial and other support mainly stem from their reduced capacity for recovery, digitalisation and greening due to their limited resources. The COVID-19-induced crisis is now deepened by rising inflation, which is also caused by rising energy prices. Therefore, the EESC stresses the importance of providing relevant financial and non-financial support and hopes that the Member States, while taking into account their diverging resources and capabilities to support companies, swiftly approve the proposal to extend the

⁹ [OJ C 517, 22.12.2021, p. 45](#), p. 3.6.3.

State Aid Temporary Framework¹⁰, acting as a bridge to market-based post-COVID-19 conditions.

- 6.2 In allocating public financial support, care must be taken to avoid picking winners or supporting non-viable businesses, as competition and markets should determine which businesses succeed. Instead, fund allocation should take account of the varying conditions and types of SME and thus make the support more efficient and better targeted to meet the needs in question.
- 6.3 The EESC reiterates its proposal to create and develop a network of "financial and funding ombudsmen" in Member States, coordinated by the EU, and suggests that the scope be extended to cover all sources of funding. The EESC also proposed setting up an SME liquidity task force, which would work in close cooperation with the ombudsmen to monitor the implementation of the new EC measures geared towards the short-term liquidity of micro-SMEs, which have been proposed at EU and Member State level. As well as helping SMEs access funds, the network may also help the EC collect and analyse qualitative data to learn how intermediary banks use financial instruments to reach the SMEs most in need of financial resources and why credit is not granted to them, in line with the principles governing feedback from banks. The network should also settle more overarching disputes between SMEs and banks, other financial service and liquidity providers and other funding bodies.
- 6.4 Investment in innovation is definitely beneficial, as it contributes both to the development of current businesses and to creating new ones and enhancing long-term success. As well as focusing on certain innovation ecosystems, funding for innovation should enhance the development of technologies and solutions that can be scaled up and adopted by a wide variety of SMEs. Turning risky, yet innovative ideas into action requires the engagement of several actors: researchers, entrepreneurs and end-users or clients. However, EU support schemes funded by Horizon Europe and InvestEU are far too complex for some SMEs to apply, even if they would be considered eligible. The EU can overcome this challenge by reducing burdens and obstacles when it comes to the presentation of ideas by SMEs and by providing constant mentoring and support to the successful applicants throughout the whole process. The EESC suggests that the EC and Member States draw up and implement swiftly a one-sheet-application process for SMEs, to ease and accelerate their access to EU funds.
- 6.5 Many Cohesion Policy programmes make use of the newly introduced rules and increased flexibility to restructure their allocations to sectors and regions hit hardest by the pandemic. The EC needs to guarantee that allocations linked to innovation and the twin transition do not decrease, affecting SMEs investments in infrastructure, digital capacity, and environmental resilience.
- 6.6 Enhancing competences and skills is another area for future-oriented investments that should be prioritised. The need for skills development applies to entrepreneurs, enterprise managers and workers alike. Proper vocational skills must be ensured to meet both the current and future needs of SMEs. To be able to meet the needs of the twin transitions, digital and green skills should be considered as basic skills for everyone. Meeting the new skills demand requires both

¹⁰ Made on 30.09.2021 – to extend it by further six months.

adjusting the vocational education and training and organising upskilling and reskilling. Social dialogue plays an important role in skills development at workplaces, and good VET practices should be promoted and exchanged through relevant EU initiatives in cooperation between SME organisations, the social partners and Member States.

- 6.7 Micro and small enterprises, in particular, need practical grassroots-level support and advice that is intrinsically linked to their resource-related capacity. Much more should be done to ensure the availability and accessibility of sufficient and applicable advisory services for both longer-term and everyday purposes, including the adoption of modern technologies, the development of skills and improved business performance. The EESC also calls for specific campaigns and tools to be developed especially for micro-enterprises, as the biggest and most vulnerable part of SMEs.
- 6.8 To be able to understand the practical needs of SMEs and to target measures in a proper way, a solid data base on the grass-root level conditions is a necessity. It is also important that policymakers at all levels keep connections to the practical life and circumstances of SMEs. The EESC encourages the EC to further strengthen the SME Envoy network towards a more interactive model, where there is a constant, direct and as close and comprehensive as possible link and consistent connection with SMEs and SME representative organisations and support networks, such as the social partners and relevant stakeholders' organisations. Also, the EESC asks the EC to urgently appoint and launch the work of EU SME envoy, who needs to have an operative, not only a figurative, status in the institutions. The EESC underlines the pivotal role of the SME Envoy network, EEN and SME organisations to publicize all support measures as widely as possible, in order to spread the information to the widest audience of SMEs possible.
- 6.9 Networking, cooperation and partnerships with other businesses and stakeholders are still other ways of increasing the recovery, digitalisation and greening capacity of SMEs. This should be one of the main purposes of enhancing innovation and business ecosystems, and the EESC stresses the need to strengthen the role and the network of Digital Innovation Hubs, and online platforms to be easily accessible and supportive for SMEs. Digitalisation is key in everyday business as well, as it facilitates networking and makes it possible for SMEs to interact more widely and more closely with customers, investors, business partners, social partners, researchers, educators and public authorities.
- 6.10 The EESC has identified the following principles to be considered when developing any new SME digitalisation programmes – and these can also be applied to all SME support measures:
- ensure that the programme is targeted, fits the needs and is easier for beneficiaries to understand, apply for and implement - by consulting key stakeholders and experts beforehand;
 - organise a key programme focal point for information and resources that SMEs can access to support their digitalisation activities and help them develop know-how in both how to purchase and how to use these technologies;
 - develop entrepreneurs' own digital skills, as this has a direct correlation with the level of digitalisation of the company, together with elevating the overall level of digital skills in the company;

- facilitate access to external finance and ensure fast disbursements;
- promote collaborations with other partners and stakeholders;
- the digitisation programmes should be designed to collect data and feedback from SMEs - also intended to improve current and future services and programmes.

Brussels, 19 January 2022

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