

REPORT

Unleashing SME potential

A roadmap for European competitiveness

Insights from 2,000+ SME exporters to help European policy makers prioritise policies that can boost their competitiveness and growth through the Single Market.



In the political guidelines for the next European Commission, President Ursula von der Leyen states:

The next five years will define Europe's place in the world for the next five decades. It will decide whether we shape our own future or let it be shaped by events or by others.

To support this aim, President von der Leyen will lay down a new plan for Europe's sustainable prosperity and competitiveness, which will build on the reports by Enrico Letta (*'Much more than a market'*) and Mario Draghi (*'EU competitiveness – looking ahead'*). These reports offer a range of recommendations that in combination have the potential to strengthen the Single Market and EU global competitiveness.

Among all the policy proposals in the two reports, it is important to keep sight of SMEs, accounting for 52% of GDP and 64% of private sector employment. This report therefore highlights the measures and regulatory changes that European SMEs identify as particularly important.

Based on a survey of 2,087 European SME exporters from Austria, Denmark, Germany, Italy, Poland and Sweden, we derive specific and actionable initiatives from the two reports that can help SMEs gain scale and build up muscles to compete globally.

The overall project was commissioned by Amazon and conducted by Implement Consulting Group. The work was supported by national advisory groups representing European SME exporters, including start-ups and scale-ups. Our partners included the Austrian Federal Chamber of Commerce (WKO), the Danish Association for Entrepreneurs (Danish Entrepreneurs), the German E-Commerce Association (BEVH), the Italian Confederation of Craft and SMEs (CNA), and the Swedish Federation of Business Owners (Företagarna). Members of these associations were surveyed, and the survey was rolled out in collaboration with Ipsos, an international market research firm with global survey capabilities.

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Executive summary

The European Single Market, a cornerstone of EU prosperity for over 30 years, stands at a critical juncture. As global challenges mount, the need to revitalise this powerful economic engine has never been more urgent. As emphasised by European Commission President Ursula von der Leyen, ‘we need a Union that is faster and simpler, more focused and more united, more supportive of people and companies’.¹

SMEs, including start-ups and scale-ups, form the backbone of the EU economy and the Single Market, accounting for 52% of GDP and 64% of private sector employment.² Both the Letta Report ‘*Much more than a market*’ and the Draghi Report ‘*EU competitiveness – looking ahead*’ emphasise the need to make it easier for SMEs to operate in the Single Market. Based on a survey of 2,087 SME exporters, this report identifies initiatives that these SMEs say are a priority to create a more sustainable and accessible Single Market, allowing them to unlock their full potential.

Overall, the SMEs participating in the survey call for European policy makers to ensure that the implementation of new reform initiatives **reduce operational costs and risks for SMEs**, particularly by fighting inflation, alleviating labour/skills shortages and preventing supply chain disruptions. SMEs also call for **less bureaucracy and lower regulatory burdens**.

This report lists **14 initiatives**, based on the Letta and Draghi reports, which address the problems that SMEs have identified as top priorities.

Simplify and unify regulation

SMEs generally have limited resources available to endure regulatory burdens and administrative requirements. More than 90% of the SMEs say that initiatives aimed at reducing fragmentation in the Single Market would help their company grow. Based on the survey, SMEs call for European policy makers to:

- 1. Cut compliance costs for SMEs** – Ensure a more systematic, consistent and integrated use of the Better Regulation Toolbox.
- 2. Unify to simplify** – Streamline employment law, tax law and market law for a more SME friendly business environment.
- 3. Reduce tax fragmentation** – Unify regulations for cross-border investments, tax base of enterprises, excise taxes on energy products, value-added tax (VAT) and VAT relief on donations.
- 4. Improve and simplify Single Market integration** – Use mechanisms and tools to reduce and avoid new fragmentations, including a 28th regulatory regime, national Single Market offices and the Single Digital Gateway.

Strengthen consumer trust and protection

The Single Market gives EU consumers access to a wider choice of more innovative, safer and cheaper goods and services. Similarly, access to 450 million consumers in the Single Market with high purchasing power offers formidable business potential. 91% of the SMEs say that initiatives to strengthen the Single Market for consumers would help their company grow, and a similar share points to potentials from harmonised labelling and standardised information to consumers throughout the EU, including in the Digital Product Passport (DPP).

To ensure that new initiatives to strengthen the Single Market for consumers are win-win solutions for consumers, businesses and public authorities, SMEs participating in the survey call for European policy makers to:

- 5. Enhance European consumer protection** – Strengthen the Consumer Protection Cooperation (CPC) Network or establish an EU-level independent consumer ombudsman.
- 6. Optimise the European Digital Product Passport** – Design for a circular economy and compliance facilitation.

Promote a circular economy and sustainable procurement

The Single Market has always been intrinsically linked to the EU's strategic objectives and has served as a measure to reach these objectives. Letta highlights the importance of enhancing SME participation in the public procurement market and establishing a Circular Single Market to fully leverage the potential of the Single Market in reaching these strategic objectives.

Public procurement is a major catalyst for economic activity, accounting for 14% of the EU's GDP and serving as a key tool for distributing public funds within the EU. Today, however, participating in public tenders is extremely complicated for SMEs. 89% of the SMEs confirm that initiatives to ease access to public procurement would accelerate their growth. Across the multiple initiatives to create a Circular Single Market listed in the Letta Report, 90% of the SMEs also confirm that such initiatives would help their company grow. For SMEs to enhance their contribution to strategic EU targets, SMEs call for European policy makers to:

- 7. Ease SME access to public procurement** – Make public procurement more effective and increase competition, particularly by implementing the recommendations by the European Court of Auditors.
- 8. Foster a circular economy** – Enhance financial support, harmonise criteria, improve access to recycled materials and leverage digital tools.

Enhance digital infrastructure and innovation

Digitalising Europe's economy, strengthening cross-border collaboration and advancing AI uptake can help unlock the potential of innovative SMEs. In particular, digital platforms have become vital tools for scaling operations, reaching new markets and improving customer interactions for European SMEs. 87% of the SMEs say that cooperation with these platforms has enabled their company to grow. Based on the survey, SMEs call for European policy makers to:

- 9. Bridge SMEs and digital platforms** – Enhance SMEs' collaboration with digital platforms, particularly for advertisement, e-commerce and resale.
- 10. Ease cross-border payments in the Single Market** – Develop a digital infrastructure for efficient, secure and cost-effective cross-border payments in the Single Market.
- 11. Advance AI governance in the EU** – Develop and disseminate best practices, guidelines and regulatory compliance standards for AI development and deployment.

- 12. Optimise cross-border data flows in the Single Market** – Harmonise regulations, particularly interoperability and data protection regulations, and strengthen the digital infrastructure for seamless data mobility.

Boost SME access to capital and mobilise capital for green investments

The inability of the financial system to meet capital demand from European companies, especially SMEs, limits their ability to scale up, innovate and contribute to the green transition. SMEs welcome the initiatives listed by Letta to enhance the supply of capital for investment in the Single Market, and 88% of the SMEs say that these initiatives would help their company grow (particularly EU-wide guarantees).

- 13. Mobilise capital for the green transition** – Develop frameworks and raise capital, including for an EU-wide guarantee scheme targeting green projects.

- 14. Channel savings into the real economy** – Combine national tax incentives with the European Long-Term Investment Fund (ELTIF) framework.

These 14 initiatives are recommended as priorities for the Commission and Parliament to restore the competitiveness and growth of SMEs in Europe.

1 A continued catalyst for growth and prosperity

For more than 30 years, the European Single Market has enabled the free movement of goods, services, people and capital across EU borders, enhancing competition and fostering innovation. As a catalyst for growth and prosperity, the Single Market plays a key role in carrying Europe through times of turbulence and a more challenging international landscape, as highlighted in the Letta Report (p.3). In the political guidelines for the next European Commission, President Ursula von der Leyen identifies the Single Market as the key to Europe's competitiveness, but also that more can be done to make business easier and faster in Europe, especially for SMEs:³

We need a new momentum to complete the Single Market in sectors like services, energy, defence, finance, electronic communications and digital. This will allow our companies – especially our small and medium-sized enterprises (SMEs) – to scale up and make the most of the market.

1.1 Reinstating SMEs at the centre of the Single Market

Read more about the economic importance of SMEs in the report 'A path to prosperity, competitiveness and growth: putting SMEs back at the centre of the Single Market':



SMEs form the backbone of the EU economy, accounting for more than 99% of all firms, 52% of GDP and 64% of private sector employment.^{4,5} Despite their large number, SMEs accounted for only 37% of total EU exports in 2022, reflecting that exporting exposes SMEs to numerous barriers and is a difficult activity that requires significant financial and human resources. 68% of SMEs' exports were destined for the Single Market, highlighting the importance of the Single Market as a platform for SMEs to internationalise, diversify their exports and grow the muscles to compete globally.⁶ The need to make it easier for SMEs to operate in the Single Market is also highlighted in the Letta Report (p. 15):

Moreover, we need to facilitate greater participation of small and medium-sized enterprises in the Single Market. Otherwise, it is inevitable that those businesses and entrepreneurs representing the backbone of the EU economy will see the Single Market as an obstacle rather than an opportunity.

Draghi (Part A, p. 4) supports this view and stresses:

Europe is lacking focus. We articulate common objectives, but we do not back them by setting clear priorities or following up with joined-up policy actions. For example, we claim to favour innovation, but we continue to add regulatory burdens onto European companies, which are especially costly for SMEs and self-defeating for those in the digital sectors. More than half of SMEs in Europe flag regulatory obstacles and the administrative burden as their greatest challenge.












The initiatives in the Letta and Draghi reports will affect the EU's strategic agenda and political priorities for the next five years. To ensure that these initiatives will benefit SMEs, it is essential to gather input from SMEs on the initiatives they say would help their businesses fully leverage the benefits of the Single Market.

1.2 Reduce operational costs and risks for SMEs

To identify high-level priorities, we have asked SMEs to list the factors related to ongoing global developments and structural changes that challenge their business the most. We have replicated the question from a global CEO survey in which mostly large companies participate. Comparing the ranking for companies of different size helps us to identify both common concerns as well as SME-specific challenges.

The response to this question clearly shows that SMEs have distinct concerns and needs compared to large companies, which should be prioritised by policy makers and the next Commission in the new work programme. From the list of risk and cost drivers shown in Figure 1, SMEs identify inflation, labour/skills shortages and supply chain disruption as the most significant challenges to growing their business over the next three years. Being more globally oriented, large companies list geopolitical instability as their key challenge, followed by inflation and bureaucracy/regulation.

Figure 1: Global developments and structural changes create a challenging business environment

Challenges	Rank SME	Rank large companies
 Inflation	1	2
 Labour/skills shortages	2	6
 Supply chain disruption	3	10
 Bureaucracy/regulation	4	3
 Macroeconomic volatility	5	4
 Cyber risks	6	9
 Geopolitical instability	7	1
 Crisis of trust	8	7
 Environmental matters	9	8
 Pandemic	10	11
 Ideological polarisation	11	5

Reduce operational costs and risks for SMEs to alleviate harm from a challenging business environment

Reduce bureaucracy and implement regulation that considers special needs and resource constraints of SMEs

Source: Data on SMEs is from the survey of 2,087 SMEs in six countries conducted as part of this study (see Appendix 1 for further details). Data on large companies is from Deloitte (2024), <https://www2.deloitte.com/us/en/pages/chief-executive-officer/articles/ceo-survey.html>.

Note: Response to question: 'To what extent do you expect the following factors to challenge your company's growth over the next three years?', n = 2,036. Responses have been weighted by the number of SMEs in each country. 'Macroeconomic volatility' is the combination of 'Macroeconomic volatility' and 'Other sources of financial/market instability'.

In addition, both SMEs and large companies say that it is crucial to **reduce bureaucracy and regulatory burdens**. For these reasons, we have asked SMEs to identify initiatives that would reduce bureaucracy and put in place regulation that would help SMEs grow through the Single Market. We identify SME priorities in two steps:

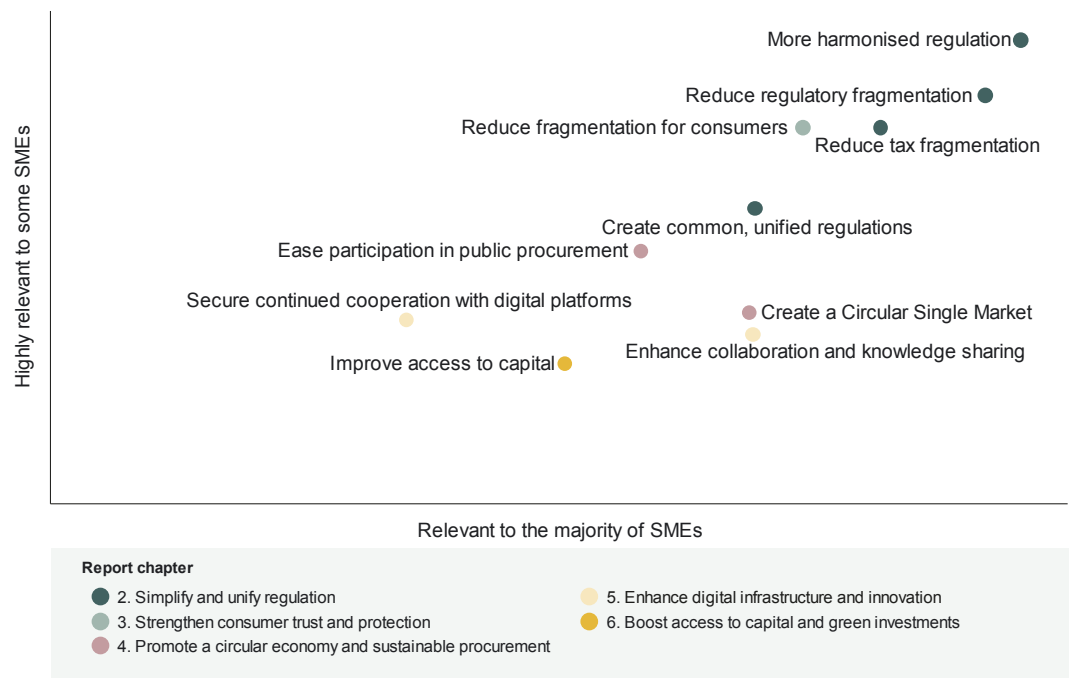
- **Potential initiatives** | We collect a list of proposed policy initiatives from the chapters in the Letta and Draghi reports, respectively, that address SMEs and have a particular focus on SME needs.
- **SME priorities** | We conduct a survey where SMEs are asked to assess the relevance of the proposed policy initiatives for their company's ability to grow through the Single Market.

To grow SME competitiveness through the Single Market, the survey responses show that it is essential to **ensure that the implementation of new reform initiatives reduces operational costs and risks for SMEs, particularly by fighting inflation, alleviating labour/skills shortages and preventing supply chain disruption**.

Based on the findings of the survey, SMEs call for European policy makers to:

- Simplify and unify regulation (Chapter 2)
- Strengthen consumer trust and protection (Chapter 3)
- Promote a circular economy and sustainable procurement (Chapter 4)
- Enhance digital infrastructure and innovation (Chapter 5)
- Boost access to capital and green investments (Chapter 6)

Figure 2: Heatmap of initiatives that are top priorities for SMEs



Source: Implement Economics based on survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Colour coding of the circles indicates which chapter the initiatives are part of. 'Highly relevant to some SMEs' is based on the average across countries of the response 'To a great extent'. Similarly, 'Relevant to the majority of SMEs' is based on the average across countries of the response 'To a great extent' and 'To some or lesser extent'. Responses have been weighted by the number of SMEs in each country.

Chapters 2 to 6 identify initiatives from the Letta and Draghi reports that **the Commission and Parliament could prioritise to restore the competitiveness and growth for SMEs in Europe.**

2 Simplify and unify regulation

Draghi (Part B, p. 317) finds that the lack of regulatory harmonisation costs up to EUR 200 billion a year. By streamlining regulatory processes and reducing complexity, Letta (p. 109) concludes that ‘we can unlock significant time and resource savings for all EU companies, but particularly large enterprises, boosting their productivity and competitiveness against non-EU rivals’.

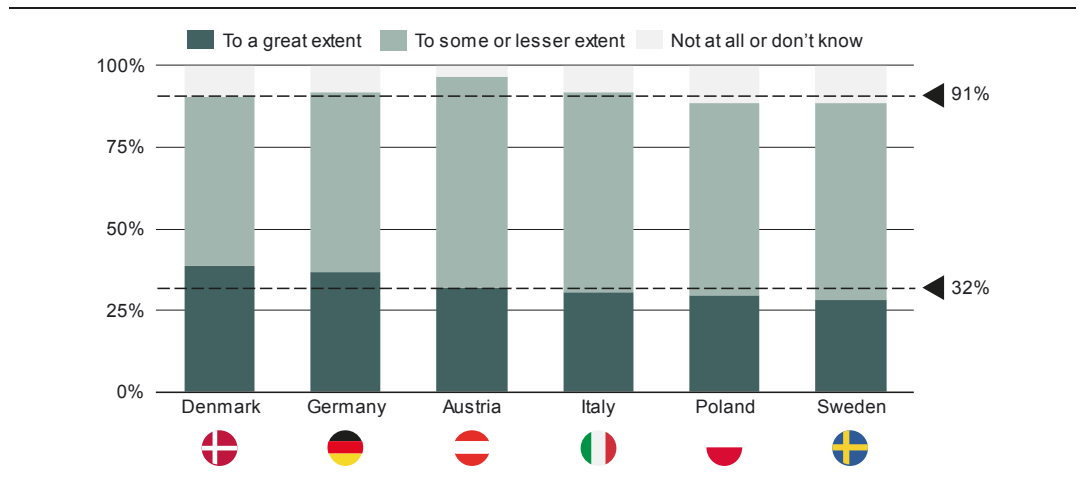
However, the true game-changer lies in the impact on SMEs. For them, dismantling these barriers represents an opportunity to finally tap into the full potential of the Single Market, an opportunity currently far beyond their reach. Draghi (Part A, pp. 64-65) agrees that the EU should fully implement the announced 25% cut to reporting obligations and commit to achieving a further reduction for SMEs up to 50%.

For these reasons, we ask SMEs to assess how improvements in the quality of regulations could lower compliance costs and to identify priorities for creating more unified regulation in key areas.

2.1 Leverage smart regulation tools to cut compliance cost

Figure 1 in the previous chapter confirms that costs associated with bureaucracy and regulation disproportionately harm SMEs compared to larger companies that are better able to cover compliance costs. Figure 3 shows that 91% of the SMEs say that bureaucracy and excessive regulation challenge their growth (32% say to a great extent), and that SMEs in Denmark, Germany and Austria are particularly challenged.

Figure 3: SMEs uniformly say that regulation and bureaucracy hinder their growth



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: ‘To what extent do you expect the following factors to challenge your company’s growth over the next three years? – Bureaucracy through reporting requirements’, n = 2,036. Responses have been weighted by the number of SMEs in each country.

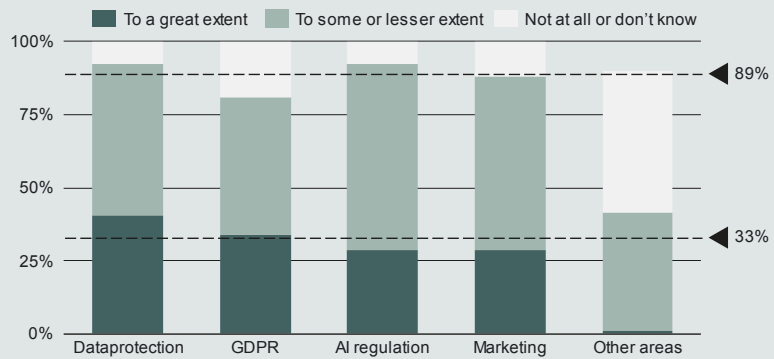
Furthermore, Danish SMEs say that overlapping legislation at the national level and in combination with EU regulation challenges their business (see Box 1).

Box 1: OVERLAPPING REGULATION WITHIN DATA PROTECTION AND GDPR



A tailored question for Danish SMEs shows that SMEs are challenged by overlapping legislation at the national level and in combination with EU regulation. On average, 89% experiences challenges. 92% of the Danish SMEs state that overlapping legislation within data protection is particularly challenging.

Figure 4: Overlapping legislation within data protection and GDPR challenges Danish SMEs



Source: Implement Economics based on a survey of 2,087 Danish SMEs (see Appendix 1 for further details).
 Note: Response to question: 'To what extent does your company experience challenges with overlapping legislation, either at the national level or in combination with EU regulations, in the following areas?', n = 305. Averages exclude the responses to 'Other areas'.

Read more about the Better Regulation Toolbox in the report 'Better regulation: enhancing competitiveness for SMEs and startups' here:



The Better Regulation Toolbox is a set of tools and methods used by regulatory authorities to improve the quality of regulation and its implementation.⁷ The purpose of the toolbox is to ensure that regulations are effective, efficient and proportionate, while minimising unnecessary burdens on businesses and citizens. A more systematic, consistent and integrated use of the Better Regulation Toolbox could also help alleviate challenges related to overlapping regulation. For these reasons, EU SMEs call for policy makers and the next Commission to:

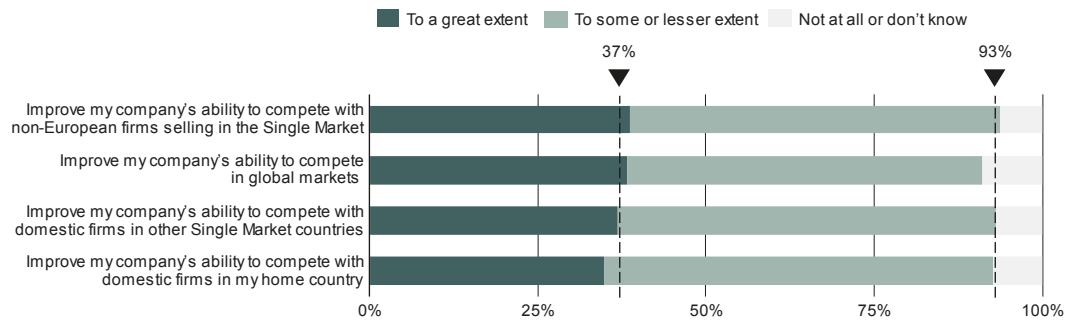


Recommendation #1: Cut compliance costs for SMEs – Ensure a more systematic, consistent and integrated use of the Better Regulation Toolbox.

2.2 Create more unified regulation in priority areas for SMEs

SMEs confirm that more harmonised regulation would level the playing field and enable them to compete more – both in the Single Market and beyond. Notably, Figure 5 shows that 93% of the SMEs confirm that harmonisation would improve their competitiveness (37% say to a great extent).

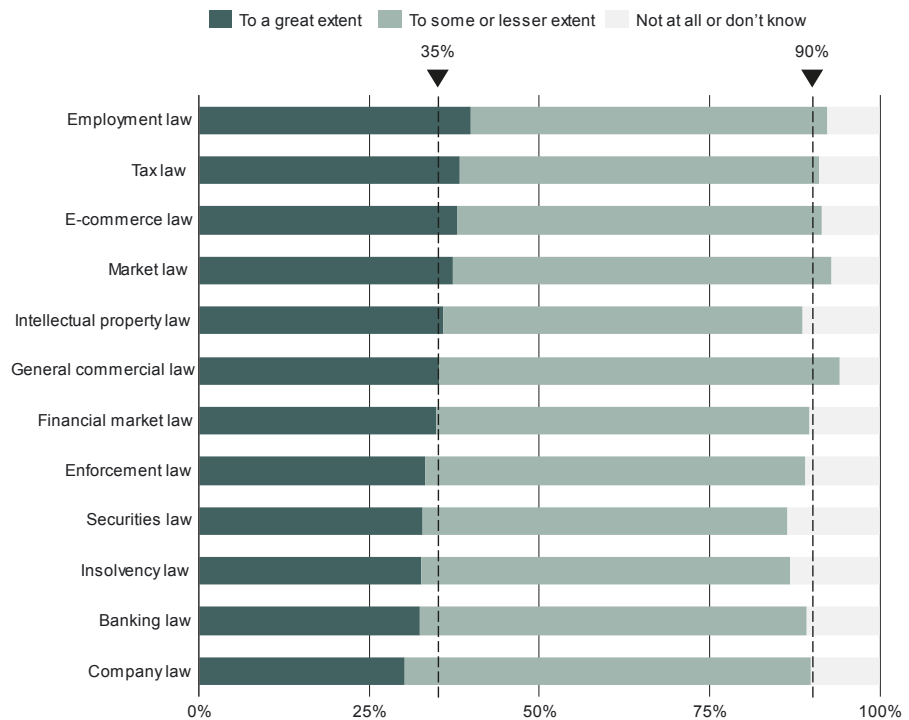
Figure 5: More harmonised regulation would enhance SMEs' global competitiveness



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would more harmonised regulation across EU Member States help your company grow through the channels below?', n = 1,954. Responses have been weighted by the number of SMEs in each country.

Letta (p. 108) lists several areas where regulatory harmonisation and simplification is needed. Among the listed areas, Figure 6 shows that SMEs give particularly priority to employment law, tax law and market law as areas that hold potential for stimulating their growth.

Figure 6: SMEs' prioritisation of areas for creating more unified regulation



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'In which areas would common, unified regulations across all countries in the Single Market be most beneficial for your company?', n = 1,958. Responses have been weighted by the number of SMEs in each country.

Based on the priorities reflected in the survey responses, EU SMEs call for policy makers and the next Commission to:

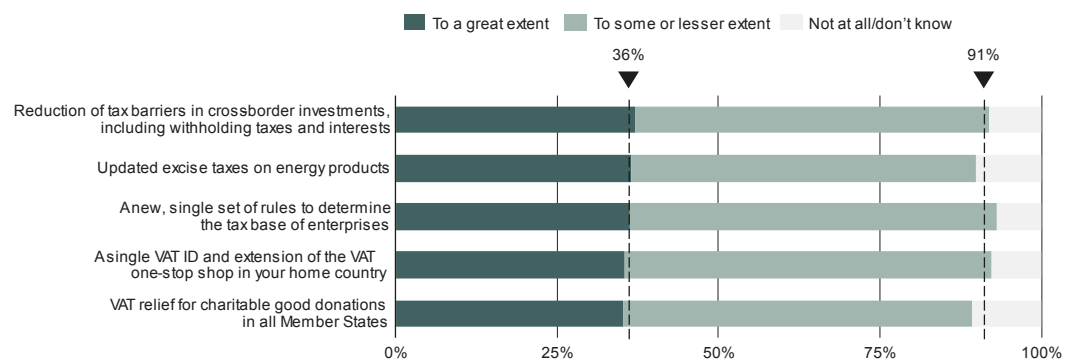


Recommendation #2: Unify to simplify – Streamline employment law, tax law and market law for a more SME friendly business environment.

2.3 Reduce fragmentation of indirect taxes

Draghi (Part A, p. 26) highlights heterogeneous national regulations and high tax compliance cost as key reasons why companies in Europe ‘stay small’ and neglect opportunities within the Single Market. In addition, the Letta Report (pp. 111-112) finds that tax fragmentation is a major barrier for companies operating in the Single Market, particularly for SMEs. Figure 7 shows that SMEs fully support the initiatives listed in the Letta Report as valuable ways to reduce tax fragmentations. Looking across the different solutions, 91% of the SMEs say that the initiatives would help their company grow (36% say to a great extent).

Figure 7: Several initiatives should be considered when revising and unifying tax laws



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: ‘To what extent would the following initiatives to reduce tax fragmentation across EU countries help your company grow?’, n = 1,950. Responses have been weighted by the number of SMEs in each country.


SMEs thus identify the following initiatives as important for reducing tax fragmentation:

- Taxation of cross-border investments** | Letta concludes that ‘tax barriers in cross-borders investments must be lifted, concerning withholding taxes on dividends on holdings of equities and on the interest on holdings of bonds paid to investors who live abroad’. This would ensure a more uniform tax environment, simplifying the current complexities and reducing internal fiscal competition within the EU. 92% of the SMEs say that such an initiative would help their company grow (37% say to a great extent).
- The tax base of enterprises** | In order to address the complexity of tax compliance, Letta recommends that the EU ‘create a new, single set of rules to determine the tax base of enterprises, with differentiated frameworks for large groups of companies and for SMEs. 93% of the SMEs say that a new, single set of rules to determine the tax base of enterprises would help their company grow (36% say to a great extent).
- Excise taxes on energy products** | The directive governing excise taxes on energy products is now more than 20 years old, and Letta concludes that ‘the directive does not take into account the significant developments in the energy market nor the climate goals that are now so high on the agenda of the EU’. In particular, ‘the complex patchwork of exemptions and reductions that has proliferated across Member States must be reorganised in order to level the playing field across the Single Market and to avoid giving the wrong incentives in

terms of energy consumption and pollution'. 90% of the SMEs say that updated **excise** taxes on energy products would help their company grow (36% say to a great extent).

- **Value-added tax (VAT)** | Letta highlights 'the need for finalising pending legislative initiatives in the field of VAT to address challenges posed by the platform economy, modernise the VAT system, and improve its functionality for businesses, especially micro-enterprises'. 92% of the SMEs say that a single VAT ID and an extension of the VAT one-stop shop to cover all goods transactions would help their company grow (35% say to a great extent).
- **VAT relief on donations** | To encourage charitable giving, Letta encourages the EU to consider greater harmonisation of VAT neutralisation options for donations across the Single Market. While EU VAT law allows Member States to establish relief criteria, participation remains inconsistent. 89% of the SMEs say that VAT relief for charitable good donations would help their company grow (35% say to a great extent).

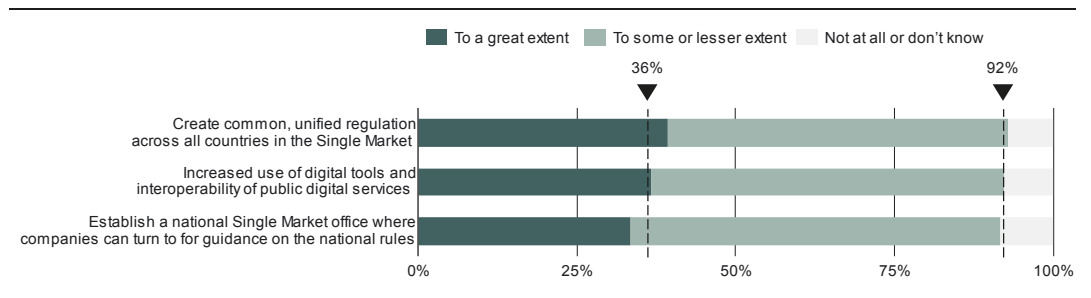
Based on these findings, EU SMEs call for policy makers and the next Commission to:

 **Recommendation #3: Reduce tax fragmentation – Unify regulations for cross-border investments, tax base of enterprises, excise taxes on energy products, value-added tax (VAT) and VAT relief on donations.**

2.4 Safeguard against new, costly fragmentations

Letta points to specific initiatives to reduce regulatory fragmentation in the Single Market by both harmonising existing regulation and safeguarding against new fragmentations. Figure 8 shows that the SMEs that participated in the survey see great potential from all the proposed initiatives. Looking across the different solutions, 92% of the SMEs say that the initiatives would help their company grow (36% say to a great extent).

Figure 8: New institutions and utilising tools would help prevent new regulatory fragmentations



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would the following initiatives to reduce regulatory fragmentation in the Single Market help your company grow?', n = 1,964. Responses have been weighted by the number of SMEs in each country.

According to the survey, SMEs thus identify the following list of initiatives as important for reducing and avoiding new fragmentations:

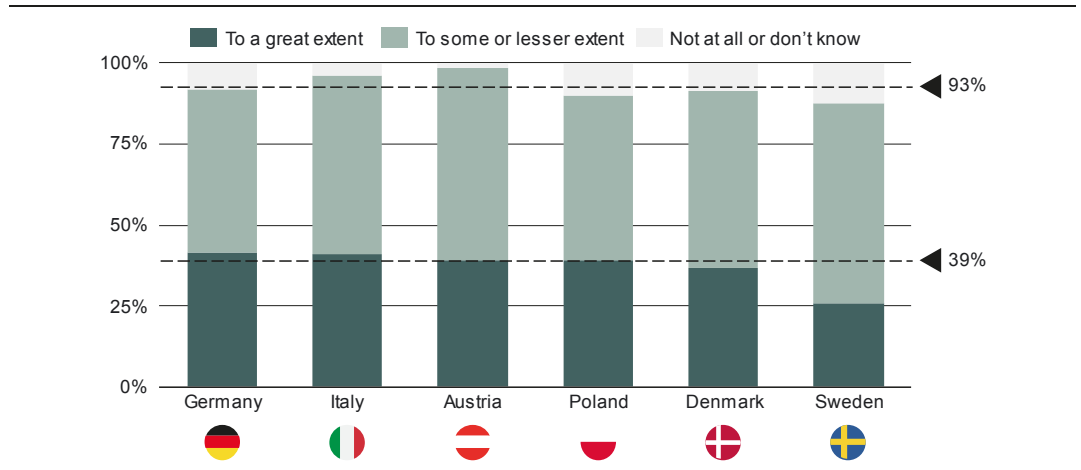
- **Common, unified regulation** | The Letta Report (p. 107) proposes securing common, unified regulation by establishing a European Code of Business Law, providing businesses with a '28th regime' to operate within the Single Market. Figure 8 shows that 93% of the SMEs would expect such a common, unified regulation to help their company grow (39% say to a large extent).

- **Digital tools and interoperability** | Letta (p. 131) finds that accelerated digitalisation in authorisation and reporting procedures represents a transformative step towards a more efficient and accessible Single Market. Figure 8 shows that 92% of the SMEs confirm that increased use of such digital tools and increased interoperability of public digital services would reduce administration and help them grow (37% say to a large extent)
- **National Single Market offices** | The Letta Report (p. 127) concludes that the increasing complexity and volume of EU regulations pose a significant challenge for national authorities, often hindering their ability to effectively implement these rules. The report proposes establishing a legal framework for SOLVIT and considering consolidation of enforcement instruments under a ‘Single Market National Office’ in each Member State and an ‘EU Single Market Office’ at the EU level. Figure 8 shows that 92% of the SMEs would expect the establishment of national Single Market offices to help their company grow (33% say to a large extent).

In particular, SMEs see benefits from creating a common, unified regulation across all countries in the Single Market – the so-called ‘28th regime’. According to Letta (p. 108), an initial step in creating a 28th regime involves the systematic codification of the existing legal framework but also emphasises that it is essential to complement the codification process with innovative elements and new European tools designed to meet the needs of European enterprises.

Figure 9 shows that SMEs in Germany, Italy and Austria are particularly supportive of creating a 28th regulatory regime (99% of the Austrian SMEs say that common, unified regulation would to a great, some or a lesser extent help their company grow).

Figure 9: SMEs in all countries support the creation of common, unified regulation in a 28th regime



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: ‘To what extent would the following initiatives to reduce regulatory fragmentation in the Single Market help your company grow? – Create common, unified regulation across all countries in the Single Market’, n = 1,964. Responses have been weighted by the number of SMEs in each country.

Based on these findings, EU SMEs call for policy makers and the next Commission to:

➔ Recommendation #4: Improve and simplify Single Market integration – Use mechanisms and tools to reduce and avoid new fragmentations, including a 28th regulatory regime, national Single Market offices and the Single Digital Gateway.

3 Strengthen consumer trust and protection

Letta (p. 113) highlights the crucial importance of the Single Market for EU consumers, as it gives them access to a wider choice of more innovative, safer and cheaper goods and services. EU consumers are equally important for the Single Market. In 2022, total household expenditure in the EU amounted to 51.5 % of GDP (Eurostat). Access to 450 million consumers with high purchasing power is a formidable proposition for businesses in terms of the economies of scale, sales and revenues needed to innovate and remain competitive.

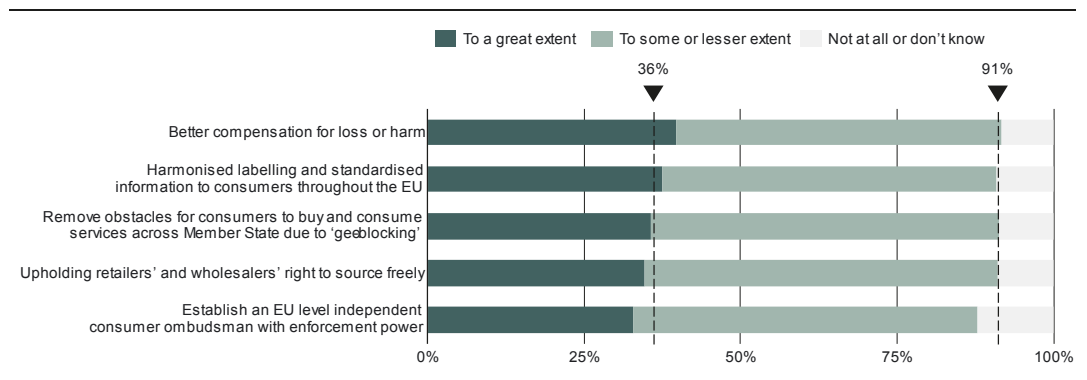
Many EU rules are in place or have been recently adopted to protect consumers against new challenges and harness their power for the greater good of the Union. Draghi (Part B, p. 320) finds that the flexibility inherent from minimum EU harmonisation governing consumer protection can lead to differing regulations across the Single Market, which increases compliance costs for businesses, particularly SMEs, and makes it difficult for consumers to understand their rights.

In consultations during the preparation of the Letta Report, stakeholders therefore ‘overwhelmingly plead for a win-win approach for consumers, businesses and public authorities’. Applying such a win-win approach to further integration of the Single Market would entail implementing initiatives that work for both consumers and businesses. This chapter points to some of the initiatives to improve the Single Market for consumers that would also be beneficial from an SME perspective.

3.1 Ensure better compensation for loss or harm

The Letta Report (pp. 114-118) outlines multiple solutions to strengthen the Single Market for consumers, and Figure 10 gives an SME perspective on which solutions would stimulate growth the most. Looking across the different solutions, 91% of the SMEs say that the initiatives would help their company grow (36% say to a great extent). This indicates that several of the suggested solutions to strengthen the Single Market for consumers would also benefit SMEs.

Figure 10: SMEs expect to benefit from many initiatives to strengthen the Single Market for consumers

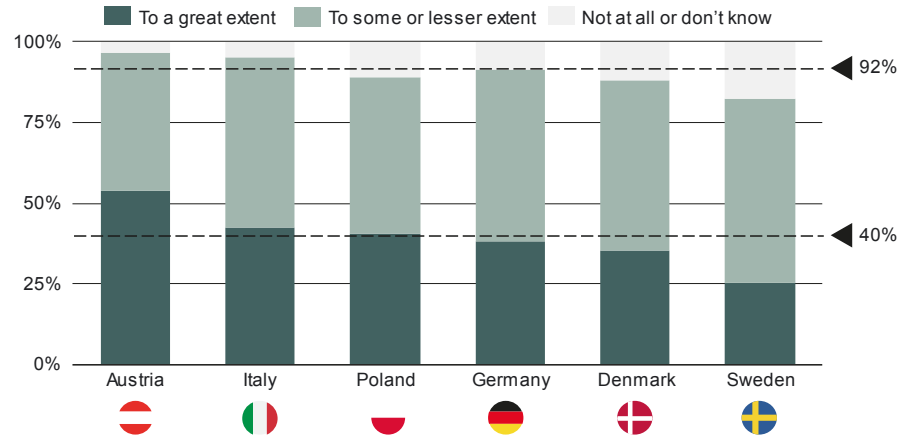


Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would the following initiatives to reduce fragmentation in the Single Market for Consumers help your company grow?', n = 1,946. Responses have been weighted by the number of SMEs in each country.

In particular, SMEs see benefits from giving consumers better compensation for loss or harm in relation to scams and fraud. Figure 11 shows that on average, 92% of the SMEs say that better compensation would help their company grow (40% say to a great extent).

In particular, 97% of the Austrian SMEs say that better compensation would help them grow (54% say to a great extent).

Figure 11: Better compensation for loss and harm is expected to benefit SMEs



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would the following initiatives to reduce fragmentation in the Single Market for Consumers help your company grow? – Better compensation for loss and harm', n = 1,946. Responses have been weighted by the number of SMEs in each country.

The Letta Report (p. 118) emphasises the need to strengthen the capacity and competences of the Consumer Protection Cooperation (CPC), a network of authorities responsible for enforcing EU consumer protection laws, to better protect EU consumers from scam and fraud. The report recommends developing common AI tools and granting the Commission direct investigative powers to address EU-wide infringements, along with the authority to impose sanctions directly and require traders to provide remedies to consumers. As an alternative solution, Letta suggests establishing an EU-level independent consumer ombudsman with enforcement power.

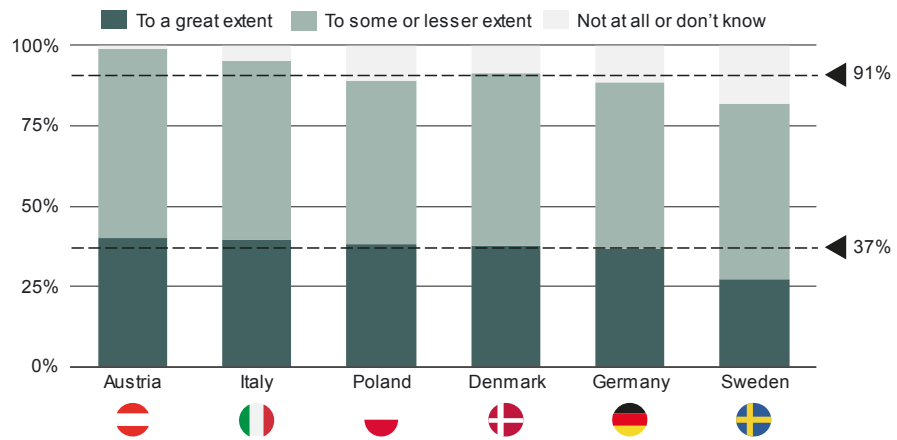
For these reasons, EU SMEs call for policy makers and the next Commission to:

 **Recommendation #5: Enhance European consumer protection – Strengthen the Consumer Protection Cooperation (CPC) Network or establish an EU-level independent consumer ombudsman.**

3.2 Harmonise labelling and standardise consumer information

As shown in Figure 10 above, 91% of the SMEs also say that harmonised labelling and standardised information to consumers throughout the EU, including in the Digital Product Passport (DPP), would help their company grow. Figure 12 shows that this is particularly the case for SMEs in Austria, Germany and Italy. As many as 99% of the Austrian SMEs expect such an initiative to help improve the growth of their company (40% say to a great extent).

Figure 12: Harmonised labelling and standardised information could help SMEs grow



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).

Note: Response to question: 'To what extent would the following initiatives to reduce fragmentation in the Single Market for Consumers help your company grow? – Harmonised labelling and standardised information to consumers throughout the EU', n = 1,946. Responses have been weighted by the number of SMEs in each country.

Read more about the Digital Product Passport in the report *'A path to prosperity, competitiveness and growth: putting SMEs back at the centre of the Single Market'*



The DPP is a key proposal of the Ecodesign for Sustainable Product Regulation (ESPR), which looks to gather information on a product over the value chain to provide a comprehensive understanding of materials and products, as well as their associated environmental impact. In addition, sector-specific product legislation is looking to extend this to also improve the display of product compliance information. A DPP designed with the following features could reduce administrative burdens for businesses while delivering the needed consumer information:

- Only mandatory product information should be required
- Required data needs should be aligned with existing databases and systems
- Intellectual property rights should be protected

Based on the priorities identified in the SME survey and previous analysis, EU SMEs call for policy makers and the next Commission to:

Recommendation #6: Optimise the European Digital Product Passport – Design for a circular economy and compliance facilitation.

4 Promote a circular economy and sustainable procurement

As described in the Letta Report (p. 4), the Single Market has always been intrinsically linked to the EU’s strategic objectives and has served as a measure to reach these objectives. The report highlights the importance of enhancing SME participation in the public procurement market and establishing a Circular Single Market to fully leverage the potential of the Single Market in reaching these strategic objectives. Based on survey responses from SMEs, this chapter identifies initiatives to facilitate SME participation in public procurements and create a level playing field in the Circular Single Market.

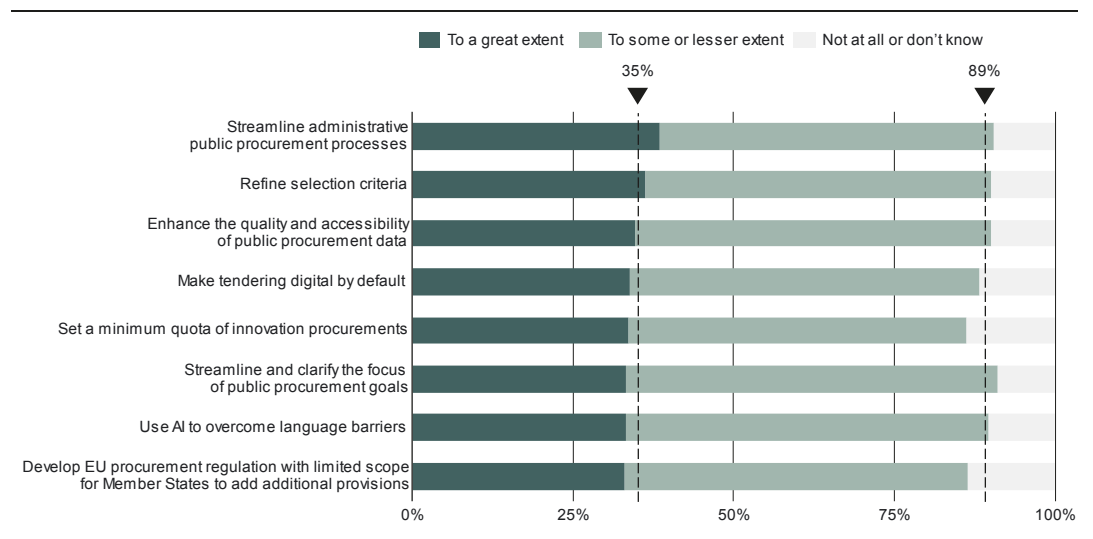
4.1 Facilitate SME participation in public procurement

Letta (p. 44) highlights public procurement as a major catalyst for economic activity, accounting for 14% of the EU’s GDP and serving as a key tool for distributing public funds within the EU. However, he concludes (pp. 44-46) that participating in public tenders is currently extremely complicated for SMEs due to administrative inefficiencies, local regulation, language barriers, suboptimal handling of public procurement data, and unclear objectives and selection criteria.

Draghi (Part A, p. 26) emphasises that the absence of harmonised public procurement rules is particularly challenging for the tech sector, especially for young companies. Furthermore, he suggests (Part B, p. 111) that public procurement can be leveraged to boost demand for green products.

The Letta Report (pp. 44-46) lists multiple initiatives to ease participation in public procurement. Figure 13 gives an SME perspective on the initiatives that could be most supportive of SME growth. Looking across the initiatives, 89% of the SMEs expect that the initiatives would help their company grow (35% say to a great extent). In particular, 38% of the SMEs expect that initiatives to streamline administrative public procurement processes would to a great extent help their company grow. Such an initiative is particularly beneficial for SMEs, which often lack resources to overcome these barriers.

Figure 13: SMEs are highly supportive of all initiatives to ease participation in public procurement

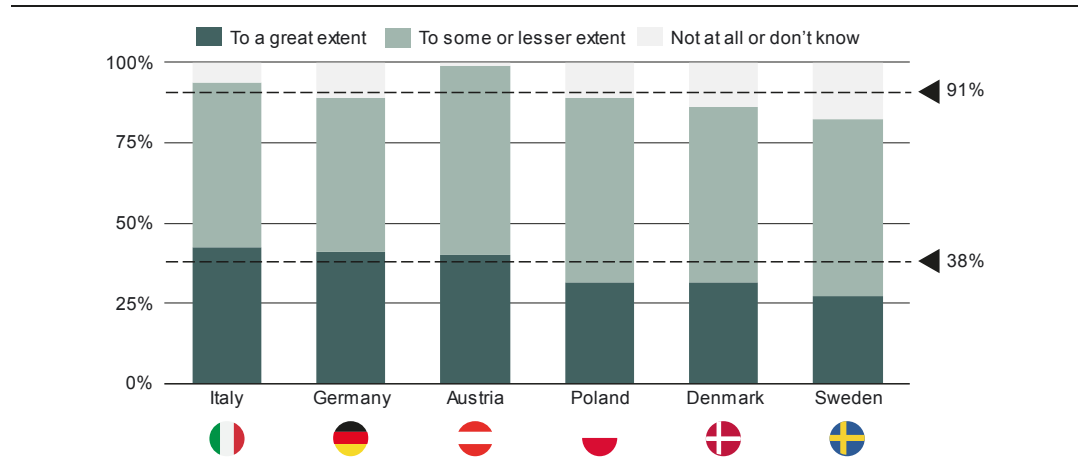


Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).

Note: Response to question: 'To what extent would the following initiatives to ease participation in public procurement help your company grow?', n = 1,969. Responses have been weighted by the number of SMEs in each country.

Our survey shows that SMEs from Italy, Germany and Austria in particular see great potential from streamlining administrative public procurement processes. Figure 14 shows that at least 91% of SMEs in these countries would expect streamlining to help their company grow through increased participation in public procurement (38% say to a great extent).

Figure 14: Streamlining administrative public procurement processes could ease participation




Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would the following initiatives to ease participation in public procurement help your company grow? – Streamline administrative public procurement processes', n = 1,969. Responses have been weighted by the number of SMEs in each country.

Letta (pp. 44-45) highlights the need to implement the four recommendations made by the European Court of Auditors (ECA)⁸ to make public procurement more effective and increase competition:

1. Clarify and prioritise public procurement objectives
2. Improve public procurement data quality and accessibility
3. Update the Commission's tools to monitor competition in public procurement.
4. Conduct a deeper analysis of the root causes for the lack of competition and address key barriers

Based on these findings, EU SMEs call for policy makers and the next Commission to:

 **Recommendation #7: Ease SME access to public procurement – Make public procurement more effective and increase competition, particularly by implementing the recommendations by the European Court of Auditors.**

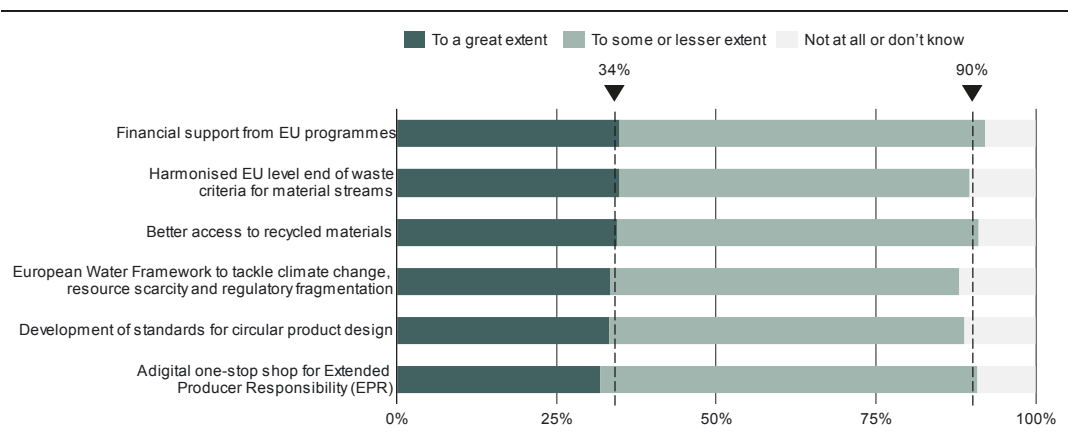
4.2 Foster a Circular Single Market

The EU aims to be climate-neutral by 2050. One of the steps toward that goal is to reduce the EU's material footprint by transitioning to a circular economy.⁹ The Letta Report (p. 42) finds that while 32% of circular economy technology firms are European, most of Europe's potential remains untapped. The report finds that the European remanufacturing market, valued at EUR 31 billion, could grow to EUR 100 billion by 2030, creating 0.5 million new jobs and saving 21 MT CO₂ emissions.

In her mission letter to Jessika Roswall, the commissioner for Environment, Water Resilience and a Competitive Circular Economy, European Commission President Ursula von der Leyen also emphasises the importance of developing a competitive circular economy to enhance Europe’s natural capital and bolster resilience.¹⁰ Draghi (Part A, p. 10) emphasises that decarbonisation could be an additional opportunity for Europe to take the lead in new technologies and circularity solutions.

To advance towards the 2050 target, the Letta Report (pp. 43-44) lists multiple initiatives to create a Circular Single Market that would ensure a level playing field for circular materials, products and services. Figure 15 shows that on average, 90% of the SMEs say that these initiatives would help their company grow (34% say to a great extent). This indicates that all the listed initiatives are important from an SME perspective.

Figure 15: SMEs support several of the initiatives to create a level playing field around circularity



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: ‘To what extent would the following initiatives to create a Circular Single Market help your company grow?’, n = 1,977. Responses have been weighted by the number of SMEs in each country.

The proposed initiatives to establish a Circular Single Market in the Letta Report relate to:

- Financial support from EU programmes** | Letta highlights the need for ‘financial support from EU programs, such as the EU’s Innovation Fund and the European Investment Bank’s financing programs ... for enabling industrial-scale circular economy investments’. Moreover, the report emphasises that public procurement could be used as a strategic tool to boost demand for circular materials, products and services. 92% of the SMEs participating in the survey say that such an initiative would help their company grow (35% say to a great extent).
- Harmonised EU-level end-of-waste criteria** | Letta concludes that ‘establishing EU-level end-of-waste criteria for various material streams is essential to provide legal certainty for secondary raw materials, and to foster investment and innovation’. Additionally, the report concludes that ‘harmonising waste classifications among Member States is critical for achieving material recovery economics of scale, necessitating a focus on standardising definitions of waste, by-products, and waste shipment classifications’. 90% of the SMEs say that such EU-level criteria and harmonised classifications would help their company grow (35% say to a great extent).
- Better access to recycled materials** | Letta concludes that ‘the EU must amplify access to circular materials by stimulating demand for high-quality recycled materials’. 91% of the SMEs say that better access to recycled materials would help their company grow (35% say to a great extent).

Find a description of the digital one-stop-shop for Extended Producer Responsibility in the report '*A path to prosperity, competitiveness and growth: putting SMEs back at the centre of the Single Market*' here:



- **European Water Framework** | The water sector faces multiple challenges, including climate change, resource scarcity, and fragmentation hindering the development and maintenance of water infrastructure. Letta concludes that ‘the development of a New European Water Framework would be useful’ in addressing these challenges and helping to reduce water stress. 88% of the SMEs say that such an initiative would help their company grow (33% say to a great extent).
- **Standards for circular product design** | Letta emphasises that setting standards for circular product design is ‘indispensable for extending product lifetimes, improving quality of recycled materials, and ensuring sustainability across various applications’. Setting standards can help reduce ambiguity and provide companies with clear guidelines for ensuring compliance with circular economy standards. 89% of the SMEs say that setting standards for circular product design would help their company grow (33% say to a great extent).
- **Digital one-stop shop for EPR** | Variation in EPR schemes across the EU, both between Member States and between different product categories within Member States, creates administrative burdens for businesses.¹¹ To reduce bureaucracy for both producers and authorities, a digital EPR ‘one-stop shop’ could facilitate single EPR registration and reporting across all Member States. 91% of the SMEs say that a digital EPR one-stop shop would help their company grow (32% say to a great extent).

As all the above initiatives are fully supported by SMEs, the survey shows that EU SMEs call for policy makers and the next Commission to:



Recommendation #8: Foster a circular economy – Enhance financial support, harmonise criteria, improve access to recycled materials and leverage digital tools.

5 Enhance digital infrastructure and innovation

The ambition of a Digital Single Market was formulated in 2015 with the intention to remove virtual barriers, boost digital connectivity, and make it easier for individuals and businesses to access and engage in cross-border online activities in the EU.¹² The Letta Report (p. 97) highlights the digital transformation of Europe’s economy as a key enabler for European retailers to expand across markets, providing new platforms for SMEs to scale and gain global visibility. Further, the Draghi Report (Part B, p. 67) stresses that the EU’s competitiveness will increasingly depend on digitalisation, and that digitalisation plays a key role in all industrial and service sectors in terms of cost competitiveness (efficiency and productivity gains), innovation, and the quality of products and services.

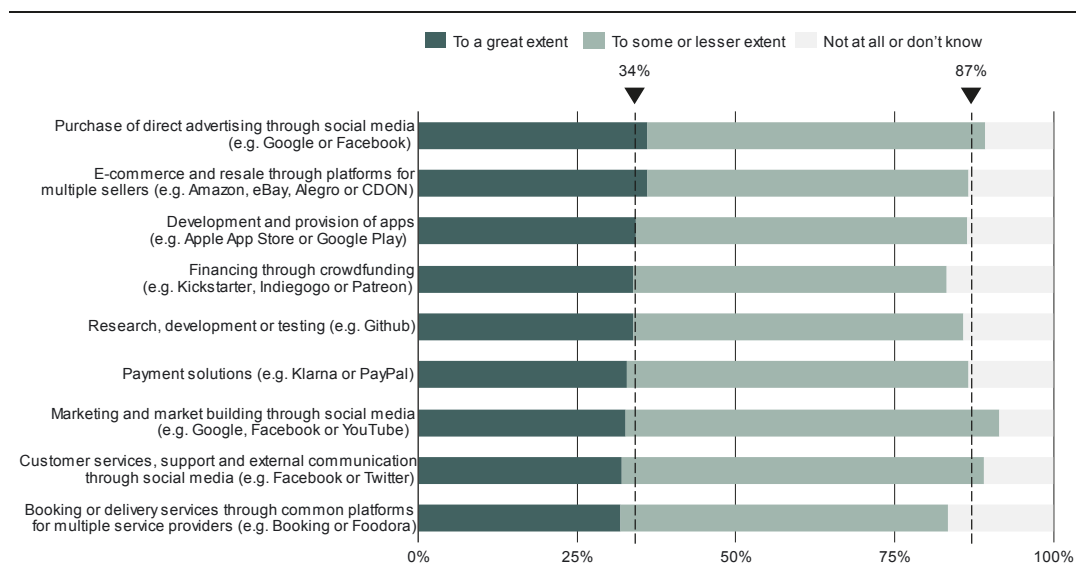
Based on survey responses from SMEs, this chapter identifies initiatives to support SMEs’ collaboration with digital platforms, build a digital infrastructure for cross-border payments, and accelerate AI development and deployment.

5.1 Support SMEs’ collaboration with digital platforms

By removing key barriers and differences between online markets, the Digital Single Market has the potential to create growth opportunities for businesses by providing tools and platforms for e-commerce, payment solutions, marketing, data analytics etc. A digital platform is an online platform that allows users to interact, offer services and simplify processes. Digital platforms also help gather useful data and improve user experiences, supporting digital transformation.¹³

Looking across different types of digital platforms, Figure 16 shows that digital platforms have become vital tools for scaling operations, reaching new markets and improving customer interactions for European SMEs. 87% of the SMEs say that cooperation with these platforms has enabled their company to grow (34% say to a great extent).

Figure 16: Cooperation with digital platforms is a key enabler for the growth of SMEs



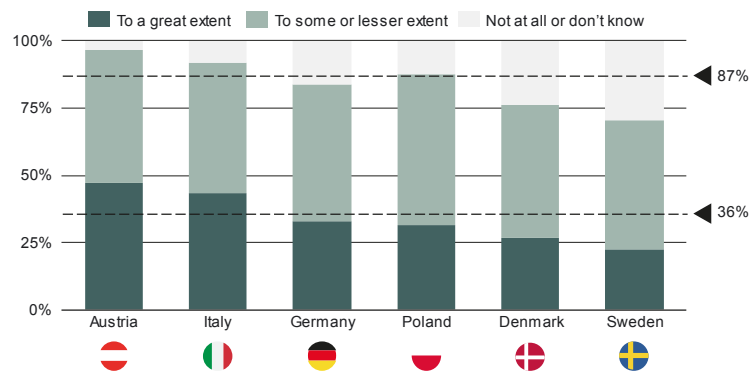
Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details). The response categories are taken from [Rapport Wernberg Web.pdf \(entreprenorskapsforum.se\)](#).

Note: Response to question: ‘To what extent have the following types of cooperation with digital platforms enabled your company to grow?’, n = 1,939. Responses have been weighted by the number of SMEs in each country.

The survey shows that purchase of direct advertisement through social media (e.g. Google or Facebook) and e-commerce and resale through platforms for multiple sellers (e.g. Amazon, eBay, Alegro or CDON) are some of the most growth-enhancing types of collaboration with digital platforms. For example, a total of 87% of the SMEs say that their company has benefited from cooperation with for e-commerce and resale (36% say to a great extent).

Austrian SMEs seem to benefit most from e-commerce and resale through platforms for multiple sellers, with 96% saying that they benefit from these platforms (47% say to a great extent). In comparison, the Nordic SMEs benefit relatively less from e-commerce and resale through digital platforms.

Figure 17: Use of digital platforms for e-commerce and resale is particularly beneficial for SMEs



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent have the following types of cooperation with digital platforms enabled your company to grow? – E-commerce and resale through platforms for multiple sellers', n = 1,939. Responses have been weighted by the number of SMEs in each country.

As collaboration with all the above digital platforms is found to be highly valuable, the survey shows that EU SMEs call for policy makers and the next Commission to:

➔ Recommendation #9: Bridge SMEs and digital platforms – Enhance SMEs’ collaboration with digital platforms, particularly for advertisement, e-commerce and resale.

5.2 Build a digital infrastructure for cross-border payments

Most e-commerce purchases are carried out using traditional card payments, which require a comprehensive payment infrastructure to ensure safe, fast and reliable in-person payments. When purchasing online, this comprehensive payment infrastructure designed for physical transactions is not strictly necessary. Instead, payment providers can make use of the leaner and more direct account-to-account payment rails. This leaner technology can reduce the cost and increase user-friendliness, while maintaining the high security levels from the traditional card scheme’s infrastructure.

The average transaction cost for an online purchase using the traditional card payment infrastructure amounts to EUR 0.9-0.7, while the cost of an account-to-account transaction is typically around EUR 0.5. Switching from card-based payments to account-to-account payments for online transactions in the EU (both in-country and cross-border) could potentially reduce social costs by EUR 1.4 billion annually, corresponding to a 21% saving in total costs.¹⁴

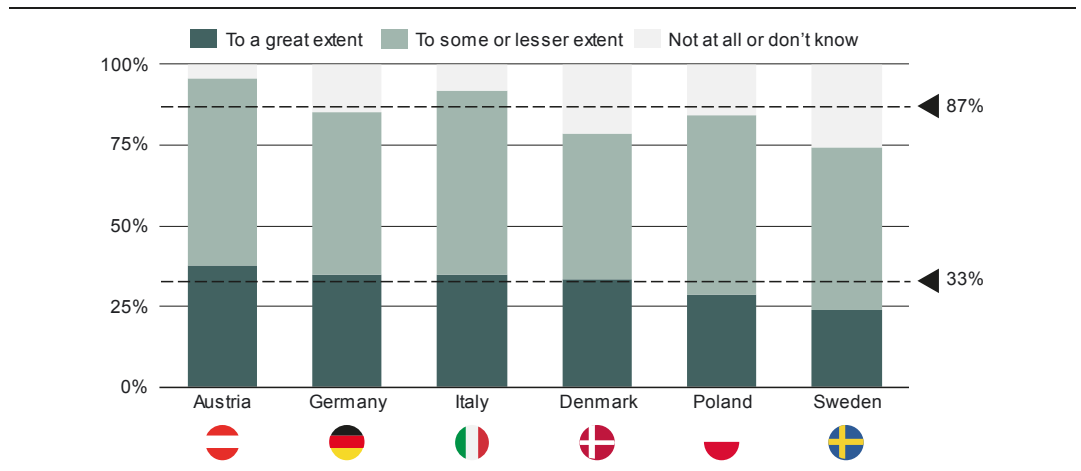
Find more details on initiatives to build an infrastructure for digital payments in the report 'Cross-border payments in the EU' here:



To make digital transactions seamlessly within and across national borders, Letta (pp. 36-38) suggests advancing the implementation of a digital euro. This would not only improve the payment infrastructure but also strengthen the EU’s financial autonomy, as 69% of digital transactions in the euro area are currently facilitated by non-European actors. Draghi (Part A, p. 23) highlights that part of the EU’s labour productivity gap relative to the US is due to slower technology diffusion, including the adoption of digital payment systems that were implemented in the US during the previous decade.

On average, 87% of the SMEs find that cooperation with digital platforms around payment solutions (e.g. Klarna and PayPal) has enabled their company to growth (33% say to a great extent). Particularly, SMEs in Austria and Italy see payment solutions as an enabler of growth, while the growth impact tends to be relatively lower in the Nordics.

Figure 18: SMEs in all countries benefit from digital payment solutions



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent have the following types of cooperation with digital platforms enabled your company to grow? – Payment solutions', n = 1,939. Responses have been weighted by the number of SMEs in each country.

For these reasons, EU SMEs call for policy makers and the next Commission to:

➔ Recommendation #10: Ease cross-border payments in the Single Market – Develop a digital infrastructure for efficient, secure and cost-effective cross-border payments in the Single Market.

5.3 Accelerate AI development and deployment

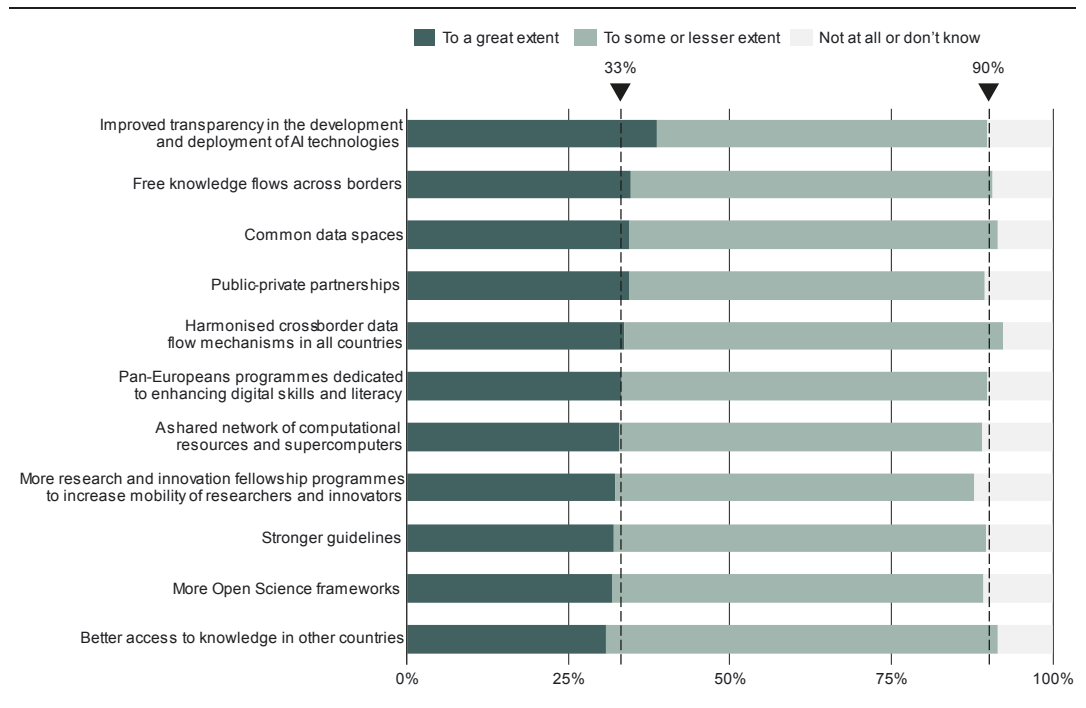
The Letta Report (pp. 19-20) emphasises the need to introduce a fifth freedom to fully unlock Europe’s innovation capacity. The aim of the fifth freedom is to transform existing knowledge, fragmentations and disparities into unified opportunities for growth, competitiveness and inclusivity. The report lists multiple initiatives to improve collaboration and knowledge sharing across borders, and Figure 19 gives an SME perspective on which of the proposed initiatives should be prioritised.

Looking across the initiatives, 90% of the SMEs expect that the initiatives would help their company grow, and all the initiatives are thus important for the SME. The SMEs particularly highlight initiatives to improve transparency in the development and deployment of AI (39% say that improved transparency would to a great extent help their business grow). Transparency is essential for building trust in AI systems and ensuring the

development of guidelines that align with European values of human rights, privacy and democracy, as highlighted in the report (p. 23).

Draghi (Part B, pp. 77-81) states that AI advancements can boost EU companies' competitiveness, but also pose a risk if not swiftly integrated into their offerings. To enhance Europe's stance in AI development, the Draghi Report calls for increased R&D spending and the cultivation of human capital with relevant skills for the development and deployment of innovative technologies like AI. Moreover, it underscores the importance of making Europe more attractive for its talent pool to remain, instead of relocating overseas for superior employment opportunities.

Figure 19: Increased cross-border knowledge sharing and collaboration could spur SME growth

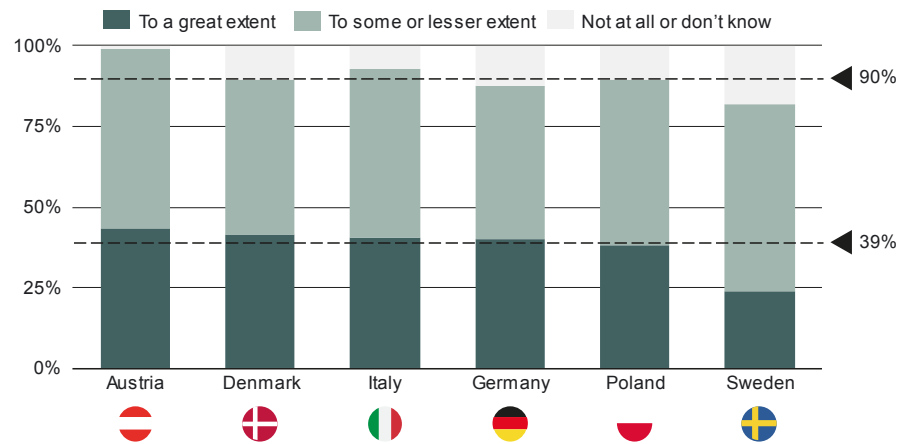


Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).

Note: Response to question: 'To what extent would the following initiatives to collaborate and share knowledge across borders in the Single Market help your company grow?', n = 2,008. Responses have been weighted by the number of SMEs in each country.

SMEs in most of the countries covered by the survey say that improved transparency in the development and deployment of AI technologies would boost their company's growth. Figure 20 shows that at least 41% of SMEs in Austria, Denmark and Italy say that improved transparency would help to a greater extent.

Figure 20: Improved transparency in developing and deployment of AI technologies would help SMEs



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).

Note: Response to question: 'To what extent would the following initiatives to collaborate and share knowledge across borders in the Single Market help your company grow? – Improved transparency in the development and deployment of AI technologies', n = 2,008. Responses have been weighted by the number of SMEs in each country.

To improve transparency, Letta (p. 23) highlights the importance of sharing best practices, guidelines and regulatory compliance standards to increase transparency in AI development and deployment:

This transparency is key to building trust in AI systems among the public and policymakers alike, ensuring that AI development aligns with European values of human rights, privacy, and democracy

Based on these findings, EU SMEs call for policy makers and the next Commission to:

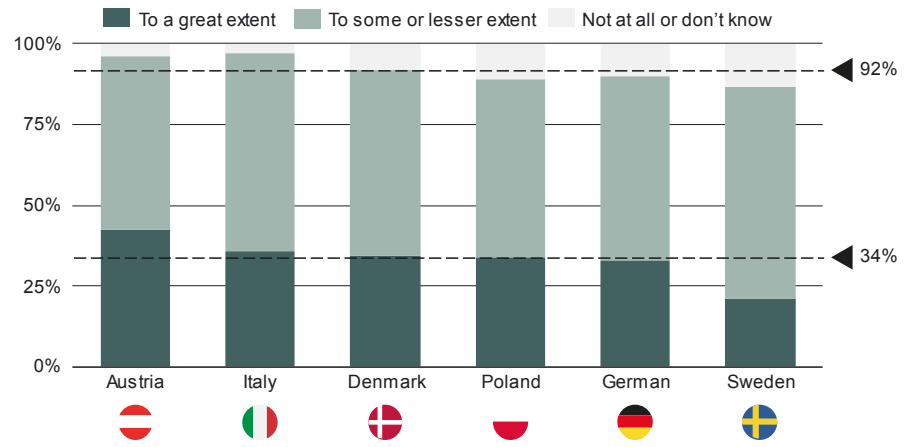
Recommendation #11: Advance AI governance in the EU – Develop and disseminate best practices, guidelines and regulatory compliance standards for AI development and deployment.

5.4 Harmonise cross-border data flow mechanisms in all countries

The essence of the fifth freedom lies in its ability to unlock the potential of data by ensuring accessibility and shareability across borders and sectors within the EU. Eliminating barriers to data access is a powerful catalyst for innovation, improved public services and economic growth. It advances groundbreaking scientific research and arms businesses with tools to compete globally – positioning Europe as a 'creator and a maker of new technologies' (Letta, p. 19).

Figure 19 above confirms the importance of data flow for innovation, collaboration and knowledge sharing in the Single Market. 92% of the SMEs say that harmonised cross-border data flow mechanisms in all countries would help their company grow (34% say to a great extent). Figure 21 shows that SMEs in Austria, Italy and Denmark see particular growth potentials from such harmonisation.

Figure 21: Harmonised cross-border data flow mechanisms would help SMEs grow



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would the following initiatives to collaborate and share knowledge across borders in the Single Market help your company grow? – Harmonised cross-border data flow mechanisms in all countries', n = 2,008. Responses have been weighted by the number of SMEs in each country.

To remove barriers to knowledge sharing, Letta (p. 20) argues that the EU must harmonise cross-border data flow mechanisms, particularly interoperability and data protection regulations, and invest in robust digital infrastructure. This facilitates the secure and efficient transfer of non-personal data vital to research and innovation within the EU. Based on these findings, EU SMEs call for policy makers and the next Commission to:

Recommendation #12: Optimise cross-border data flows in the Single Market – Harmonise regulations, particularly interoperability and data protection regulations, and strengthen the digital infrastructure for seamless data mobility.

6 Boost access to capital and green investments

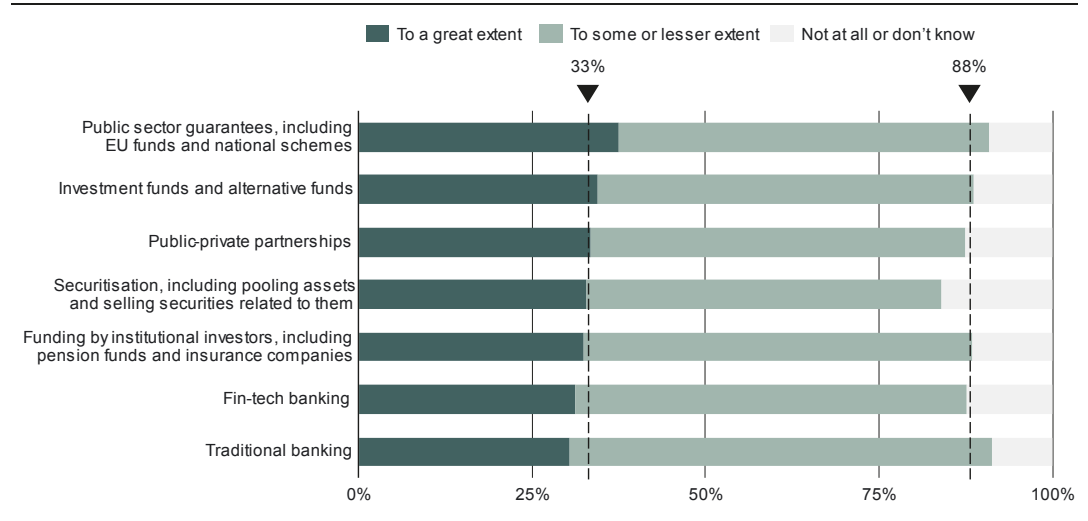
One of the biggest barriers for innovative SMEs to scale up is the lack of capital and less favourable loan conditions than those available for their larger counterparts.¹⁵ Letta (p. 29) therefore emphasises the need to create an ecosystem for European investments and identifies three areas requiring urgent action: the supply of capital, the demand for capital, and the institutional framework and market structure governing the movement of capital. Draghi (p. 292) corroborates this view, stating that the current European financial system is unlikely to succeed in meeting investment needs due to excessive dependence on banks, regulatory burdens on bank finance and a lack of equity and bond financing.

This chapter brings forward initiatives that SMEs say could create an ecosystem for European investments and enhance the supply of capital, particularly for green investments. We also use the survey responses from European SMEs to identify ways to channel retail savings into the real economy, including to SMEs.

6.1 Enhance the supply of capital for green investments

The Letta Report (pp. 29-32) outlines multiple solutions to enhance the supply of capital for investment in the Single Market, and Figure 22 gives an SME perspective on which solutions would stimulate growth the most. Looking across the different solutions, 88% say that the initiatives would help their company grow (33% say to a great extent). The survey responses therefore show that all the proposed initiatives are important from an SME perspective.

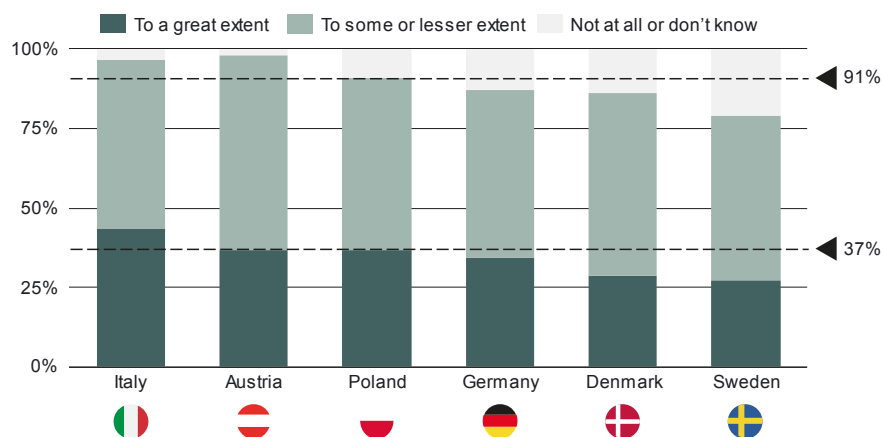
Figure 22: SMEs support all initiatives proposed to improve access to capital



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would better access to the following sources of capital help your company grow?', n = 1,989. Responses have been weighted by the number of SMEs in each country.

The SMEs particularly highlight better access to public sector guarantees. Figure 23 shows that 91% of SMEs say that better access to public sector guarantees would help their company grow (37% say to a great extent). Especially SMEs in Italy, Austria and Poland say that they would benefit from this initiative.

Figure 23: SMEs say that better access to public sector guarantees would help them grow



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would better access to the following sources of capital help your company grow? – Public sector guarantees, including EU funds and national schemes', n = 1,989. Responses have been weighted by the number of SMEs in each country.

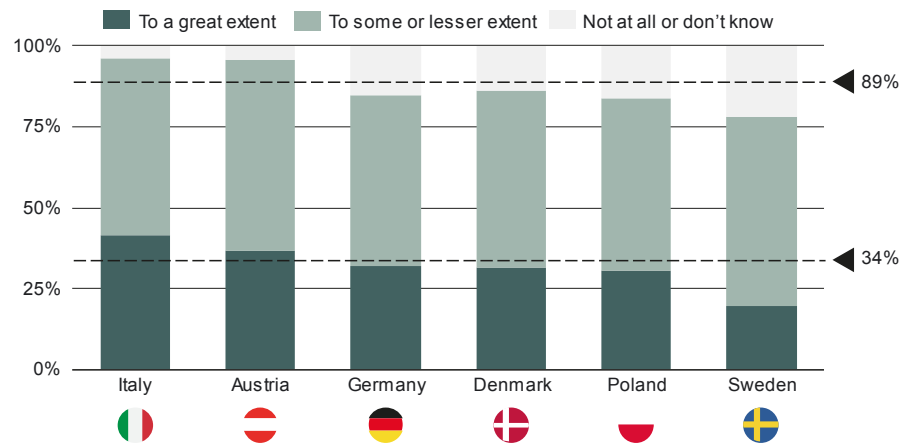
Letta (p. 31) describes how public sector guarantees, including EU funds and national schemes, could boost private investment. Investments are particularly needed for the green transition. He therefore proposes that the European Commission and the European Investment Bank (EIB) 'develop a framework and raise the capital resources for an EU-wide guarantee scheme to support bank lending to green projects and companies. In practice, the EIB would grant guarantees to commercial banks and national financial institutions, enabling them to lend capital to companies, including SMEs, without bearing the lending risk'. Letta also recommends exploring how the guarantee could be extended to European private debt funds. EU SMEs call for policy makers and the next Commission to:

➔ Recommendation #13: Mobilise capital for the green transition – Develop frameworks and raise capital, including for an EU-wide guarantee scheme targeting green projects.

6.2 Channel retail savings into the real economy

The survey responses in Figure 22 above also show that SMEs see better access to investment funds and alternative funds as a valuable way to increase supply of capital. 89% of SMEs say that better access to such funds would help their company grow (34% say to a great extent). Figure 24 shows that better access to capital through investment and alternative funds would particularly help the growth of SMEs in Italy and Austria.

Figure 24: Better access to investment and alternative funds especially benefit SMEs in Italy and Austria



Source: Implement Economics based on a survey of 2,087 SMEs in six countries (see Appendix 1 for further details).
 Note: Response to question: 'To what extent would better access to the following sources of capital help your company grow? – Investment funds and alternative funds', n = 1,989. Responses have been weighted by the number of SMEs in each country.

The European Long-Term Investment Fund (ELTIF) was introduced in 2015 to grant private savers and non-professional investors direct access to alternative funds, including private equity, private debt funds, infra and other long-term investment schemes. Letta (p. 30) concludes that ELTIF has gained little traction and highlights that the introduction of an EU-wide scheme allowing private savers to invest in alternative funds would offer several benefits:

- Provide SMEs and other non-listed assets with much-needed resources, particularly in markets traditionally underfunded in Europe
- Democratise investment, opening up possibilities for retailers to access investments previously exclusive to professional investors and high-net-worth individuals
- Contribute to the creation of a European market for alternative assets by feeding resources into European alternative asset managers and therefore contributing to the CMU

However, he also warns that 'it is improbable that this instrument will achieve mass-market status and offer significant funding for European companies without adequate tax incentives. Illiquidity indeed needs somehow to be compensated'. The suggestion in the Letta Report (p. 31) is therefore to launch a new European scheme, which could integrate a national tax incentive with the ELTIF. The exact amount of the tax benefit could be left to be determined by each Member State, but it should be sufficiently attractive. The EU legislation could establish a minimum threshold for the incentive to ensure its effectiveness.

Based on these combined findings, SMEs call for European policy makers and the next Commission to:

Recommendation #14: Channel savings into the real economy – Combine national tax incentives with the European Long-Term Investment Fund (ELTIF) framework.

7 Conclusions on SME priorities

Based on a survey of 2,087 SMEs, this report points to 14 initiatives from the Letta and Draghi reports that **the Commission and Parliament could prioritise to restore the competitiveness and growth of SMEs in Europe.**

- 1. Cut compliance costs for SMEs** – Ensure a more systematic, consistent and integrated use of the Better Regulation Toolbox.
- 2. Unify to simplify** – Streamline employment law, tax law and market law for a more SME friendly business environment.
- 3. Reduce tax fragmentation** – Unify regulations for cross-border investments, tax base of enterprises, excise taxes on energy products, value-added tax (VAT) and VAT relief on donations.
- 4. Improve and simplify Single Market integration** – Use mechanisms and tools to reduce and avoid new fragmentations, including a 28th regulatory regime, national Single Market offices and the Single Digital Gateway.
- 5. Enhance European consumer protection** – Strengthen the Consumer Protection Cooperation (CPC) Network or establish an EU-level independent consumer ombudsman.
- 6. Optimise the European Digital Product Passport** – Design for a circular economy and compliance facilitation.
- 7. Ease SME access to public procurement** – Make public procurement more effective and increase competition, particularly by implementing the recommendations by the European Court of Auditors.
- 8. Foster a circular economy** – Enhance financial support, harmonise criteria, improve access to recycled materials and leverage digital tools.
- 9. Bridge SMEs and digital platforms** – Enhance SMEs' collaboration with digital platforms, particularly for advertisement, e-commerce and resale.
- 10. Ease cross-border payments in the Single Market** – Develop a digital infrastructure for efficient, secure and cost-effective cross-border payments in the Single Market.
- 11. Advance AI governance in the EU** – Develop and disseminate best practices, guidelines and regulatory compliance standards for AI development and deployment.
- 12. Optimise cross-border data flows in the Single Market** – Harmonise regulations, particularly interoperability and data protection regulations, and strengthen the digital infrastructure for seamless data mobility.
- 13. Mobilise capital for the green transition** – Develop frameworks and raise capital, including for an EU-wide guarantee scheme targeting green projects.
- 14. Channel savings into the real economy** – Combine national tax incentives with the European Long-Term Investment Fund (ELTIF) framework.

Appendix 1 Description of the SME survey

To identify priorities for European policy makers and the next Commission, a survey among SME exporters was conducted in six EU countries (Austria, Denmark, Germany, Italy, Poland and Sweden). The six countries were selected to represent Member States of different size, geography and income level. This appendix details the survey structure and includes the detailed survey responses. Given that SME exporters are often extremely busy and rarely engage in consultations, surveys and interviews, this study provides unique insights into the prioritisation of initiatives to revitalise the Single Market for the benefit of SMEs, including start-ups and scale-ups.

SME survey structure

The target group for the survey was SMEs who export to other EU countries, have 10-249 employees and operate within selected industries (see below). SMEs that did not meet these criteria were excluded. Figure 25 provides an overview of the respondents and survey partners in the six countries. A total of 4,583 companies participated in the survey, of which 2,087 fall within the target group.



















Figure 25: Overview of responses and survey partners in the six EU countries

	 Collaboration partners	 Total respondents	 Target group respondents
 Austria	Austrian Federal Chamber of Commerce (WKO) & Ipsos	361	315
 Denmark	Danish Association for Entrepreneurs & Ipsos	935	331
 Germany	German E-Commerce Association (BEVH) & Ipsos	918	413
 Italy	Italian Confederation of Craft and SMEs & Ipsos	572	317
 Poland	Digital Poland Association, Lewiatan Confederation & Ipsos	776	316
 Sweden	Swedish Federation of Business Owners (Företagarna) & Ipsos	1,021	395
 Total		4,583	2,087

Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

As shown in Figure 26, the survey has been conducted across a large variety of industries in the six countries.

Figure 26: Distribution of surveyed SMEs by country and industry

	 Austria	 Denmark	 Germany	 Italy	 Poland	 Sweden	 Total
 Manufacturing, industry	76	125	149	143	93	149	735
 Retail, wholesale	92	73	68	48	56	67	404
 Data, IT, telecommunications	57	38	70	28	32	60	285
 Transportation, warehousing	53	31	46	37	50	34	251
 Construction, design, interior	20	40	40	36	46	42	224
 Legal, economic, consulting services	5	6	9	8	6	8	42
 Other business services	0	3	8	5	11	12	39
 Repair, installation	8	7	4	4	3	7	33
 Research, development	1	2	8	5	9	6	31
 Other consumer services	1	0	6	3	10	5	25
 Advertising, media, market research	2	6	5	0	0	5	18
Total	315	331	413	317	316	395	2,087

Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

The survey consisted of 14 generic questions (all in multiple-choice format). Additionally, a tailored question was included for Denmark. A complete list of generic and tailored questions is provided below.

Generic questions:

Countries		
#1	All	Does your company export to other EU countries?
#2	All	What industry does your company belong to?
#3	All	How many employees does your company have?
#4	All	To what extent do you expect the following factors to challenge your company's growth over the next three years?
#5	All	To what extent would the following initiatives to collaborate and share knowledge across borders in the Single Market help your company grow?
#6	All	To what extent would better access to the following sources of capital help your company grow?
#7	All	To what extent would the following initiatives to create a Circular Single Market help your company grow?
#8	All	To what extent would the following initiatives to ease participation in public procurement help your company grow?
#9	All	To what extent would the following initiatives to reduce regulatory fragmentation in the Single Market help your company grow?
#10	All	In which areas would common, unified regulations across all countries in the Single Market be most beneficial for your company?
#11	All	To what extent would more harmonised regulation across EU Member States help your company grow through the channels below?
#12	All	To what extent would the following initiatives to reduce tax fragmentation across EU countries help your company grow?
#13	All	To what extent would the following initiatives to reduce fragmentation in the Single Market for Consumers help your company grow?
#14	All	To what extent have the following types of cooperation with digital platforms enabled your company to grow?

Tailored questions:

Countries		
#1	DK	To what extent does your company experience challenges with overlapping legislation, either at the national level or in combination with EU regulations, in the following areas?

Detailed survey responses

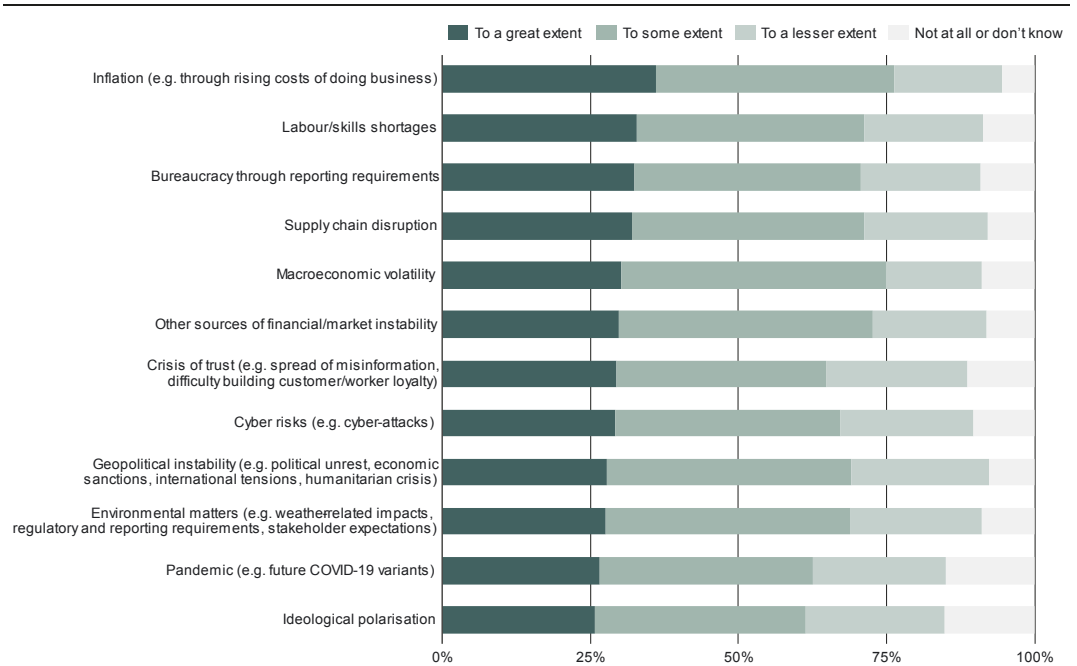
The total population of SMEs in the six countries was 12,196,175 in 2022. Of that population, 564,855 SMEs exported to other EU countries (5% of total population). 195,272 of the exporting SMEs had 10-249 employees (945,788 of total SME population). That is, 35% of the exporting SMEs had 10-249 employees while 65% had less than ten. Further, enterprises with 10-249 employees accounted for 81% of SMEs' total intra-EU export.

In total, 4,583 SMEs across the six countries participated in the survey. 2,087 of the respondents fall into the target group. That is, the target group constitutes 46% of total participants, indicating a high representation of the intended focus group. This target group provides a representative sample for analysing the perspectives from SMEs on initiatives to strengthen their growth and competitiveness.

Most of the surveyed SMEs conduct business within Manufacturing (35%) and the Wholesale and retail trade (19%).

Detailed survey figures

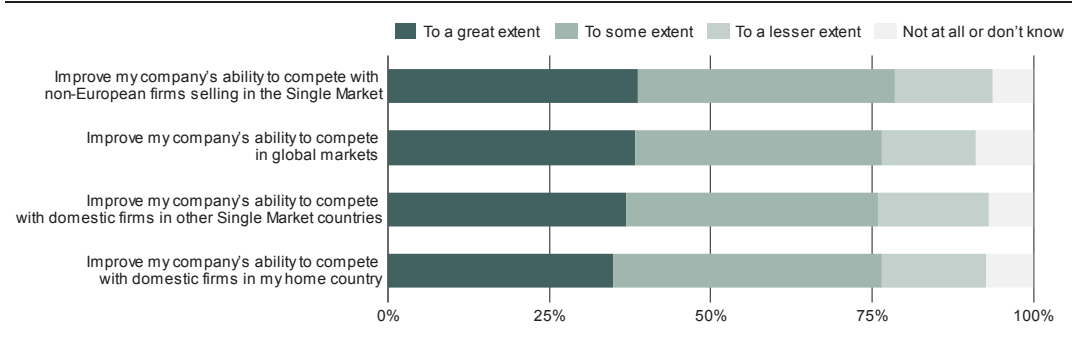
Figure 27: Global developments and structural changes create a challenging business environment



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent do you expect the following factors to challenge your company's growth over the next three years?', n = 2,036. Responses have been weighted by the number of SMEs in each country.

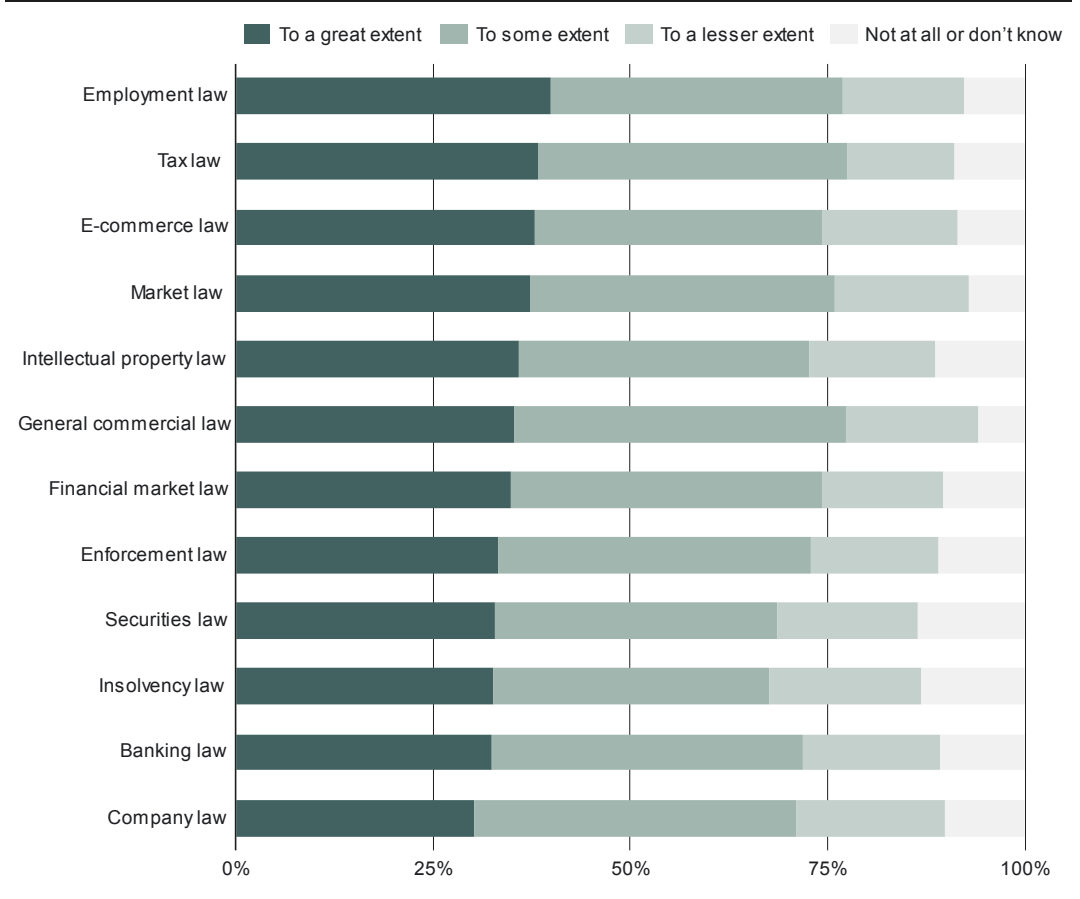
Figure 28: More harmonised regulation would enhance SMEs’ global competitiveness



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would more harmonised regulation across EU Member States help your company grow through the channels below?', n = 1,954. Responses have been weighted by the number of SMEs in each country.

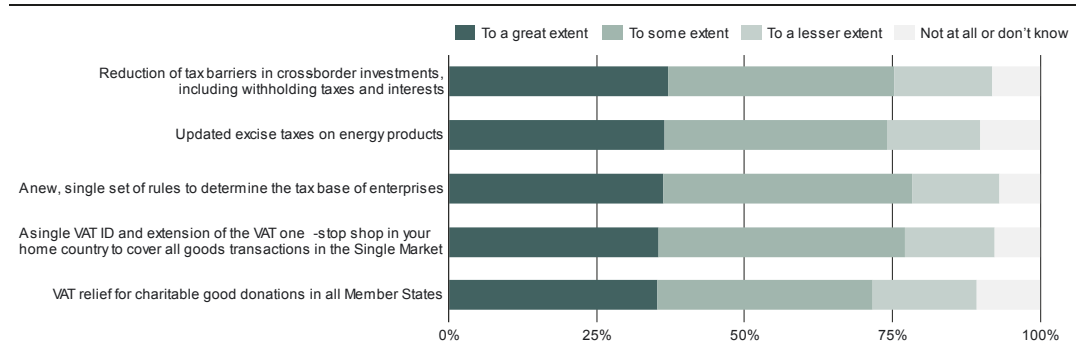
Figure 29: SMEs’ prioritisation of areas for creating more unified regulation



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'In which areas would common, unified regulations across all countries in the Single Market be most beneficial for your company?', n = 1,958. Responses have been weighted by the number of SMEs in each country.

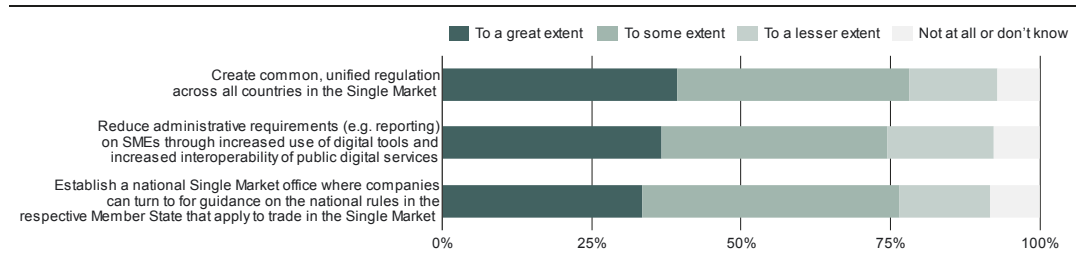
Figure 30: Several initiatives should be considered when revising and unifying tax laws



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would the following initiatives to reduce tax fragmentation across EU countries help your company grow?', n = 1,950. Responses have been weighted by the number of SMEs in each country.

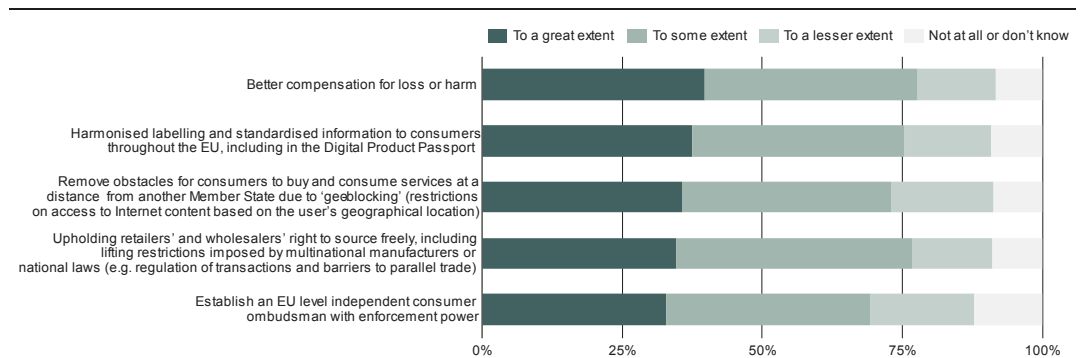
Figure 31: New institutions and utilising tools would help prevent new regulatory fragmentations



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would the following initiatives to reduce regulatory fragmentation in the Single Market help your company grow?', n = 1,964. Responses have been weighted by the number of SMEs in each country.

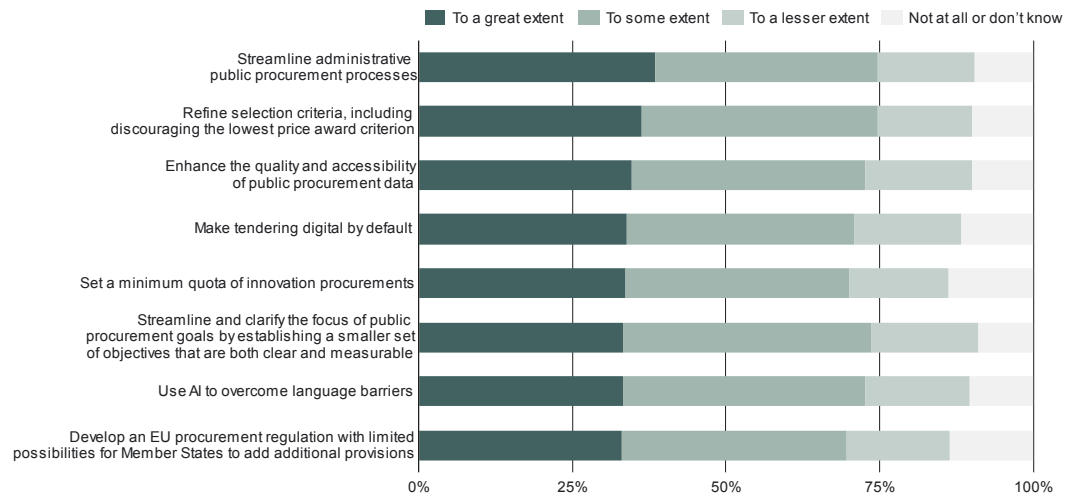
Figure 32: SMEs expect to benefit from many initiatives to strengthen the Single Market for consumers



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would the following initiatives to reduce fragmentation in the Single Market for Consumers help your company grow?', n = 1,946. Responses have been weighted by the number of SMEs in each country.

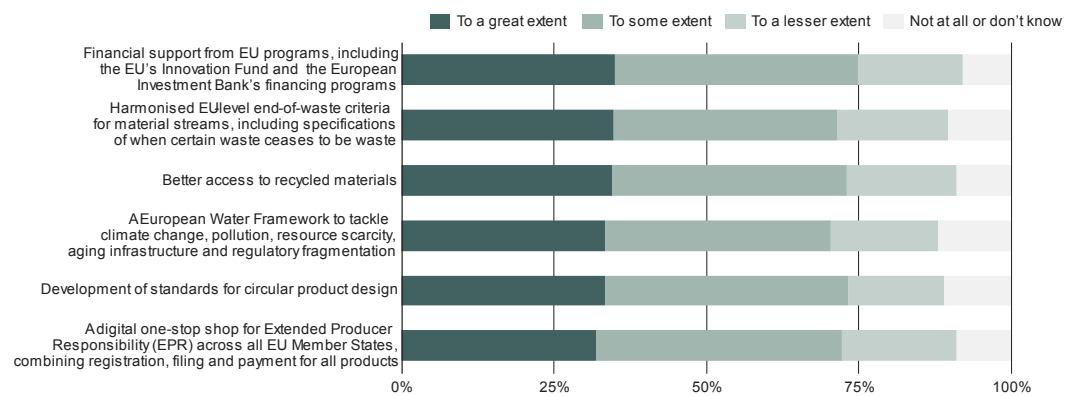
Figure 33: SMEs are highly supportive of all initiatives to ease participation in public procurement



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would the following initiatives to ease participation in public procurement help your company grow?', n = 1,969. Responses have been weighted by the number of SMEs in each country.

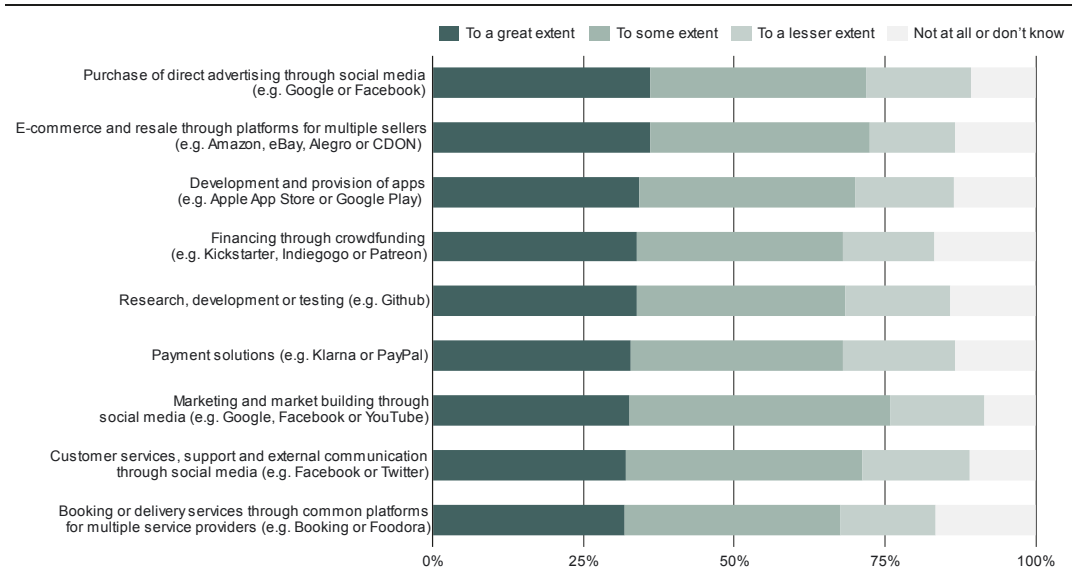
Figure 34: SMEs support several of the initiatives to create a level playing field around circularity



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would the following initiatives to create a Circular Single Market help your company grow?', n = 1,977. Responses have been weighted by the number of SMEs in each country.

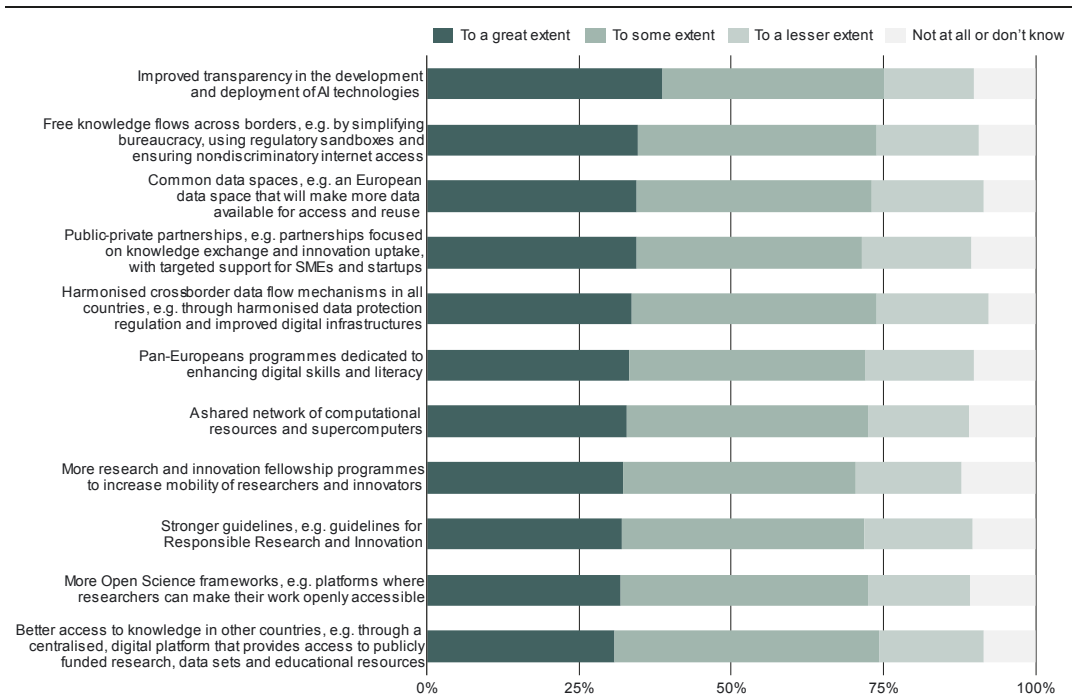
Figure 35: Cooperation with digital platforms is a key enabler for the growth of SMEs



Source: Implement Economics based on a survey of 2,087 SMEs in six countries. (The response categories are taken from [Rapport Wernberg Web.pdf \(entreprenorskapsforum.se\)](#).)

Note: Response to question: 'To what extent have the following types of cooperation with digital platforms enabled your company to grow?', n = 1,939. Responses have been weighted by the number of SMEs in each country.

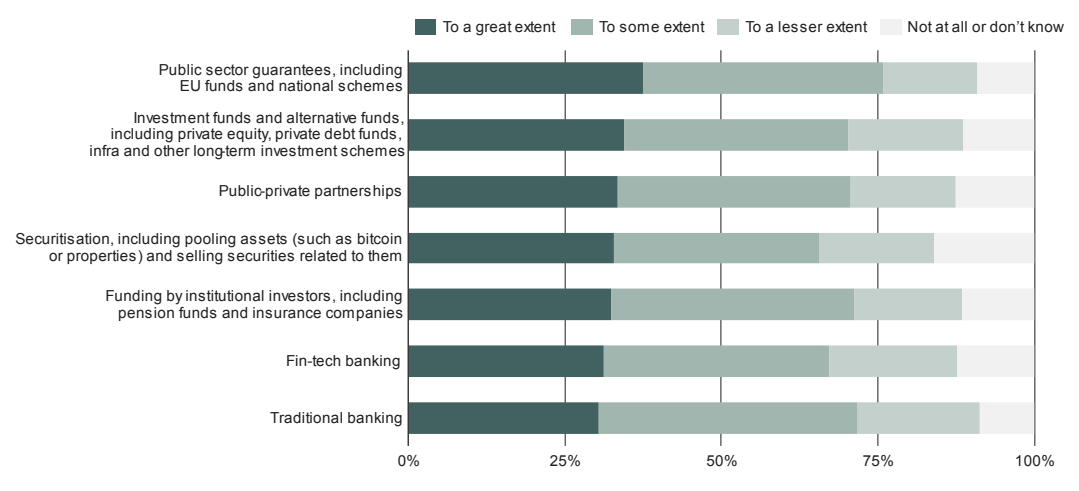
Figure 36: Increased cross-border knowledge sharing and collaboration could spur SME growth



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would the following initiatives to collaborate and share knowledge across borders in the Single Market help your company grow?', n = 2,008. Responses have been weighted by the number of SMEs in each country.

Figure 37: SMEs support all initiatives proposed to improve access to capital



Source: Implement Economics based on a survey of 2,087 SMEs in six countries.

Note: Response to question: 'To what extent would better access to the following sources of capital help your company grow?', n = 1,989. Responses have been weighted by the number of SMEs in each country.

Endnotes and references

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- ¹ Leyen, Ursula von der (2024). *Europe's choice – political guidelines for the next European Commission 2024-2029*.
 - ² Eurostat (2024). *Enterprise statistics by size class and NACE Rev.2 activity (from 2021 onwards)* [SBS_SC_OVW].
 - ³ Leyen, Ursula von der (2024). *Europe's choice – political guidelines for the next European Commission 2024-2029*.
 - ⁴ Eurostat (2024). *Enterprise statistics by size class and NACE Rev.2 activity (from 2021 onwards)* [SBS_SC_OVW].
 - ⁵ Implement Economics (2024). *A path to prosperity, competitiveness and growth: putting SMEs back at the centre of the Single Market*. The report can be downloaded here: <https://implementconsultinggroup.com/article/a-reboot-of-the-single-market>.
 - ⁶ Eurostat (2024). *Trade by NACE Rev. 2 activity and enterprise size class* [EXT_TEC01].
 - ⁷ Implement Economics (2024). *Better regulation, stronger Europe: enhancing competitiveness for SMEs and startups*. The report can be downloaded here: <https://implementconsultinggroup.com/article/better-regulation-stronger-europe>.
 - ⁸ European Court of Auditors (2023). *Public procurement in the EU*.
 - ⁹ See https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en.
 - ¹⁰ Leyen, Ursula von der (2024). *Mission Letter – Commissioner-designate for Environment, Water Resilience and a Competitive Circular Economy*.
 - ¹¹ The economic importance of European SMEs was highlighted in Implement Consulting Group (2024). *A path to prosperity, competitiveness and growth: putting SMEs back at the centre of the Single Market*. The report is a call from more than 3,350 export-oriented SMEs from 11 EU Member States to create a path to prosperity, competitiveness and growth by simplifying and streamlining Single Market regulation.
 - ¹² See <https://www.europarl.europa.eu/factsheets/en/sheet/43/the-ubiquitous-digital-single-market>.
 - ¹³ For more details and examples of digital platforms, see for example [What is a Digital Platform? Definition, Components & Examples \(techopedia.com\)](#).
 - ¹⁴ Implement Economics (2024). *Cross-border payments in the EU*. The report can be downloaded here: <https://implementconsultinggroup.com/article/cross-border-payments-in-the-eu>.
 - ¹⁵ See https://www.ecb.europa.eu/stats/ecb_surveys/safe/html/ecb_safe202404~580876cfb9_en.html. The European Central Bank's surveys on the Access to Finance of Enterprises (SAFE) in the euro area show that SMEs consistently face greater difficulties in obtaining bank loans compared to larger enterprises.

