



Entrepreneurship – the superpower of European competitiveness

SMEs represent over 99% of companies in the EU, provide 100 million jobs (2/3 of private sector) and account for more than half of Europe's GDP. European SMEs have huge potential to deliver the twin transition and to create new innovations, sustainable growth and jobs in Europe. During this EU mandate 2024-2029 we want to see European competitiveness highest up on the political agenda and the SME relief package put into practice. Therefore, we call for common actions to enhance the competitiveness of the European economy by boosting the growth of our SMEs. To do that, we need better lawmaking, access to finance and access to skills.

FINNISH INDUSTRIES CALL FOR EU ACTIONS TO BOOST SMEs' GROWTH

Better and streamlined regulation boosts the competitiveness of SMEs

- **Single Market Strategy:** The Strategy must prioritize significant efforts to eliminate EU's internal trade barriers and facilitate the growth of SMEs. The IMF estimates these internal barriers to be equivalent to tariffs of 45 % for industrial products and as much as 110 % for services.
- **Burden reduction target:** The EU Commission has committed to reach a minimum of 35% reduction target of the SMEs' administrative burden during the current EU mandate 2024–2029. The Commission should prepare a concrete plan on how to deliver and monitor this target. Co-legislators – the Council and the European Parliament – should do their part in making sure their respective negotiating mandates do not increase the administrative burden on companies. Impact assessments and Competitiveness and SME checks must be conducted rigorously, considering both the direct, indirect and cumulative effects of administrative burden on companies.
- **Small mid-cap definition:** Small mid-cap companies (in between SME and large company) require special attention to thrive in Europe. We support the intention to create an EU-wide small mid-cap definition (250-499 employees) specifically to reduce regulatory burden, such as reporting obligations. Such definition must not impact the already scarce EU funding reserved for SMEs or state aid rules.
- **Indirect reporting requirements:** When certain categories of companies are exempt from the direct reporting requirements, they might still be faced with the indirect burden of reporting to their larger partners. For these situations we need the updated voluntary SME standards (VSME) as efficient and widely used as possible, acting as a value chain cap for reporting requirements.
- **Once-only reporting:** Advanced digital solutions should be used to ease the administrative pressure faced by SMEs. The EU should develop a digital data space that enables SMEs and other companies to submit their information just once. This portal should facilitate companies in determining their specific obligations and grant control over who can access their data (e.g., sharing data with large companies, the EU, or statistical entities).
- **Public procurement:** Many SMEs find it difficult to participate in municipal tenders due to complex procedures, large contract sizes, and administrative burdens. To ensure a more efficient, competitive, and transparent public procurement system and enhance SME participation, the focus should shift from new regulation to simplification and better implementation of the existing framework. Digitalization, data-sharing, and accountability mechanisms should be prioritized.
- **Late Payments:** When continuing the work on the revision of Late Payments, B-to-B freedom of contract must be protected. To combat the true challenge of late payments beyond contractual payment terms, we propose to improve the effectiveness of existing regulatory controls, to create a new "payment ombudsman" model. The ombudsman would oversee payment practices. If they detect repeated late payment, they could contact the company in question to discuss the matter. If the situation does not improve, he could, for example, issue a public reprimand. A culture of prompt payment could be improved by obliging all public sector debtors to genuinely pay their bills to private creditors within 30 days or earlier (G-to-B).

Promote SMEs' access to finance for investment, twin transition and growth

- EU SME funding via national financial institutions: The European Investment Bank (EIB) and European Investment Fund's (EIF) funding needs to be further allocated to support SMEs in the twin transition and growth. This should be implemented by providing guarantees, project financing and other funding to the Export Credit Agencies (ECAs), other national level financial institutions and commercial banks in the member states as they are more accessible for SMEs.
- EU export credits: EU should establish an export credit guarantee instrument scheme to support SME exports. This should be implemented in cooperation with the national Export Credit Agencies (ECAs). The EU export credit pilot scheme, which supports SME exports to Ukraine, serves as an example of such an instrument.
- Single market for financial services: The EU needs to avoid overregulating the financial market, as this could directly and indirectly affect SMEs' access to funding. The Savings and Investments Unions needs to become a reality.
- Next RDI Framework Programme (FP10): Sufficient budget for the FP10 needs to be safeguarded. The FP10 should be balanced and should strengthen industrial competitiveness of Europe through RDI, including SMEs. The FP10 should be drafted in a simplified way that enables all sizes of companies to apply for EU funding for excellence, with a specific program for SMEs. Business-driven innovation programs should be developed, which bring larger companies together with SMEs, start-ups and science (e.g. [Finnish Lead-Company model](#)) and allow them a platform to scale up in Europe.
- The Competitiveness Fund: The competitiveness pillar of the next MFF, including IPCEIs, should also encourage SMEs' participation in the fields that are strategic to the EU's competitiveness and resilience. Funding should be awarded on the basis of excellence. In the effort to ramp up the European defence industry, SMEs play a key role in the value chain and their participation should be facilitated.
- On defence: As recognized in the White Paper for European Defence, the role of SMEs is important in providing disruptive technologies and innovation in the defence ecosystem. Promised measures to support more active contribution of SMEs to EU defence RDI must be put into action as widely and soon as possible. It also has to be noted that SMEs build important resilience and productivity in EU's defence industry by maintaining a pool of alternative suppliers. The role of SMEs has to be strong when preparing defence industry entities to become part of the Competitiveness Fund in the next MFF.

Skills to support the twin transition of SMEs

- Strengthen the 'internal market for skills': As skills shortages persist, training programs must align better with business needs. The twin transition demands the development of new skills to support both digital and green transformations. Boost labor mobility by expanding and strengthening the Erasmus+ program while improving Skills Portability to facilitate seamless skills recognition across borders.
- Increase Artificial Intelligence (AI) deployment: AI has great potential to increase productivity. Less than 10% of SMEs currently use AI. The Digital Europe Program (DEP) resources should be directed towards the deployment and utilization of artificial intelligence, cybersecurity and innovative solutions for digital work.
- Support SMEs in recruiting talent from abroad: The EU Talent Pool should be finalised and all member states' participation in it should be promoted. This would support international recruiting especially for SMEs which may not have the resources to seek professionals from outside the EU.
- Promote business transfers: Smooth transfers of employer companies' ownership on EU-level mean that viable businesses can continue to create added value for its employees, community and economy. This could be done by updating the recommendation on business transfers, by raising awareness through research and by creating a European-level digital trading platform. Member states should be encouraged to educate future entrepreneurs of the attractiveness of acquiring an existing business.

The voice of Finnish business – Confederation of Finnish Industries (EK) represents the interests of Finnish businesses in all sizes and sectors. 96 % of our members are small and medium sized (SME) companies. ek.fi/en

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