

Shaping global policy for SMEs

Provide an SME-friendly environment, and SMEs will deliver!

On today's International MSME¹ day we call on decision-makers to think small first and act accordingly!

Today, the United Nations marks the annual celebration of micro, small and medium-sized enterprises. Resilient recovery is the focus of this year's events. With this dedicated day, the UN honours entrepreneurs in societies everywhere as they face the triple threat of Covid, conflict and climate. This is the fifth anniversary of MSME Day, which the UN General Assembly created to raise awareness of the contribution of small businesses to job creation, economic growth and thriving communities.

These micro and small enterprises account for over 70% of businesses and more than 50% of jobs worldwide. In Europe, 99,8% of all businesses are SMEs, and they provide 65% of employment. They ensure basic needs, employment and social cohesion, especially in rural areas. And they are a strong contributor to the training of young people.

SMEs - along with the rest of the world - are on a rollercoaster of events: preparing for the digital and green transition, they have been hit by the covid pandemic. Sanitary measures had a disproportionate impact on the SME tissue of our economy. Even though several support measures were created, many entrepreneurs took on debt financing to keep their companies afloat. As a consequence, many SMEs are over-indebted. An increasingly overheated economy now combines with a war in our backyard.

SMEs suffer from high energy and commodity prices, persistent disruptions in supply chains and shortage of skilled labour, negatively impacted investment capacity, which puts them in an extremely precarious situation. This instability poses significant challenges to achieve the overall objectives of the twin transition and a resilient economy.

Moreover, the current - very ambitious - European Commission puts in place a highly demanding policy agenda. Many legislative acts have already been approved, and many more are moving through the EU decision-making process. Some might have a beneficial contribution to create a facilitating environment for SMEs to transition their business to the next - digital and green - level. Most of these proposals will require SMEs to make additional investments for the future. And a big bulk threatens to put

¹ Micro, small and medium-sized enterprises

excessive burdens on SMEs, even though their resources would be better dedicated to real change rather than reporting on policy demands.

OECD analysis of global support measures for digital and green transition clearly shows that public authorities lag behind in supporting SMEs: only 3% of support measures are invested for SMEs to go green and 23% for SMEs to digitalise.

SMEs are the main actors to drive the transition and ensure a resilient economy. To allow them to play their full role, governments should undertake several actions:

- First, we must create a more diversified, secure and less dependent energy supply. We have to promote renewable energy, ensure interconnectivity, develop energy storage solutions and stimulate energy efficiency;
- Secondly, we must invest in and develop the necessary skills. With these skills, SMEs will be able to innovate, adapt to and implement new technologies;
- Thirdly, public funds should be invested wisely, particularly in the much-needed infrastructure and SME support measures;
- As a fourth action, we insist on enhancing research and innovation to develop and commercialise the technologies required for the twin transition;
- Finally, we call for an environment that stimulates private investment and promotes public-private collaboration.

To conclude, we stress that micro, small and medium-sized enterprises are more and more concerned by increasing administrative burdens, such as sustainability reporting and due diligence. Policy makers should be aware that businesses are overwhelmed by the manyfold challenges. SMEs require a simple and predictable regulatory environment.

Before approving a new legislative or policy proposal, decision-makers should think whether they - in the shoes of the entrepreneur - would feel supported from the policy initiative to make their business flourish or they would be able to comply with the proposed rules. Consequently, they should vote in favour if they reply positively and against if they conclude they would have difficulties implementing the proposed rules in their own business.

We ask governments and institutions: "think small first" and act accordingly!

Petri Salminen
President

Véronique Willems
Secretary General