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From: General Secretariat of the Council  
To: Council

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Subject: 2024 Report of the Network of SME Envoys to the Competitiveness  
Council  
*- Presentation by the Commission*

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Delegations will find attached the 2024 Report of the Network of SME Envoys to the Competitiveness Council in view of its meeting on 28 November 2024.

**NETWORK of SME ENVOYS**

**2024 REPORT OF THE NETWORK OF SME ENVOYS  
TO THE COMPETITIVENESS COUNCIL**

## FOREWORD

The Network of SME Envoys submits this Annual Report to the Council, following the request by the Competitiveness Council of September 2013 to the Network to report annually on the state of the EU SMEs and the implementation of SME policy.

The 2024 SME Performance Review has shown that SMEs remain drivers of job creation. In 2023, employment in SMEs grew by 1.8%, and in 11 out of 14 industrial ecosystems employment growth was higher than that of large enterprises. Employment in Micro-SMEs even grew by 2.3% in 2023, outperforming all other company size classes. In absolute numbers that means that in the last three years alone, micro-enterprises have created nearly 4 million jobs.

Yet, the difficult economic environment continues to weigh on SMEs, with their real-terms value added declining by -1.6% in 2023 – showing that productivity declined. This continues a longer trend: In 2008, SMEs were about 68% as productive as large enterprises, but in 2024 this figure had fallen to 60%. This situation affects payment conditions, which have deteriorated for all commercial transactions, both in government to businesses and business to business relations. To ensure continued job growth, the EU needs to reverse the decline in SME productivity.

2024 is also a year of change. A new European Parliament and soon a new Commission will direct the European Union for the coming years. Some of the challenges that Europe faces are exacerbated when you are an SME. This makes the success of the around 25.8 million entrepreneurs in Europe that are small or medium-sized all the more remarkable. Often smaller companies are more agile and adjust to changes in their environment more easily than large companies.

2024 was an intense year for the Network of SME Envoys monitoring and ensuring the implementation of the 2023 Commission Relief Package and continued monitoring of upcoming EU legislation through the SME Filter for their impact on SMEs. We have assessed the framework conditions for business transfers, looked closely into the use of the SME Test in Member States, took a first deep dive into sustainability with the report on the digital product passports; and we had a series of ad-hoc meetings concerning potentially burdensome measures related to the Corporate Sustainability Reporting Directive (CSRD) and Taxonomy as well as the Do-No-Significant-Harm principle (DNSH).

The Network held its 50<sup>th</sup> meeting in June in Berlin. At this the occasion the national SME Envoys and the business organisations adopted the declaration “**S**mart, **M**odern, **E**mpowering - Inspiration for future SME policies”, intended to inspire the incoming Commission to continue action in support of Europe’s small- and medium-sized enterprises (see Annex).

I take this opportunity to thank the members of the Network and the observers for their hard work; my particular appreciation goes to those Envoys who agreed to be rapporteurs for important issues of SME policy.

Hubert Gambs  
SME Coordinator and  
Deputy Director General of DG GROW  
Chair of the Network of SME Envoys a.i.

## 1. SMEs IN EUROPE – HOW ARE THEY DOING?

On 4 July, the European Commission published the [2024 SME Performance Review](#) (SPR).

The economic context continues to be challenging, putting the brakes on EU SMEs' potential. In 2023, persistent inflationary pressures jeopardised the economic robustness of the 25.8 million SMEs in the EU-27 (Table 1). While some SMEs are able to pass price increases onto consumers, many SMEs who are not able to do so saw their real value added decline, which led to an overall real terms decline in SME value added of -1.6% due to inflation rates.

According to the report, SMEs have been drivers of job creation, outperforming large enterprises in employment growth across 11 of 14 industrial ecosystems. The highest growth rates were observed in the 'tourism' and 'digital' ecosystems (4.5% and 3.8% respectively). For the third consecutive year, employment growth is expected to continue in 2024, with a projected 0.8% increase.

Micro enterprises, that is companies with fewer than 10 employees, performed notably well, with the smallest decline in real growth at -0.4%, and a 2.3% increase in employment. In absolute numbers, that means that in the last three years alone, micro-enterprises have created nearly 4 million jobs.

All the above elements are confirmed also by the Letta report<sup>1</sup>, which the SME Envoys welcome. The report recognizes that size plays a role in achieving all the important economic goals of businesses, but at the same time recognizes the current state of European entrepreneurship and the importance of SMEs for the European economy.

In the same context, the SME Envoys also welcome the Draghi report<sup>2</sup>, which provides valuable input for the strengthening of Europe's competitiveness and sustainable prosperity.

Increasing employment combined with a decline in real-terms value added shows that productivity in SMEs has declined. This is part of longer-term challenges for SME productivity. While in absolute terms, SME productivity has remained largely stable over the past years and is slightly higher in 2024 than it was in 2019, their productivity growth has consistently lagged behind that of large enterprises. In 2008, SMEs were about 68% as productive as large enterprises, but in 2024 this figure had fallen to 60%. This drop is mainly due to micro and small enterprises; medium-sized enterprises also declined, but less pronounced. This represents a significant missed potential, and reversing this trend would lead to substantial productivity gains for the EU economy as a whole. Just as an indication, if all else were simply equal and SMEs jumped back to 68% of large enterprises' productivity, that would represent around €450 billion extra for the European economy

Payment conditions have also deteriorated. In the last 4 years the payment gap - the difference between statutory or contractual payment terms and the moment of actual payment - has increased by 10 days in business to business (B2B) transactions and 7 days in government to business (G2B) transactions. In 2024, it took on average 69 days to get paid in G2B transactions and 62 days in B2B transactions. Payment behaviour differs substantially between micro and small companies and larger ones, the former paying more on time than the latter - this resulting in a liquidity shift from smaller companies to larger ones.

The SPR is accompanied by a ad-hoc study on SMEs and Open Strategic Autonomy (OSA). The study identifies strategic dependencies and vulnerabilities in several industrial ecosystems. This study aims to analyse to what extent and through which means SMEs are involved in such strategic industries, and to provide recommendations for policy actions aimed at maximising

<sup>1</sup> [Enrico Letta - Much more than a market \(April 2024\) \(europa.eu\)](#)

<sup>2</sup> [Mario Draghi - EU competitiveness: Looking ahead - European Commission \(europa.eu\)](#)

the benefits of SMEs participation in OSA while limiting risks. These challenges originate from dependency on imported inputs, lack of domestic production, and low innovation autonomy and digital sovereignty. An in-depth analysis of the ecosystems where such vulnerabilities have been identified revealed that SMEs are pervasive in all value chains analysed. Even if they are usually not directly involved in core value added manufacturing activities, they dominate in niche markets and ancillary services, which are essential for the smooth functioning of the market.

Most importantly, SMEs are involved in essential research and development activities and in developing critical innovation in all value chains analysed. They also play an important role in some new and emerging markets, such as the recovery of critical raw materials from waste, or the development of carbon capture technologies, cybersecurity, edge computing, or very specialised solutions that compete with more consolidated ones (e.g. multi-cloud platforms and biofertilisers)<sup>3</sup>.

Policymakers need to recognise SMEs as catalysts for the change that Europe needs. Turning SMEs from followers into leaders of radical change necessitates embedding SME policy at the heart of EU policymaking.

## **2. ACTIVITIES OF THE SME ENVOYS IN 2024**

In 2024 the Envoys met 4 times: in March, June, October, and in November during the SME Assembly. Main subjects of discussion were the assessment of framework conditions for business transfers and the use of the SME Test in Member States, the digital product passport (as part of the work on sustainability) and better regulation. 2024 saw two main strands of work: the continued implementation and monitoring of the actions mentioned in the SME Relief Package as well as the contribution to upcoming initiatives and the future of SME policy under the incoming Commission.

The Envoys also engaged into substantive policy discussions, informed and inspired by dedicated policy studies of unit GROW A2. These included a study on “SMEs and open strategic autonomy” which made a convincing case of more explicitly and systematically reflecting the needs and capabilities of SMEs in the industrial policies planned for the different industrial ecosystems. The Envoys also discussed policy priorities for EU scale-up firms, against the backdrop of the results of the second phase of the OECD –DG GROW cooperation project on scale-ups, which, among other things, showed that the vast majority of newly created jobs are accounted for by these scale-up firms most of which originating from “traditional” sectors.

The Envoys discussed the role of SMEs in the upcoming policy agenda of the next Commission with its focus on boosting productivity and competitiveness. The discussion centred on the need for a revised narrative for this agenda which highlights that SMEs must and can be at the forefront of the planned productivity boost. Finally, the Envoys also discussed the impact of high inflation on SMEs, based on DG GROWs study of the topic. The report showed that even the now somewhat lower level of inflation can endanger the existence of a large number of SMEs as the elevated price levels hit businesses simultaneously through different channels. Given that only a minority of SMEs operate in market conditions where they can pass on the elevated prices to consumers, the study and discussion highlighted various concrete policy measures that governments should take to ease the pressure on SMEs. In addition to these plenary meetings of the Network, a number of more informal and specialised meetings were held regarding taxonomy, CSRD and DNSH. In the context of the Network, several meetings were held to discuss the SME aspects of legislative and policy initiatives with the Commission services concerned.

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<sup>3</sup> This study follows the 2023 study on “SMEs and high inflation”, which provided policy recommendations to address the causes of inflation as well as to mitigate the negative effects of inflation on SMEs.

At the occasion of its 50<sup>th</sup> meeting in Berlin in June, the national SME Envoys and observers issued the declaration<sup>4</sup> “**Smart, Modern, Empowering** – Inspiration for future SME policies” that provides input and inspiration for future work programmes of the Commission. The Envoys underlined the indispensable role that SMEs play in building resilient democratic and prosperous societies. In twelve points the declaration enumerates concrete requests and suggestions.

### **2.1. Better regulation and burden reduction**

Better regulation and the reduction of existing administrative burden remains on top of the agenda of SME policy and therefore also the Network.

The work of the Network of SME Envoys can be divided into four strands:

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

Secondly, also related to new initiatives, awareness regarding SME-related aspects has to be continuously raised in the context of the Commission’s better regulation agenda.

Thirdly, it is for this purpose that the Network has been given a specific role in the Fit for Future Platform, which prepares opinions on existing legislation.

Fourthly, SME Envoys are sharing best practices in their respective countries.

In addition to these work strands, the Network of SME Envoys contributes to the work of the Commission’s Single Market Enforcement Task Force to address issues such as gold-plating<sup>5</sup> in the transposition process with a view to keeping the regulatory burden on SMEs to a minimum.

With this in mind, the Network held also three ad-hoc meetings: in February on the Corporate Sustainability Reporting Directive (CSRD), in March on the Taxonomy Regulation and in June on the Do-No-Significant-Harm Principle. In this context, Ms Hepperle, SME Envoy for Germany, presented a project financed by the Federal Ministry for Economic Affairs and Climate Action that aims at offering companies a web-based tool for sustainability reporting free of charge (German Sustainability Code). A module for companies legally obliged to report under the Corporate Sustainability Reporting Directive (CSRD) will go online in January 2025, a module for SMEs will follow as soon as the Voluntary SME Standard (VSME) is published in the second half of 2025.

The Commission regularly invites observers of the Network of SME Envoys to discuss SME policy priorities, identified through the filtering process, during the so-called SBA follow-up meetings. In 2024 4 meetings took place and 14 priority initiatives were discussed. The Commission also seeks direct feedback from SMEs through SME panel consultations. In 2024 5 SME panel consultations were carried out. The SBA follow-up meetings and SME panel consultations help the Commission to address SME needs in policymaking.

#### *2.1.1. Single Market Enforcement Taskforce - SMET*

As foreseen in the SME Strategy, the Network is contributing to the work of the SMET. Representatives of the Network of SME Envoys attend SMET meetings. For more details on SMET meetings please check out the dedicated webpage of the Taskforce<sup>6</sup>.

<sup>4</sup> <https://ec.europa.eu/transparency/expert-groups-register/core/api/front/document/106023/download>

<sup>5</sup> Fit for Future Platform (F4F) - European Commission (europa.eu).

<sup>6</sup> The Single Market Enforcement Taskforce (europa.eu).

### 2.1.2. *Fit for Future platform – F4F*

The Network of SME Envoys has contributed to the work of the Fit for Future (F4F) platform. The platform has been operational since the end of 2020. For more details on the Platform and its meetings please check out the dedicated webpage<sup>7</sup>.

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

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

For the preparation of the 2024 Work Programme of the F4F platform, the Network proposed the following topics:

- QR codes in the context of digital labelling;
- Evaluation of the Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain; and
- Evaluation of the Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE).

The adopted 2024 work programme includes eight topics<sup>8</sup>, which were selected on the basis of an internal F4F members survey and only retained if an expert was ready to be rapporteur for that specific topic.

Most topics in the final 2024 Work Programme are relevant for SMEs:

- Automated sustainability reporting
- Actions/methodology to avoid the build-up of unnecessary reporting obligations
- Evaluation of unfair trading practices (UTP) in B2B relationships in the agricultural and food supply chain
- QR codes on products
- Organic production and labelling of organic products.

Ms Willems, Secretary General of SMEunited, an observer to the Network of SME Envoys, is leading the platform's work on the opinion on 'Actions/methodology to avoid the build-up of unnecessary reporting obligations'.

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

SMEs are particularly affected by costs created by legislation, because of their limited human and financial resources. The 2020 SME strategy stated that 'To ensure that new legislation is SME-friendly, the EU SME Envoy will filter EU initiatives, in collaboration with SME stakeholders, to signal to the Commission those that merit close attention from an SME perspective. In this context, the EU SME Envoy will also bring in the national expertise of the Network of SME Envoys. It is the Commission's ambition that all future legislation, at European and national

<sup>7</sup> Fit for Future Platform (F4F) | European Commission (europa.eu)

<sup>8</sup> 2024 Annual Work Programme of the Fit for Future Platform, Annual work programme - European Commission (europa.eu)

levels, should be made with the end user in mind, by identifying potential barriers and mitigating them early in the process, for example using digital tools.’

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

From the beginning of 2024 till end October, the Network has filtered 7 announced legislative initiatives and found 6 out of them to be (at least) relevant for SMEs. None of those initiatives are planned for adoption in 2024.

Naturally, the activity of the SME filter was lower in 2024 with the end of the EP and Commission mandate.

From the launch of the SME Filter in January 2022 till June 2024, the Network filtered a total of 107 announced legislative initiatives and found 86% of them to be (at least) relevant for SMEs.

## 2.2. Use of the SME test in Member States

Under the guidance of Mr Pieters, SME Envoy for Belgium, and with the support of his team, the Network updated the report on the use of the SME Test in Member States. The report relies on information gathered through two surveys, one for Member States, with 20 respondents, and another for national SME stakeholders, with 12 respondents, and analyzes national SME Test implementation, suggest improvements, and showcase best practices.

The report presents several key findings and conclusions. It recommends increasing awareness among SME stakeholders about national SME Tests. Publishing and sharing SME Test results across Member States could increase transparency. Harmonizing the European SME definition<sup>9</sup> across all Member States would improve the function and comparison of national SME Tests. More than three out of five Member states already use this definition, which is preferred by stakeholders.

Harmonized national SME Tests could establish uniform criteria, facilitate comparisons, and enhance transparency in the legislative process, particularly concerning the SME definition and test templates. Member states generally support compulsory testing for new and revised legislation, though opinions are divided on European legislation.

SME Tests usually start with national legislative initiatives, but some Member States and stakeholders prefer starting when a legislative proposal is being discussed at the EU level. Independent quality control and publishing results would enhance SME Test quality. Increased and early stakeholder involvement is recommended by both stakeholders and Member States for better impact identification and evaluation through ex-post checks. A fifth of Member States currently utilize or intend to use the SME filter to decide whether to contact national stakeholders.

There is a call for better quantitative assessments through enhanced stakeholder involvement and improved methodologies. Most Member States analyze indirect impacts in SME Tests, and both Member States and SME organizations support this inclusion. While most differentiate between SMEs and large companies, few distinguish subcategories of SMEs, though SME organizations advocate for such differentiation by size and sector.

Both Member States and SME stakeholders largely agree that the sharing of best practices should be a responsibility shared by both the EU Commission and national SME Envoys. Two-thirds of responding Member States believe the SME Test has a positive impact and adds value

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<sup>9</sup> [SME definition - European Commission \(europa.eu\)](#)



for SMEs, though stakeholders are less unanimous. Suggested improvements include better stakeholder consultations, updated methodologies, and improved forms and mitigation measures.

### **2.3. 2024 European SME Week**

After the end of the COVID-19 pandemic, the Commission, the Network of SME Envoys and other interested parties, in particular among the partners of the Enterprise Europe Network, started reviving the European SME Week. This revival process was slower than expected. This is why the Commission made another push in 2024; this led to 76 events being organised under the umbrella of the SME Week.

The European SME Week, the yearly highlight of the SME Week initiative, featured the SME Assembly, which brought together over 550 delegates from all over Europe who discussed the future direction of SME policy for the coming year and the new mandate of the European Commission. The 2024 SME Assembly was organised in Budapest together with the Hungarian Presidency of the Council.

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

This wide range of activities strengthened the link between policy making and policy implementation.

### **2.4. Assessment of framework conditions for business transfers in Member States**

The SME Relief Package, adopted on 12 September 2023, lays down that the Commission “[...] will assess framework conditions for business transfers in Member States together with the Network of SME Envoys [...]”. This assessment was undertaken by Mr Pieters, SME Envoy for Belgium, and Mr Scholtus, SME Envoy for Luxembourg, with the support of their teams and the Commission.

The main objective of this exercise was to review the implementation of different types of measures facilitating business transfers that were grouped in the following clusters:

- fiscal measures,
- legal and administrative measures,
- financial environment,
- other (soft) support measures,
- collection of data on business transfers,
- perceptions regarding the importance of business transfers.

In addition, the report has provided the gist of the EU policy milestones and the information about EU efforts to support the development of different solutions, tools, best practices and case studies of how different elements of the business transfer ecosystem were established and/or improved in EU countries and regions over the last decade.

The main tool used to collect information about the existing, ‘desired’ and new/planned measures related to business transfers was a questionnaire that contained 39 questions in total, and was arranged in line with the clusters of measures listed above.

Replies to the survey were received from 21 EU countries with one additional country (Sweden) providing a written contribution.

The analysis of survey results showed differences between countries when it comes to the level of advancement in the implementation of various types of measures. The relatively low level of implementation could be observed in the area of data collection, followed by financial measures.

The average level of implementation could be observed in the area of legal/administrative measures and fiscal measures, while the highest level of implementation is seen in the area of 'other' support measures that covers different types of advisory/mentoring services, trainings, online matching platforms, availability of information/awareness raising tools, etc. The total number of implemented measures across the EU was 234.

Type of measures	High scoring countries	Average scoring countries	Low scoring countries	Total No of measures per type	Total No of measures implemented across EU
Fiscal measures	BE, ES, FR (6) AT, NL (4)	DE, IR, PT (3) FI, HU, PL, (2)	GR, IT, LT, LU, MT, SI (1) BG, EE, HR, SK (0)	8	47
<i>No of measures</i>	26	15	6		
Legal/administrative measures	IT, HU, PL (4) EE, FI, FR <sub>1</sub> , ES, SK (3)	AT, BE, DE, LU, MT, NL, PT, SI (2)	GR, HR, IR, LT (1) BG (0)	5	47
<i>No of measures</i>	27	16	4		
Financial measures	BE (5) FR, IT (4)	AT, FI (3) DE, ES, PT, SI (2)	EE, GR, HR, HU, LT, LU, MT, NL, PL, SK (1) BG, IR (0)	5	37
<i>No of measures</i>	13	14	10		
Other support measures	BE (11) DE, FI (10) SI (9)	FR (8) IT (7) MT (6) AT, LU (5)	ES, HU, PT (3) GR, HR, SK (2) BG, NL, PL (1) EE, LT (0)	11	89
<i>No of measures</i>	40	31	18		
Data collection measures	NL [3 +(3 <sup>^</sup> )] DE [(3 +(2 <sup>^</sup> ))] FR (2)	EE, IT, MT, PT (1 +(1 <sup>^</sup> )) AT, BE (1)	BG, HR, HU, IR, LT, GR, IR, LU, PL, SI (0)	8	14 +(9 <sup>^</sup> )
<i>No of measures</i>	8 (5 <sup>^</sup> )	6 (4 <sup>^</sup> )	0		
<b>Grand Total</b>	114	82	38	37	234 (9 <sup>^</sup> )

**Legend**

^	More advanced measures are already in place (annual data collection instead of periodical (e.g., every 2-3 years))
	Maximum number of measures per set of measures that could be implemented (they are not part of any calculation)
Countries that have provided answers 'other' or 'I don't know' are not listed in this table.	

The data in the table above show that the cluster of the highest scoring countries is responsible on average for the implementation of almost 50% of all measures that were applied across the EU while the cluster of low scoring countries managed to reach about 16%.

Furthermore, significant discrepancies have been detected between existing and ‘desired’ measures to facilitate business transfer in each country. A possible follow-up to this report could be the decision by the governments to find out the reasons for these discrepancies.

Regarding the initiatives to improve the business transfer ecosystems by introducing/or planning new measures, seven Member States (AT, BE, EE, GR, HU, SI, SK) have reported concrete actions in that direction. No country has reported the revoking of any of the previously existing measures aimed at facilitating business transfers.

Overall, findings on the level of implementation of different sets of measures analysed in this report demonstrate that the business transfer ecosystems of the countries participating in the assessment demonstrate different stages of maturity and readiness to support business owners who need to transfer their company in whatever form (e.g., intra-family succession, selling to a third party or transferring to the employees).

Based on the results of this assessment, several recommendations were proposed to Member States for them to consider appropriate actions to address the identified shortcomings.

## **2.5. Sustainability – Digital Product Passport**

In recent years, sustainability and traceability have become priorities on business and regulatory agendas. Consumers, investors, and governments are demanding greater transparency about the origin of products, production practices, and environmental impact. SMEs, often limited in resources, find it challenging to meet these demands.

The Digital Product Passport (DPP) envisaged in the Ecodesign for Sustainable Products Regulation comes in response to the growing demand for transparency, traceability, and sustainability in global supply chains. This concept is particularly relevant for SMEs, which face unique challenges in terms of resources, regulatory compliance, and competitiveness.

During 2024, the Swedish and Portuguese SME Envoys conducted a study to assess knowledge, progress, and concerns in view of the adoption of the DPP in European SMEs. The report will present an overview of the DPP, providing a structured approach to understanding their importance, implementation, concerns, and potential impacts on SMEs and in selected industrial sectors. It also aims to showcase what has been done in European countries, to spread information to SMEs about the DPP. An effort is made to collect examples that could inspire others, highlight concerns and questions regarding this legislation, and make some suggestions on what ought to be done to facilitate the uptake of the DPP by SMEs.

Member States and business organizations were involved on the process, by completing two custom-made questionnaires and the Commission was also consulted to ensure that the input gathered would be valuable to them.

Member States and business organizations have actively organized events to raise awareness about DPP. Several Member States have also funded studies and projects to help businesses explore methods for implementing DPP, with additional support coming from EU-funded

initiatives like CIRPASS<sup>10</sup> and CircThread<sup>11</sup>, which focus on using DPP to promote circularity in key sectors.

## 2.6. Supporting a culture of prompt payment

Late payments are a barrier to growth and productivity, as they reduce the capacity and effectiveness of investments and the ability to innovate and are particularly harmful for SMEs. To combat late payments the Commission set up in 2023 a European Payment Observatory<sup>12</sup> to monitor and provide regular information about trends in payment performance in the EU. The Observatory is also a forum bringing together all relevant public and private stakeholders to discuss policies and initiatives to combat late payments, with the aim of assuring common rules for all actors, debtors included. SME stakeholders from several ecosystems are active participants in the Observatory.

## 2.7. SMEs in the defence and space ecosystems

The defence ecosystem is of particular importance for Europe's autonomy, not least because of the Russian aggression against Ukraine, a candidate country of the EU. SMEs are underrepresented in this ecosystem for a number of reasons. To take a closer look and to eventually come up with suggestions to remedy this, the Danish SME Envoy started with a mapping exercise. Based on the outcome of this mapping, further steps will be taken in the first quarter of 2025. The mapping investigates the placement of the defense sector among national ministries and if specific programs are in place for SMEs in the defense sector. The initial findings of the mapping suggest that such programs are present in about a third of the Member States who responded to the questionnaire.

Similarly, the role of SMEs in the space ecosystem, which is equally important for European competitiveness and open strategic autonomy, needs to be highlighted in view of strengthening the European industrial and technological capabilities. Enhanced synergies between public and private investment and simplification of procurement procedures should be also taken in consideration.

## 2.8. European Digital Innovation Board

The EU SME Envoy is *ex lege* member of the European Digital Innovation Board (EDIB), set up pursuant to the Data Governance Act<sup>13</sup>. Members of the Network of SME Envoys and the Secretariat participated in the meetings of the EDIB.

## 3. CONCLUSION AND OUTLOOK TO 2025 AND BEYOND

For 2025, the key **priority areas and activities** for the SME Envoys will be the following:

- Assisting with the work of simplifying and designing future legislation with small businesses in mind, in particular via a new SME and competitiveness check, to help avoiding unnecessary administrative burden whilst maintaining high standards,

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<sup>10</sup> [CIRPASS – Digital Product Passport \(cirpassproject.eu\)](https://cirpassproject.eu)

<sup>11</sup> [CircThread - An EU H2020 project](#)

<sup>12</sup> [EU Payment Observatory](#)

<sup>13</sup> [Data Governance Act explained | Shaping Europe's digital future \(europa.eu\)](#)

especially in the context of the green and digital transformation, including focusing on the reduction of administrative burdens and simplifying legislation (e.g. substantial reduction of reporting obligations) and having regard to the political guidelines for the European Commission for the period 2024 to 2029, as well as the Draghi and Letta reports;

- contributing to the regular dialogues on implementation with stakeholders and the “reality checks” mentioned by Commission President Ursula von der Leyen in the mission letters to Commissioners-designate to discuss how best to align implementation with realities on the ground;
- continuing to improve the use of the SME Test in Member States by learning from each other and, where appropriate, aligning with best practices;
- helping SMEs overcome the challenging economic environment by building on the conclusions of the studies on SMEs and high inflation as well as SMEs and open strategic autonomy;
- strengthening the resilience and competitiveness of SMEs, and reversing the trend of their declining productivity;
- making sure that SMEs are on the path to sustainability and helping them to transform step by step their business models towards sustainability;
- supporting SMEs in their greening and digitalisation endeavours, improving access to finance with adequate instruments for the green and digital transformation;
- working for a decisive shift towards a culture of prompt payment, in order to benefit SMEs by reducing the payment gap;
- supporting entrepreneurship and innovation;
- helping SMEs and small mid-caps in effectively benefiting from EU funds, in particular by applying the ‘think small first’ principle; ensuring that the next Multiannual Financial Framework will pay attention to the funding needs of SMEs;
- assisting with the preparation of the upcoming Single Market Strategy and the Clean Industrial Deal;
- assisting with the revision of the public procurement rules, including preferences for European products in certain strategic sectors and technologies ;
- helping to improve skills and the availability of skilled workers in all industrial ecosystems, especially with regards to greening and digitalisation;
- continuing to accompany the implementation of the SME Relief Package, in particular by
  - speeding up the implementation of the Digital Gateway and thus the full deployment of the Once-Only-Principle, starting from the A1 certificate;
  - intensifying the work related to the SME filter;
- following closely the implementation of the SME Window of InvestEU;
- keeping an intense dialogue on SME policy and the exchange of good practices for SMEs;

- providing input to the upcoming initiatives for start- and scaleups and
- supporting the Commission in enabling access to markets, be they inside or outside the Single Market.

**The Network of SME Envoys invites Ministers to**

- take note of this report, and
- provide guidance to the Network of SME Envoys on suggested priorities for 2025.