



EUROPEAN FEDERATION OF ACCOUNTANTS AND AUDITORS FOR SMES

A EUROPE FOR SMES: THINK SMALL FIRST AND SINGLE MARKET

BY

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Small and medium-sized enterprises (SMEs) are crucial to the future economic and social prosperity and stability of Europe and Europeans. It is vital that this fact is recognized and acted upon by the incoming European Parliament and Commission.

While individually SMEs are small, they are large in number and large in their collective economic, environmental and social importance. SMEs are the backbone of the European economy, woven into the fabric of European society, a catalyst for innovation and sustainable change, and crucial for providing services and products for EU citizens, locally and internationally. The evidence demonstrates this. SMEs make up 99.8% of all companies in Europe, the vast majority (93%) having less than 10 employees. In most, if not all, European Member States they account for the majority of private sector Gross Domestic

Product (GDP). And SME employment from 2013 to 2016 grew almost 50% faster than in the whole EU economy.

We might be tempted to ask why the policy and actions to reflect the importance of SMEs, and their uniqueness, like the “*Think Small First*” principle and the pledges made in the Small Business Act (SBA), have not yet been satisfactorily implemented and realised by Europe's SMEs. European politicians and regulators have increasingly spoken about the important role of SMEs in the European economy and society and how SMEs have different characteristics compared to large entities. And this is precisely what the European Federation of Accountants and Auditors for SMEs (EFAA for SMEs), an organization with many distinguished national professional

accountancy organizations (PAOs) as its members, is seeking.

SMEs in Europe are facing dramatic and challenging changes – from rapid digitalization, cyber security threats and changing stakeholder expectations through to a fast shifting marketplace, acute competition from other continents, intense pressure to embrace sustainability and more. With these changes in mind, EFAA recommends a range of priority actions for the coming European legislative and executive period as well as the subsequent timely adoption and implementation of the regulations by the Member States. These recommendations are set out in the [EFAA's Memorandum for the European Parliamentary Elections 2019](#).

These priorities are informed by and gain their legitimacy from the daily experience of more than 370.000 individual professional accountants - typically working in or as small- and medium-sized practices (SMPs) and which interact daily with millions of SMEs - of the 13 organizations that are members of EFAA. If there is anyone who truly understands SMEs, it is their adviser, their accountant, their closest professional - in short their SMP.

Focusing on the challenges which warrant our attention, the first and foremost priority is the **promotion of entrepreneurship**. This demands an effective European policy that supports SMEs built around the full implementation of the *Small Business Act*, are based on the principles of smart regulation and “*Think Small First*”. The following priority is to **facilitate the digital transformation of SMEs** - any new or revised legal provisions need to be sufficiently flexible, neutral and future-proof for digital front-runners while ensuring fairness, transparency and a level-playing field for enterprises of all sizes. We need to guarantee, backed by action and funds, equal access to high-quality data for SMEs, to EU investments in cyber security, and to participation in EU initiatives for the development of Artificial Intelligence.

Facilitating access to finance for innovation and growth in SMEs is another challenge. Solutions need to be realistic and adequate as to scale and requirements. For instance, regulation should encourage bank lending to SMEs, support and encourage other non-traditional banking structures, alternative forms of financing and promote productive investments with new European programmes and tax rules tailored for the SME business sector.

Enabling the SMEs' contribution to the sustainable economy is another key objective.

This will demand eliminating barriers that prevent them from accessing the circular economy and establishing financial and non-financial requirements and measures, proportionate to their size, to report about their contribution. Supporting the **internationalization of SMEs**, effected by way of specific chapters tailor made to suit their size in trade agreements that have already proven successful- is another priority.

Finally, it is necessary to **fully implement and realize the European Single Market**. Presently SMEs continue to question whether the "Single Market" offers more benefits than costs for them. There is still much work to be done to achieve a meaningful and complete Single Market. We need to analyze existing policies and norms, determine if and to what extent they are applied or not, if they are unduly restrictive for European SMEs and SMPs operating cross border, and if they simply transfer barriers from one country to another. Moreover the definition of "general interest" or "the common good" contained in European regulation needs to be investigated for its economic impact on SMEs -

the figures I give above serve to put this into context.

The application of the "*Think Small First*" principle and the pursuit of smart regulation requires a thorough understanding, which SMPs have, of the ability of SMEs to comply with the established standards and, therefore, warrant special attention during the impact assessment. EU policy must respect the principle of subsidiarity and be based on real added value for these companies and Europe as a whole. Those that can best contribute to this end are those that know them, grow with them and, especially in the era of transparency and good governance, have no conflict of interest with them. ***Without doubt EFAA for SMEs can do it, we are focusing in SMEs through SMPs from our constitution, in fact we have been doing it since 25 years.***

In conclusion, it is essential to plan public consultations and data collection in cooperation with SME organizations and their professionals. And in these public consultations more weight must be given to the contributions of the organizations representing SMEs and their professional advisors (SMPs) in the fields of accounting, auditing, financial information and non-financial information.

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ABOUT EFAA

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to small and medium-sized entities (“SMEs”) both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs.

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