

A competitive, prosperous and digital Europe

by the Federal Minister for Economic Affairs and Climate Action of Germany, the Minister of the Economy, Finance and Industry of France, the Minister of Economic Development and Technology of Poland, The Minister of Industry, Business and Financial Affairs of Denmark and the Minister of Finance of Cyprus

Europe is finding itself in increasing competition with other major economic powers. The global level playing field is challenged by the practices of states, whose economic model entails market distortions, and the domestic industrial policy pursued by others.

We must work to improve Europe's competitiveness while ensuring a successful and fair transition towards climate neutrality by 2050. To this end, we need to simplify the regulatory environment where necessary, tackle disproportionate compliance and reporting costs and ensure a level playing field in the single market in order to unleash the creative forces in business, civil society and administration, while maintaining a high level of protection for health, safety, environmental protection and consumer protection.

Achieving a meaningful and appropriate reduction in administrative burdens requires action at both European and national levels. Our approach is to reduce disproportionate administrative and regulatory burdens for the economy i.a. in order to speed up the twin transition. We need to invest more in our green transition if we are to meet our ambitious and legally binding climate targets, while simultaneously preserving competitiveness of the European economy. We need to make it as easy as possible for companies to go green and digital, while taking both environmental and economic impacts into account. It is imperative that we simplify bureaucratic procedures, for instance those that are relevant for the green transition, to help businesses unlock resources used unnecessarily on compliance and allow them to move these resources in to green investments instead, while maintaining high standards in terms of health, safety, the environment and consumer protection.

This also includes reducing bureaucratic costs and minimising the burden of cross-border regulatory impacts. In this context, we welcome the work of the European Commission to reduce burdens associated with reporting requirements by 25 percent for companies resulting from EU legislation, without undermining the related policy objectives. We also very much welcome the intention to appoint a dedicated EU SME Envoy to advocate SME's interests and enable an SME-friendly regulation.

To deliver on and advance these ambitions, the Minister of the Economy, Finance and Industry of France, the Federal Minister for Economic Affairs and Climate Action of Germany, the Minister of Economic Development and Technology of Poland, the Minister of Industry, Business and Financial Affairs of Denmark and the Minister of Finance of Cyprus welcome the strong focus on boosting competitiveness, reducing burdens and simplifying implementation as well as the announcement to appoint a Vice-President to pursue these aims in the Political Guidelines for the next European Commission and urge the Commission to follow up on the intentions through adoption of a "Bureaucracy Reduction Plan" in order to simplify existing provisions across the most impactful texts and consider the following for its new mandate.

Improve the quality and focus on the execution of EU legislations – simplify legislation and enforce it

The EU has taken much pride in setting up leading legislation to ensure clear policy goals and direction for European businesses. This necessitates constant attention being paid to whether rules and regulations continue to deliver on their policy goals and on whether they are set up as simple as possible for businesses, administrations and citizens. We advocate for a drastic simplification and strengthened enforcement of EU legislation in order to effectively deliver on the EU's policy goals and facilitate a successful and fair twin transition based on European competitiveness and technological leadership.

We thus call on the Commission to deliver an ambitious simplification programme eliminating overlapping and conflicting regulation and reducing reporting obligations, primarily for SMEs and way beyond the Commission target of 25 percent, based on a thorough assessment of the results of its “call for evidence” concerning the rationalisation of reporting requirements. In order to make it easier for companies, especially small businesses, to do business we ask the Commission to clarify rules and simplify or remove rules that are obsolete or irrelevant.

The need for new legislation should be justified in light of the enforcement of already adopted EU law in the same field. For all upcoming initiatives at the EU level, it is therefore particularly important to examine the extent to which there is any risk of duplicating reporting obligations. We therefore encourage the Commission to map the existing reporting requirements to identify possible duplications and unnecessary obligations.

We support the systematic use of the "SME test" within impact assessments, whereby a panel of SME-stakeholders assesses proposed new obligations to ensure that they are workable, proportionate and have a positive cost/benefit balance. We also support that impact assessments systematically take into account competitiveness, possible effects on EU's trade relations and cross-border trade within the EU, environmental and social coherence, territorial cohesion, impacts on individual Member States, impacts on outermost regions, the Union's sovereignty and defence and security challenges, where relevant.

We must also look more closely into whether legislation that has been implemented actually delivers on European policy goals efficiently, or whether there are unexpected impacts, which hinder businesses in practice to act as expected. We therefore call on the Commission to launch so called “reality checks” at European level in predetermined fields to identify unnecessary administrative burdens in a more targeted way. A reality check aims at identifying obstacles and possible solutions for individual scenarios and investment projects in close dialogue with entrepreneurs, administrations and other experts concerned, with the primary focus on the users' perspective.

Also, we believe that rules could be simplified within the areas of reporting procedures asked from companies, access to programs and EU funds, State aid notification procedures, etc.

The Commission should also, for instance, work to clarify obligations under the GDPR in order to harmonise their application with the aim of simplified procedures for companies.

Moreover, we believe administrative burdens related to corporate sustainability reporting need special attention and fundamental improvements. Businesses face the various difficulties regarding digital accessibility and interoperability between systems that complicates collection, sharing, and use of the data needed for the reporting tasks. We call for increased attention with regard to the implementation of the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive 3 (CS3D), and the Taxonomy, while we fully encourage the Commission to facilitate reporting processes, by applying a strict “once only principle” and developing a comprehensive strategy aimed at providing as much guidance and support as possible to small-companies while strictly limiting the burden that bigger companies can pass on to their smaller suppliers.

It is also important that we recognise that the burden of monitoring and enforcing Single Market-rules is increasing, becoming less sustainable for especially smaller national administrations. But at the same time, monitoring and enforcement is absolutely essential to ensuring an efficient Single Market. We should therefore look to how new cutting edge technologies can be used to improve monitoring and enforcement of Single Market rules, and take great note of Mr Letta's report on Much more than a Single Market's proposals for "harnessing advanced technologies such as Artificial Intelligence (AI)" to identify infringements more quickly. We suggest to expand and strengthen the simplification team within the General Secretariat and to include a specific mandate for simplification in the mission letter for the Commissioner responsible for competitiveness. We ask for a stronger commitment of Member States as well as the Commission to the work of the Single Market Enforcement Taskforce (SMET) and the appointment of a chief enforcement officer in each Commission DG, as already appointed in DG Trade.

A digital and automated administrative business environment

We believe there is huge potential to be made by automating, digitising and accelerating the way EU legislation is conceptualised and implemented and to do so, it is essential that effective digital-readiness checks are conducted consistently ("digital by default"). Additionally, it is necessary to also consider ecodesigned digital solutions to minimize the environmental impacts of these technologies.

Some EU Member States have had good experiences with this already at national level. All digital options should be kept in mind when drafting, implementing and applying legislation.

The common digital standards and components that the EU has already developed should be the foundation for additional efforts on a European level. The Connecting Europe Facility (CEF) serves as a cornerstone in this endeavour, offering essential digital building blocks such as eDelivery, eInvoicing and eID that could serve as critical infrastructure to facilitate and secure more effortless cross-border interactions for businesses within sectors ranging from economy and finance to energy and security etc.

The present lack of standardisation creates barriers to digitisation and automation and means that businesses must often adapt to several different systems with different digital maturity varying from manual reporting forms to more advanced and automated systems when complying with different reporting requirements, resulting in burdensome administration.

Administrative burdens related to corporate sustainability reporting needs special attention. We must improve and standardize the digital infrastructure for sustainability reporting. If we succeed, we will not only be able to reduce companies' administrative burdens but also enhance the trustworthiness of the companies' sustainability reports as well as improve national authorities' ability to conduct effective control and audit.

We welcome that the Corporate Sustainability Reporting Directive creates a common framework to make companies' information on sustainability comparable across Europe. As the trickle-down effect of this regulation represents a significant challenge for SMEs, we call on the Commission to establish the Voluntary SME standard (VSME) as a cap for SMEs in the value chain and to fight against situations in which individual value chain actors put pressure on SMEs to go unnecessarily beyond this standard.

In addition, we call on the Commission and Member States to reduce burdens from reporting obligations by:

- Implementing standardised, interoperable electronic data formats for easier submission of required information across EU Member States, taking advantage of the existing digital commons, based on future ESAP regulation.
- Requiring standardised system to system data exchange for reporting with authorities, so that reports can be sent to all systems.
- Aligning reporting requirements with existing international digital standards and frameworks to facilitate cross-border trade and investment.
- Promoting data sharing among Member States and government agencies, enabling businesses to reuse data across various reporting requirements.
- Defining common minimum digital standards for future legislation and using CEF building blocks more consistently.
- Making sure that the Digital Product Passports, as proposed in the Ecodesign for Sustainable Products Regulation (technology neutral, interoperable, technologically and data sovereign), serve as the default option for future product legislation that sets out product data sharing requirements, while ensuring that the standard passport gives sufficient flexibility to take into account specific sectorial requirements.

Set up the right framework for businesses to prosper

As the framework defining a company in the European legislation is more than 20¹ years old, we need to look at whether it is still reflecting today's economic reality. In particular, as the Commission suggested, the SME definition needs to be assessed and re-adapted in line with the latest SME Envoy declaration², in order to take inflation into account. Similarly, we call for the European Commission to do more analysis on small mid-caps³ and their specific needs and role in Europe's economic transition, working towards creating a new company category of small mid-

¹ The SME definition is based on the 2003/ 361 recommendation

² *Smart, Modern, Empowering – Inspiration for future SME policies*, June 13th 2024, 50th meeting of the EU Network of SME Envoys

³ To define the financial and employee thresholds for a harmonised definition of Mid-Caps the Commission should realise an in-depth consultation and impact assessment

caps, to ensure that existing and future regulations are proportionate for this category of company. For example, with a logic of progressive implementation where these mid-sized companies could benefit from relevant exemptions already provided for SMEs in regulations.

It is crucial to support the development of mid-caps, as they represent a significant proportion of dynamic innovative European companies and highly contribute to territorial development and the twin transition⁴.

In line with our aim to digitalise and automate procedures above, as a solution, we support the current Europe-wide networking of national transparency registers and of collection bodies related to the European Single Access Point (ESAP), with the aim of giving digital access to companies' financial and sustainability-related information, as well as on investment products. This coincides with the current development of a French digital platform enabling companies to prepare and submit their sustainability report⁵. Collecting company financial and sustainability data on a European register would reduce asymmetrical information, thus improving markets efficiency, particularly with a view to better target sustainable investments.

⁴ Based on the ORBIS database to assess the mid-caps segment, there are around 49,000 mid-caps in the European Union, from which 31,000 are small midcaps and 18,000 large mid-caps. According to a 2022 Commission report, Mid-caps account for around 13% of total employment and 17% of total turnover in 2019 in the European Union (see : <https://op.europa.eu/en/publication-detail/-/publication/ad5fdad5-6a33-11ed-b14f-01aa75ed71a1/language-en>)

⁵ For more information, see website: <https://portail-rse.beta.gouv.fr>