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# Policy Brief

Strengthening the role of  
SMEs in Europe's digital,  
economic and sustainable  
transformation



# Small and medium-sized enterprises (SMEs) constitute the backbone of the European Union’s economy, accounting for nearly all enterprises, a majority of employment, and over half of total value added.<sup>1</sup>

In recent years, SMEs have demonstrated remarkable resilience in the face of successive economic shocks, including the COVID-19 pandemic, the cost-of-living and energy crisis, tightening financial conditions, and heightened geopolitical uncertainty.<sup>2</sup>

This report focuses on a central challenge for EU competitiveness: while SMEs are able to participate in the Single Market, it remains too difficult for many of them to scale efficiently across borders.

This report examines the contribution of SMEs to the European economy and the barriers that continue to prevent them from scaling more easily across the Single Market. We analyse recent macroeconomic and sectoral evidence to show that SME growth has increasingly been supported by digital adaptation, particularly through digitalisation and e-commerce.<sup>3</sup> However, while online channels have enabled SMEs to stabilise revenues, preserve employment, and access the Single Market in practice, persistent structural barriers continue to constrain their ability to scale.<sup>4</sup>

The core argument is therefore not that SMEs are absent from the Single Market, but that fragmentation - regulatory, administrative, and legal - limits their ability to grow within it. This “scale gap” represents a structural constraint on productivity, competitiveness, and economic integration across the EU.

There are increasing indications that regulatory complexity and fragmented implementation may not only limit SME growth, but also discourage cross-border expansion altogether—raising questions about whether parts of the Single Market remain effectively out of reach for smaller businesses.



### Ian Naughton

Naughtons Car Dismantlers  
Castlebar, Republic of Ireland

**“We want to expand across Europe and there’s strong demand for what we sell, but navigating different national rules can be difficult. At times, selling outside the EU feels more straightforward, which makes us reconsider where to focus our growth efforts.”**

## INTRODUCTION

SMEs are fundamental to the EU's economic resilience, digital transformation, and sustainability objectives.<sup>5</sup> Their ability to innovate, generate employment, and adapt to structural change makes them central to the functioning of the Single Market and to Europe's long-term growth model.<sup>6</sup>

Yet SMEs remain structurally more vulnerable than large enterprises to economic volatility, regulatory fragmentation, and limited access to finance.<sup>7</sup> In a context marked by geopolitical uncertainty, inflationary pressures, higher interest rates, and an expanding regulatory agenda, creating the right framework conditions for SMEs has become increasingly urgent.<sup>8</sup>

In practice, this raises a critical question for policymakers: are SMEs fully able to access and benefit from the Single Market, or are regulatory complexity and fragmentation limiting their ability—and willingness—to scale across borders?

This renewed focus has brought simplification and deeper market integration to the forefront of EU policymaking. Among the ideas being explored is the concept of an optional “28th regime”: a unified, EU-wide legal framework designed to provide businesses with a single, streamlined pathway to operate across all Member States. By reducing the need to navigate multiple

national systems, such an approach seeks to lower compliance costs, enhance legal certainty, and unlock the full potential of the Single Market for SMEs.

At the same time, structural reform requires more than new legal instruments. It calls for a systematic shift in legislative culture. The “Think Small First” principle should be embedded more rigorously throughout the policy cycle. From legislative design and negotiation to implementation and enforcement, EU rules should be assessed with particular attention to their proportionality, cumulative impact, and administrative burden on smaller businesses.

Taken together, these efforts reflect a broader ambition: moving beyond a fragmented regulatory landscape toward a more coherent and enabling framework that strengthens the scalability, competitiveness, and resilience of Europe's SME sector. Ensuring that simplification is both practical and durable will be essential to sustaining innovation, growth, and opportunity across the Union.

# The economic contribution of SMEs in the EU — scale, fragmentation and growth through crisis

SMEs account for **99.8% of all enterprises** in the EU business economy and employ approximately **88.7 million people**, generating **more than half of total EU value added**.<sup>9</sup> Micro-enterprises account for approximately 94% of all SMEs.<sup>10</sup>

Within this SME category, the European business landscape is highly fragmented. **Micro-enterprises represent 99.1% of enterprises** and generate around one-fifth of value added (19.6%).<sup>11</sup> This structural imbalance highlights a persistent challenge for EU competitiveness: Europe has a very large SME base, but too few firms are able to scale efficiently and translate activity into productivity and value creation.<sup>12</sup>

Between 2019 and 2024, SMEs recorded sustained growth in real value added and employment, outperforming large enterprises throughout the post-pandemic recovery.<sup>13</sup> SME employment expanded across all 14 industrial ecosystems in 2023, with particularly strong growth in tourism and digital ecosystems.<sup>14</sup>

Innovation remains a key driver of productivity growth and competitiveness. Between 2020 and 2022, **64% of medium-sized enterprises** engaged in innovation activities, compared with **47% of small enterprises**.<sup>15</sup>

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## SMEs and digitalization: e-commerce as a resilience and growth channel

E-commerce has become an increasingly important growth channel for SMEs, providing access to new markets and consumers.<sup>16</sup> Between 2014 and 2023, the share of SMEs engaging in e-commerce increased steadily across the EU; in 2023, **30.2% of medium-sized enterprises sold online**, compared with **20.8% of small enterprises**.<sup>17</sup>

European B2C e-commerce turnover grew from **€637 billion in 2019 to €887 billion in 2023**, and growth was projected to continue in 2024.<sup>18</sup> Over the same period, the share of the EU population aged 16–74 purchasing online increased from **62% to 71%**.<sup>19</sup>

## Access to the single market – fragmentation as the central barrier

The Single Market offers significant opportunities for SME scale and diversification, particularly through digital and e-commerce channels, yet regulatory fragmentation remains one of the central barriers preventing SMEs from scaling across the Single Market.<sup>20</sup> However, evidence increasingly suggests that for many SMEs, cross-border activity remains possible, but not seamless—often pursued only where regulatory complexity remains manageable.

Evidence from the **2024 Eurochambres Single Market Survey**, in which **87% of respondents were SMEs**, highlights both the reach and the limitations of cross-border activity: **67% of respondents report that their company does business in at least one other EU Member State**, while a further **18% do not yet trade cross-border but would like to**.<sup>21</sup> This gap points to a critical missed opportunity: a significant share of SMEs are effectively “on the sidelines” of the Single Market due to administrative, legal, and compliance barriers.



**Pierre Chicourrat**

Le Paradis de Jaden  
Saint-Cloud, France

**“There is real demand for our products across Europe, but each new market comes with different requirements. For a small business, that complexity can slow down or even limit how far we expand.”**

For smaller firms, these barriers translate into material fixed costs and administrative trade-offs. Across the EU, **86% of firms employ staff dedicated to regulatory compliance**, at an average cost of **1.8% of turnover**, rising to **2.5% of turnover for SMEs**.<sup>22</sup> In addition, **28% of EU SMEs** report that **more than 10% of their staff** are employed to assess and comply with regulatory requirements and standards.<sup>23</sup> These figures capture the burden in different ways, but together they point

to a significant fixed-cost challenge for smaller firms. In practice, this can force SMEs into difficult strategic trade-offs, including limiting the number of markets served or avoiding expansion into jurisdictions with more complex requirements (e.g. fragmented extended producer responsibility (EPR) systems or reporting obligations).

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## Access to finance

Access to finance remains a critical determinant of SME investment and growth.<sup>24</sup> This matters not only for day-to-day resilience, but also for SMEs' ability to invest in the capabilities required to scale – including digital tools, compliance capacity, and cross-border operations.

In practice, the challenge for many SMEs is not only access to working capital, but access to the longer-term investment needed to digitalise, expand into new markets, and absorb the fixed costs associated with regulatory compliance and the green transition. Investments in areas such as e-commerce infrastructure, data and logistics systems, sustainability upgrades, and compliance with evolving regulatory frameworks can require significant upfront resources, which are often more difficult for smaller firms to secure.

In 2023, approximately **24% of euro-area SMEs** experienced severe access-to-finance constraints.<sup>25</sup> Rising interest rates pushed corporate borrowing costs to **nearly 5%** (with one cited indicator reaching **4.99% by August 2023**), while banks tightened credit standards.<sup>26</sup> At the same time, higher financing costs can disproportionately affect SMEs seeking to scale, as investments in digitalisation, cross-border expansion, or compliance do not always generate immediate returns, but are essential for long-term competitiveness.

As a result, financing constraints can act as a barrier not only to survival, but to scaling. SMEs may delay or limit investments in digital tools, reduce their ambitions for cross-border expansion, or struggle to meet increasingly complex compliance and sustainability requirements. This reinforces the broader “scale gap” identified in this paper, where firms are able to operate and adapt, but face structural challenges in growing efficiently across the Single Market.

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# SMEs and the circular economy

SMEs are playing an increasingly important role in advancing the EU's transition towards a more circular and resource-efficient economy. Across sectors, SMEs are integrating sustainability considerations into their operations and value chains. Recent data shows that **93% of EU SMEs** have implemented at least one resource-efficiency measure, including reducing energy consumption, minimising waste, recycling materials, or optimising logistics.<sup>27</sup> This demonstrates both strong awareness and a willingness among smaller businesses to contribute to Europe's environmental objectives.

Beyond incremental efficiency improvements, many SMEs are developing business models that actively enable circularity. These include repair and refurbishment services, resale and second-hand trade, remanufacturing, spare-parts distribution, and other activities that extend product lifecycles and maximise resource use. Digital tools and online channels have further facilitated the growth of such models, enabling smaller businesses to reach wider customer bases and to unlock value from pre-owned, surplus, or returned goods. In doing so, SMEs are helping to normalise more sustainable consumption patterns and to make circular products accessible and affordable across the Single Market.

At the same time, SMEs face structural barriers when seeking to scale circular activities. Around **35% of SMEs** that have implemented resource-efficiency measures report difficulties linked to complex administrative or legal procedures.<sup>28</sup> These challenges often stem from fragmented national implementation of EU environmental legislation, overlapping reporting obligations, and uncertainty regarding evolving product and sustainability requirements. For SMEs operating across borders, divergence in labelling rules, EPR systems, and product compliance procedures can generate disproportionate complexity relative to firm size. In practice, differing national EPR schemes and reporting requirements create uncertainty

and additional administrative burdens, particularly for SMEs seeking to scale circular business models across multiple Member States.<sup>29</sup>

Financial constraints also remain a significant obstacle. Approximately **28% of SMEs** cite cost as a barrier to advancing resource-efficiency or circular initiatives.<sup>30</sup> Investments in sustainable technologies, compliance systems, traceability tools, and certification processes may involve substantial upfront expenditure. For smaller firms with limited administrative capacity, the cumulative impact of regulatory and reporting requirements can further increase indirect costs.

The challenge is not the ambition of environmental objectives themselves, but fragmented and overlapping implementation that creates disproportionate burdens for smaller businesses operating across borders. As the EU continues to develop its circular economy framework – including product sustainability requirements, digital product information initiatives, and strengthened producer responsibility schemes – careful attention to proportionality and coherence will be essential. Ambitious environmental standards and SME competitiveness should not be seen as competing objectives. Rather, enabling SMEs to operate efficiently within a harmonised and predictable regulatory environment is a precondition for scaling circular solutions across the Union.

Ensuring consistent implementation across Member States, streamlining reporting and compliance procedures, and facilitating access to finance and advisory support can help unlock the full contribution of SMEs to Europe's circular transition. In doing so, the EU can reinforce both environmental progress and economic resilience, strengthening the Single Market while advancing its sustainability goals.

## Unlocking the untapped potential of SMEs – scale, digital depth and market integration

Despite their demonstrated resilience and adaptability, a substantial share of Europe's SME potential remains underutilised. While many SMEs have adopted digital tools and online sales channels, this initial adoption has primarily supported resilience rather than enabling full-scale growth. The next challenge is therefore not adoption itself, but enabling deeper digital integration that supports scale, productivity, and cross-border expansion.

Currently, the depth, sophistication, and cross-border integration of this adoption remain uneven.<sup>31</sup> As a result, productivity gains, market expansion, and innovation spillovers remain below what Europe's SME base could deliver at scale. This helps explain a central tension in Europe's SME landscape: firms have successfully adapted to economic shocks, but this resilience has not yet translated into proportional productivity growth. This suggests that Europe is not facing a shortage of entrepreneurial activity, but a structural challenge in helping SMEs translate participation into scale and productivity.

Evidence suggests that the largest growth and productivity gains accrue not from initial digital adoption alone, but from **advanced and integrated use of digital technologies**, including data analytics, automation, digital logistics, and cross-border e-commerce infrastructure.<sup>32</sup> In other words, there is a clear distinction between being digitally present and being digitally scaled. However, these capabilities remain concentrated among a relatively small subset of medium-sized firms, leaving a large share of micro and small enterprises operating below the digital frontier.<sup>33</sup>

Bridging this gap is critical. SMEs that move beyond basic digital use towards more integrated, data-driven, and cross-border models are significantly better positioned to increase productivity, expand into new markets, and compete at scale.

Yet for many smaller firms, the investment, skills, and regulatory complexity required to make this transition remain significant barriers. This development will only increase with AI and other modern forms of e-commerce, like live shopping - many developments SMEs are only able to follow with the help of platforms like eBay.

This gap represents a structural opportunity: enabling SMEs to move from basic digital presence to digitally enabled scaling could materially strengthen Europe's competitiveness without requiring the creation of new firms, but rather by increasing the productivity and reach of those already in operation.<sup>34</sup> Unlocking this transition—from participation to scale—should therefore be seen as a central lever for EU competitiveness, linking digital policy, Single Market integration, and SME growth into a single, coherent objective.



## Deepening SME participation in the Single Market through digital scale

The Single Market remains significantly underused by SMEs, particularly micro and small enterprises.<sup>35</sup> While two-thirds of SMEs report some engagement with cross-border activity, far fewer achieve sustained, multi-market scale.<sup>36</sup> Digital and e-commerce channels offer a uniquely scalable pathway to address this gap, yet their potential is constrained by fragmented regulatory implementation, divergent national requirements, and high fixed compliance costs.<sup>37</sup>

Survey evidence indicates that a further 18% of firms would like to trade cross-border but have not yet done so.<sup>38</sup> This latent demand highlights the existence of a sizable cohort of SMEs that could expand within the Single Market if administrative,

legal, and operational frictions were reduced. For these firms, simplification and harmonisation can have outsized effects, as fixed costs weigh disproportionately on smaller balance sheets.<sup>39</sup> This suggests that, beyond structural barriers, some SMEs may also be becoming more cautious about cross-border expansion, particularly where regulatory requirements are perceived as complex, unclear, or costly with which to comply.

Unlocking this potential would not only support SME growth but also deepen Single Market integration in practice, strengthening competition, consumer choice, and economic resilience across Member States.<sup>40</sup>

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# From resilience to productivity – closing the SME scale gap

SMEs have proven their capacity to absorb shocks and adapt business models, particularly through digitalisation and e-commerce.<sup>41</sup> However, resilience has not yet translated into commensurate productivity growth at the aggregate level.<sup>42</sup> Europe’s persistent “scale gap” – a high number of small firms and a limited pipeline of firms that grow into large, highly productive enterprises – remains a central constraint on long-term growth.<sup>43</sup>

This marks a clear transition point in Europe’s SME policy challenge: the first phase has been about resilience and adaptation, but the next phase must focus on enabling scale and productivity. The objective is no longer simply to help SMEs survive and participate, but to ensure they can grow efficiently across borders and contribute more fully to economic output.

The lesson is not that the digital transition is complete, but that a first stage of resilience-oriented adoption must now be followed by a second stage focused on scale and productivity. In this second phase, the key constraint is not whether SMEs are active, but whether they are able to scale.

Targeted policy action that lowers the cost of scaling, rather than simply supporting firm creation or survival, could unlock significant gains.

**This includes enabling SMEs to:**

- Invest in more advanced digital tools and skills.
- Operate seamlessly across borders.
- Access finance aligned with growth and transformation objectives.
- Engage in innovation and circular business models without disproportionate compliance burdens.<sup>44</sup>

Taken together, these measures are not only about supporting individual firms, but about addressing the structural barriers that prevent SMEs from translating resilience into productivity and scale.

In this context, SMEs should be viewed not only as beneficiaries of policy support, but as multipliers of Europe’s digital, green, and economic transitions, provided that framework conditions allow them to scale efficiently.<sup>45</sup> Unlocking this shift—from resilience to scale—will be critical to strengthening Europe’s long-term competitiveness.



**Andreas Müller**

Deltatecc  
Sarwellingen, Germany

**“Digital tools have definitely helped us grow, but expanding further across borders is still complex. Every new country brings additional rules and requirements, which makes it harder for smaller businesses to scale at the same speed as larger ones.”**

## How eBay can contribute to EU competitiveness and inclusive growth

The “eBay Digital Density in Europe Report” and “eBay EU Small Business Cross-Border Trade Report” provide robust evidence that digital platform ecosystems can play a meaningful role in enhancing SME competitiveness, reducing regional disparities, and expanding cross-border economic opportunities for

small businesses across the EU. While marketplace-enabled businesses are not necessarily representative of the SME base as a whole, the data illustrates what digitally-enabled small businesses can achieve when barriers to market access and cross-border trade are lower.



## Michelina Romano

Rubik Elettronica  
Rimini, Italy

**“We’re based outside a major city, so our local customer base is quite limited. Using online marketplaces has enabled us to reach buyers across Europe and grow far beyond what our local market would allow.”**

### Leveling the playing field across regions

eBay Digital Density, a measurement of eBay small business activity on a per capita basis, shows that e-commerce marketplaces can help level the playing field, empowering independent small businesses to tap into their entrepreneurial potential regardless of location, with vibrant eBay communities emerging across a wide range of regions. The findings demonstrate that in many EU Member States, the region that dominates the traditional economy - nearly always the highly urban capital region - does not lead in eBay Digital Density.

Across Europe, national capital regions are on average around 65% wealthier than their national average (based on GDP per capita), yet the leading eBay Digital Density regions are only around 6% above their national average—showing that strong SME digital activity is far less concentrated in traditional economic hubs. Notably, 14 of the top-performing eBay Digital Density regions are located in areas with a GDP per capita below the national average, highlighting that strong SME performance online is not dependent on regional wealth.<sup>46</sup> This challenges the assumption that digital commerce is primarily driven by large, affluent urban markets. Additionally, it points to a broader pattern of small businesses in less advantaged regions reaching customers beyond their local markets and competing more effectively across the Single Market. The data illustrates the scale and reach that digitally-enabled small businesses can achieve when barriers to cross-border trade are lower.

### Inclusive growth beyond urban centres

The phenomenon of urban hotspots pulling in growing numbers of people, especially younger, more highly educated and more productive workers, is well understood. Similarly, areas facing economic development challenges often include more remote and rural areas with low population densities and minimal urbanisation. Unlike many traditional measures of tech-led economic activity, high population density and greater urbanisation are often not tied to eBay small business success. Overall, the EU national capital regions average around 1,900 people per square kilometre while the eBay Digital Density leaders average just approximately 650. Furthermore, on an urban-rural scale, the leading eBay Digital Density regions in eight of the eighteen largest countries in the EU are classified as “Intermediate” or “Predominantly rural.”<sup>47</sup>

Finally, the eBay Digital Density findings also highlight that e-commerce marketplace participation is **not limited to regions with highest “digital readiness”**, indicating that small businesses can succeed online even in less digitally-developed environments. For example, in eight EU countries, the regions with the most active eBay small business community had a “Medium low” or “Low” digital readiness score.<sup>48</sup>

This illustrates that more **inclusive digitalisation** is achievable when enabling infrastructure and market access are in place; small businesses in less advantaged regions can leverage marketplaces to **overcome structural disadvantages**, support local employment, and contribute to regional economic resilience. In particular, e-commerce allows SMEs in lower-density regions to overcome geographic limitations, access national and international demand, and sustain growth beyond their local economies.

### Driving SME export and cross-border activity

eBay platform data reveals that virtually all EU small businesses trading on the marketplace are **exporting**, well above reported export rates for SMEs more broadly in the EU. According to recent research, **approximately 96% of eBay small businesses in the EU export**, compared with estimated export rates of around **6.5% for businesses more broadly in the EU.**<sup>49</sup>

Moreover, eBay small businesses reach on average **many times more destination markets** than their traditional counterparts (e.g., 18 vs. 4 international markets), indicating that participation in global online marketplaces can support **scale and diversification beyond the limits many SMEs face in the Single Market today.**<sup>50</sup>

**Approximately 96% of eBay small businesses in the EU export, compared with estimated export rates of around 6.5% for businesses more broadly in the EU.**

# Amplifying policy impact: eBay as a strategic partner

Digital marketplace ecosystems can play a practical role in supporting EU competitiveness objectives by enabling SME participation in digital and cross-border trade.

In this context, platforms such as eBay can contribute by:

- **Supporting SME digital adoption** through targeted capacity-building initiatives and alignment with EU digitalisation efforts, helping to reduce gaps in online readiness between smaller and larger firms.
- **Providing data and insights** that help inform policymaking, particularly in relation to digital inclusion, regional development, and SME export performance in underserved areas.
- **Illustrating how digital cross-border channels can complement regulatory initiatives** such as the 28th regime, by demonstrating real-world SME export activity and market diversification across Member States.

By strengthening SME access to digital markets and cross-border opportunities, such ecosystems can help translate Single Market and digital policy objectives into practical, measurable outcomes.

## SME empowerment through a strong 28th regime – unlocking scale, productivity and EU competitiveness

Despite their economic weight, the contribution of SMEs to EU competitiveness is constrained by the fragmentation of the regulatory and legal environment across Member States. While the Single Market formally guarantees free movement, SMEs seeking to expand across borders continue to face 27 parallel regimes governing company law, taxation, consumer protection, product compliance, reporting obligations, and dispute resolution. For micro and small enterprises in particular, these fixed costs act as a key barrier to scale, innovation, and productivity growth.

A strong and credible **28th regime**—understood as an optional, EU-wide legal and regulatory framework enabling firms to operate seamlessly across borders under a single set of rules—represents a significant untapped growth opportunity for the EU economy. By reducing regulatory duplication, legal uncertainty, and compliance costs, such a regime would directly address the structural barriers that limit SME scaling across the Single Market.

From a competitiveness perspective, SME empowerment through a 28th regime would address one of Europe's structural weaknesses: the difficulty of translating entrepreneurial activity into scale. While Europe has a large and dynamic SME base, too few firms grow into medium-sized and large enterprises capable of competing globally. Lowering the cost and complexity of cross-border expansion would support this transition, enabling more SMEs to grow, invest, and compete at scale.

The benefits extend beyond individual firms. A well-designed 28th regime would contribute to deeper Single Market integration, more efficient allocation of resources, and stronger competition—particularly in sectors where cross-border scalability is essential. For the EU economy as a whole, this would support higher productivity and greater resilience in an increasingly competitive global environment.

Digitalisation and e-commerce further reinforce the case for a 28th regime. As SMEs increasingly reach consumers across borders through online channels, the mismatch between digital market integration and regulatory fragmentation becomes more pronounced. Aligning the regulatory framework with these digital business models would allow SMEs to more fully exploit cross-border demand, while maintaining high standards of consumer protection, safety, and trust.

From a policy perspective, the 28th regime should be designed as an **optional, SME-friendly framework**, complementary to national systems, and built around simplicity, legal certainty, and proportionality. Ensuring practical usability, clear scope, and strong incentives for uptake will be critical to its effectiveness.

This conceptual case is increasingly reflected in ongoing EU policy developments, which aim to translate these principles into a concrete and operational framework.

## Policy context: operationalising the 28th regime: from concept to policy delivery

Recent EU policy developments recognise fragmentation as a macroeconomic constraint on SME scaling and productivity. The proposed 28th regime—announced under the Competitiveness Compass—aims to provide a digital-by-default EU-wide framework enabling firms to operate more seamlessly across Member States.

This initiative aligns with the Single Market Strategy and is supported by the European Economic and Social Committee, which emphasises the need for practical simplification and safeguards.

Beyond legal harmonisation, the 28th regime should be seen as a scale-up instrument: addressing Europe’s structural gap in firm growth, where lower venture capital

availability and fragmented markets limit the ability of SMEs to expand. It should also be ambitious and not limit itself to a small number of businesses but rather include existing businesses and SMEs to reach its full potential.

By reducing cross-border complexity and complementing the EU Startup and Scaleup Strategy, the 28th regime can play a central role in lowering the cost of scaling and strengthening EU competitiveness.

## Quantifying the macroeconomic upside (EU competitiveness, productivity and growth)

While the precise macroeconomic impact of a future 28th regime will depend on scope and uptake, the direction of travel is supported by robust estimates on the economic cost of fragmentation and the gains from integration and simplification:

- **Single Market gains already achieved—and still available:** the Commission notes the Single Market has already raised EU GDP by **3–4%** and created **3.6 million jobs**, and that completing it could **double these gains**.<sup>51</sup>
- **Services integration dividend (high relevance for SMEs):** modelling suggests that removing barriers in the Single Market for services could raise EU gross value added by **~2.3% (≈ €353bn, 2023 prices)** over a medium-to-long horizon, illustrating the scale of the opportunity from reducing regulatory “patchwork” effects.<sup>52</sup>
- **Long-run prosperity effects from deeper integration:** ECB analysis estimates the Single Market has added **~12–22% to long-run EU GDP**, while emphasising that persistent internal barriers—especially in services—continue to prevent full potential.<sup>53</sup>
- **Administrative burden reduction from digital company-law infrastructure:** the Commission’s digital company law initiative (proposal March 2023; adopted by Council December 2024) is expected to reduce administrative costs by up to **€437 million per year**, showing that “digital-by-default” legal infrastructure can deliver measurable savings at scale.<sup>54</sup>
- **Competitiveness-driven simplification packages:** the Commission’s simplification agenda targets a **25% reduction in administrative burdens (35% for SMEs)**, with individual Omnibus packages estimating substantial annual administrative savings and increased investment capacity.<sup>55</sup>

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## Implications for policy design

The existence of substantial untapped SME potential reinforces the importance of **proportionate, enabling, and growth-oriented policy design**.

Measures that reduce fragmentation, simplify compliance, and support advanced digital adoption can generate productivity and competitiveness gains without increasing fiscal burdens.<sup>56</sup> By focusing on scale, integration, and depth of transformation – rather than adoption alone – EU policy can help convert SME resilience into sustained growth, innovation, and value creation across the Single Market.<sup>57</sup>

In this context, the development of an ambitious and operational 28th regime should be positioned as a central pillar of EU policy design. As the EU advances this initiative, ensuring that it delivers a genuinely simplified and scalable framework for

cross-border activity will be critical. A well-designed regime has the potential to materially reduce fragmentation, lower compliance costs, and unlock SMEs' ability to scale across the Single Market—thereby strengthening competitiveness, productivity, and their contribution to the EU economy. At the same time, it should be seen as a starting point rather than a standalone solution, complemented by continued efforts to address existing cross-border barriers and regulatory fragmentation that continue to limit SME growth across the EU.



# Policy recommendations

Based on the evidence presented, there are eight policy priorities that need to be addressed to foster SME growth in the EU:

1. Support SME digitalisation and e-commerce as a competitiveness and resilience channel.<sup>58</sup>
2. Reduce regulatory and compliance burdens particularly for micro and small enterprises, including through simplification of existing obligations and improved coordination across Member States.<sup>59</sup>
3. Strengthen cross-border scaling pathways for SMEs, by reducing operational frictions and improving the usability of the Single Market in practice.<sup>60</sup>
4. Improve access to finance in a higher-interest-rate environment, with a focus on enabling long-term investment in digitalisation, cross-border expansion, and compliance capabilities.<sup>61</sup>
5. Ensure proportionate sustainability regulation with simplified reporting and targeted incentives, allowing SMEs to participate in the green transition without disproportionate administrative burden.<sup>62</sup>
6. Leverage digital marketplace ecosystems (e.g., eBay) as strategic vectors for SME export, inclusiveness, and regional competitiveness, by aligning public policy, training, and funding instruments to support SME participation in digital and cross-border trade.
7. Advance and implement an ambitious, practical, and SME-friendly 28th regime as a foundation for further harmonisation and reduction of fragmentation across the Single Market. The regime should be accessible to both new and existing businesses, reduce cross-border legal complexity, lower fixed compliance costs, and support SMEs in scaling more efficiently across Member States.
8. Embed a strengthened “Think Small First” principle across the full legislative cycle, ensuring systematic SME impact assessments, cumulative burden reviews, simplified regimes for smaller firms, and consistent implementation across Member States to safeguard proportionality and support SME growth and contribution to the EU economy.



eBay President and CEO, Jamie Iannone, members of the eBay Government Relations team, and small business owners during eBay's Brussels Advocacy Day in 2025.

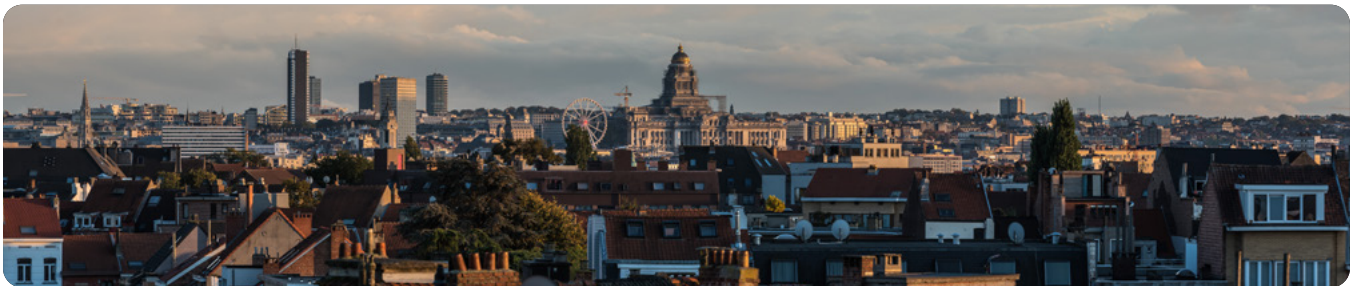
# Call to action: enabling SMEs to grow and contribute to the EU economy

The EU has taken important steps to strengthen SME competitiveness and deepen the Single Market, including through the development of initiatives such as the 28th regime and the broader simplification agenda.

These efforts represent a significant opportunity to address long-standing structural barriers to SME scaling.

If Europe wants SMEs to contribute more fully to competitiveness and growth, the next step is not simply supporting participation, but reducing the cross-border friction that still makes scale unnecessarily difficult.

In particular, complementing the 28th regime with targeted action to address persistent cross-border barriers will be critical to unlocking SME potential. By combining new frameworks with practical simplification on the ground, the EU can ensure that SMEs are not only able to participate in the Single Market, but are better able to scale within it.



## CONCLUSION

**SMEs are central to Europe’s economic resilience, competitiveness, and sustainability objectives; persistent structural barriers continue to constrain their full potential.<sup>63</sup>**

A coherent SME-centric policy framework integrating digital, financial, regulatory, and sustainability dimensions is essential to ensure that Europe’s economic transformation is inclusive, competitive, and durable.<sup>64</sup>

The key challenge is no longer participation, but scale. While Europe has a strong and resilient SME base, it remains too difficult for many smaller businesses to expand efficiently across borders. Reducing fragmentation, simplifying regulatory frameworks, and ensuring consistent implementation across Member States will be essential to unlocking this potential.

Enabling SMEs to scale across the Single Market is not only critical for individual business growth, but for strengthening Europe’s overall productivity, competitiveness, and economic integration.

## RESOURCES

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