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## Call for Evidence

### Single market strategy 2025

### Cooperatives Europe's response

*As the voice of Cooperatives enterprises in the EU, Cooperatives Europe share its priorities and insights for the incoming future Single Market Strategy 2025. Ahead of this new political term and new political leadership that puts competitiveness at the top of the agenda, we stress the need to include an SME perspective within EU's new Single Market Strategy and to maintain social cohesion by not sacrificing the social conditionalities of the Single Market.*

#### **Barriers to free movement of goods and services**

##### **Lack of recognition of the cooperative business model**

The cross-border movement of goods and services within the operations of cooperatives enterprises is impeded by the vast inequalities of legal framework across Member States. Indeed, the recognition of the cooperative business model varies greatly across Member States, leading to different understanding, different legal requirements or implementation or rules, thus creating uncertainty for any transnational operations.

For instance, transnational cooperatives, i.e. cooperatives that engage in cross-border operations (from exporting products to establishing multinational networks) with members in more than one country are a limited phenomenon in Europe. Most transnational cooperatives are concentrated in a few countries (Belgium, The Netherlands, Germany, Ireland, and Denmark) and in key sectors such as dairy and fruit & vegetable. The introduction of the European Cooperative Society to facilitate cross-border operations did not have the expected success at EU level. Despite being a great recognition of the cooperative model, the complexity of the requirements and the predominance of national laws over EU ones prevented a wider use of this legal form.

We therefore call for a simplified and harmonized legal framework to encourage cross-border cooperative initiatives and addressing the existing constraints. Clear guidelines common to all Member States could help avoiding avoid asymmetrical implementation and market fragmentation.



## Access to funding

In addition, it is essential to secure better access to finance, beyond the banking system, to SMEs and capital-patient business models such as cooperatives. Developing cross-borders operations and scaling up require liquidity and funds that many of them struggle to access to. Cooperatives Europe therefore calls to boost SMEs access to capital market and reform the public procurement rules with a more systematic inclusion of **social clauses** or reserved contracts for social economy entities. Certain tools such as the Public Procurement Data Space (PPDS) could facilitate access to tenders by SMEs but need to further promotion and awareness raising.

## Regulatory and administrative challenges

### Reporting and administrative burdens

We welcome the Commission's efforts to simplify and streamline the reporting and administrative burdens. In doing so, it is important to maintain the "one in, one out principle" and to continue the implementation of the Better Regulation guidelines, including the SME test. In an effort not to reinvent the wheel, we also urge the Commission to take into account past experiences such as the Fit for Future Platform. This high-level expert group composed of national or local authorities, CSOs and businesses who complement the Commission's regulatory simplification was not renewed at the end of its mandate. It was, however, a very useful tool that could simply be improved with more flexibility and by enabling members to propose greater modifications and political discussions within this space.

In addition, the multiplication of reporting requirements often results in double reporting and additional costs for cooperatives, which are already required by law in many Member States to report and be audited on their cooperatives specificities (democratic governance, financial management, cooperative principles, etc.). It is important for the Commission to broaden the spectrum of business models it considers and take into account all legal forms to the same degree, including cooperatives enterprises.

### Omnibus Package

It is vital that the Commission's efforts to reduce regulatory burdens are both **timely** and **coherent**. The recently announced Omnibus package, which aims to rationalize reporting requirements and reduce administrative burdens linked to the CSRD and CS3D, is creating confusion and uncertainty among large enterprises that are already implementing the rules or in the process of adjusting to the new rules. While we recognize the need to delete technical overlaps and incoherences, we call the Commission **not to delay** the implementation of a process that has already started at national level.



The Omnibus Package is also the opportunity to enshrine the Voluntary SME reporting standards (VSMEs) in the CSRD as the limit of what SMEs can be asked in the value chains. Developed by EFRAG on a voluntary basis, there is no guarantee that these VSME will be automatically adopted by large companies as a cap on the datapoints and questions they can ask of SMEs in their value chains. It is therefore essential to officially embed these VSME within the CSRD to effectively limit the trickle-down effects.

## Horizontal governance of the Single Market

### **Vision of Growth**

In his recent report, Draghi's approach to economic growth seems to boil down to GDP increase, excluding completely societal factors such as wealth distribution, human rights and sustainable use of resources. This tunnel vision simply does not align with cooperative values of equity and solidarity and its 7<sup>th</sup> principle: "concern for community". As cooperatives work for the sustainable development of their community, it seems essential to Cooperatives Europe to maintain the social conditionalities within European economic and industrial policies. Competitiveness cannot exist at the expense of Europe's social model. A shift in priorities is needed to also focus EU's limited resources on social and environmental goals.

### **European Semester**

A way to protect Europe's social model is to **strengthen the social dimension within the European Semester**. In particular, greater attention must be paid to the **Social Convergence Framework (SCF)**, which is mostly used for analytical purposes but does not automatically lead to concrete recommendations in the Country-specific recommendations reports. The European Semester must not be a mere economic tool but should serve as an instrument for social policy reforms as well. Similarly, the next multiannual financial framework (MFF) is a strategic opportunity to advance EU strategic objectives while transforming the Single Market in a sustainable and equitable manner. While EU's budget is unlikely to increase, it is essential to maintain SME-specific funding such as the SME Window within InvestEU. Social impact investing must be developed as well to stimulate funding in impact driven enterprises and therefore support the implementation of the European Pillar of Social Rights.

End.

