



SMALL AND MEDIUM-SIZED ENTERPRISES

Micro, small and medium-sized enterprises (SMEs) constitute 99% of companies in the EU. They provide two thirds of private sector jobs and contribute to more than half of the total added value created by businesses in the EU. Various action programmes have been adopted to support SMEs, such as the Small Business Act, Horizon 2020 and the COSME programme. Their aim is to increase the competitiveness of SMEs through research and innovation, and to provide better access to finance for SMEs.

LEGAL BASIS

SMEs operate mainly at national level, as relatively few are engaged in cross-border business within the EU. However, independently of their scope of operations, SMEs are affected by EU legislation in various fields, such as taxation (Articles 110 to 113 of the Treaty on the Functioning of the European Union (TFEU)), competition (Articles 101 to 109 TFEU) and company law (right of establishment — Articles 49 to 54 TFEU). The Commission's definition of SMEs can be found in Recommendation 2003/361/EC.

OBJECTIVES

Micro, small and medium-sized enterprises make up 99% of all businesses in the EU. In 2015, just under 23 million SMEs generated EUR 3.9 trillion in value added and employed 90 million people, constituting an essential source of entrepreneurial spirit and innovation, which are crucial for the competitiveness of EU companies. EU policy for SMEs aims to ensure that Union policies and actions are small business friendly and contribute to making Europe a more attractive place to set up a company and do business.

ACHIEVEMENTS

A. Small Business Act (SBA)

The most comprehensive and encompassing initiative on SMEs to date was put forward by the Commission in June 2008, in the form of a communication on the Small Business Act (SBA) ([COM\(2008\) 0394](#)). The SBA aims at creating a new policy framework integrating the existing instruments and building on the European Charter for Small Enterprises and the Modern SME Policy for Growth and Employment. It takes a 'political partnership approach with Member States' rather than proposing a fully-fledged Community approach. The SBA aims to improve the overall approach to entrepreneurship in the EU by 'thinking small first'.



1. Smart regulation

Cutting red tape and bureaucracy is a high priority for the Commission in the SBA. Making public administrations more responsive to the needs of SMEs can make a major contribution to their growth. A directive on services in the internal market (Directive 2006/123/EC) was published in 2006 and implemented by all EU Member States in 2009.

The amendment to the Late Payments Directive (requiring public authorities to make payments within 30 days, which serves as a security guarantee for SMEs) and the Directive on e-invoicing (giving e-invoices equal status to paper ones) are particularly helpful to small businesses. Furthermore, the modernisation of EU public procurement policy means that SMEs now experience lighter administrative burdens when accessing public procurement and have better opportunities for joint bidding. The same approach has been found to simplify financial reporting obligations and to reduce administrative burdens for SMEs through the modernisation of both public procurement in the EU and the Accounting Directive (now Directive 2013/34/EU).

2. Access to finance

Financial markets have often failed to provide SMEs with the financing they need. Some progress has been made over the last few years in improving the availability of financing and credit for SMEs through the provision of loans, guarantees and venture capital. The European financial institutions — the European Investment Bank (EIB) and the European Investment Fund (EIF) — have increased their operations in respect of SMEs.

However, the SBA still identifies access to finance as being the second-largest problem faced by individual SMEs. In November 2011, the Commission proposed an ‘action plan to improve access to finance for SMEs’ ([COM\(2011\) 0870](#)). Among other things, the action plan includes policy initiatives to ease access to venture capital markets for SMEs. The Commission monitors developments in SMEs’ access to finance through the joint Commission/European Central Bank Survey on the access to finance of enterprises (SAFE).

3. SMEs in the single market

The SBA and the Commission communications entitled ‘Towards a Single Market Act — For a highly competitive social market economy’ ([COM\(2010\) 0608](#)), and the ‘Single Market Act II’ ([COM\(2012\) 0573](#)) stress the need for the continuous improvement of the framework conditions for businesses in the single market. Various initiatives and measures exist or have been planned in order to facilitate the establishment and operation of SMEs in the internal market. SMEs have been granted derogations in many areas, such as competition rules, taxation and company law.

4. Competition policy

The EU’s state aid policy has for a long time treated SMEs favourably, recognising the special difficulties they face on account of their size. In 2014, the Commission adopted a revised General Block Exemption Regulation (GBER) for state aid (Regulation (EU) No 651/2014). One of the components of state aid modernisation (SAM) is the increased flexibility given to Member States to grant state aid to SMEs without prior



notification and approval by the Commission, provided that certain conditions are met. On the basis of this regulation, SMEs can benefit from public support of up to EUR 7.5 million.

B. EU networks for SMEs

Examples of networks aimed at SMEs include, firstly, general support services for SMEs in the EU, such as the 'Enterprise Europe Network', 'SOLVIT', 'Your Europe — Business', 'SMEs and the Environment' and 'Dealing with Chemicals: National REACH Helpdesks'. Secondly, support for innovation and research includes the 'IPR Helpdesk', 'SME Techweb', 'China IPR Helpdesk for SMEs', 'European Business and Innovation Centres (BIC) Network (EBN)', 'European Workplace Innovation Network' and 'Gate2Growth'.

C. SMEs and research

Research and innovation are crucial to the sustainable success and growth of SMEs in the EU. The Horizon 2020 programme for the 2014-2020 period aims at creating a better and more comprehensive support environment for the research and innovation activities of SMEs. A major simplification should be achieved through a single set of rules. As part of this approach, SMEs are encouraged to participate through a new 'specific SME instrument', which aims to fill gaps in funding for early-stage, high-risk research and innovation by SMEs.

It should be noted that an interim evaluation of Horizon 2020 is a mandatory requirement under the regulation establishing Horizon 2020. The communication ([COM\(2018\) 0002](#)) on the interim evaluation of Horizon 2020 explores some possible improvements on the implementation as well as providing a solid evidence base for designing future activities and initiatives. In fact, the results will be used to lay the foundations of the structure and content of FP9, which will be the subject of a proposal to be published in June 2018.

In addition, improving the competitiveness of SMEs is one of the 11 thematic objectives for Cohesion Policy in 2014-2020. Additional investments in SMEs will also be made under other thematic objectives, particularly research and innovation, the low-carbon economy and information and communication technologies.

D. Programme for the Competitiveness of Enterprises and SMEs (COSME)

In December 2013, Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) for the period 2014-2020 was adopted. With a planned budget of EUR 2.3 billion over the period 2014-2020, COSME pursues the following general objectives:

- To improve access to finance for SMEs in the form of equity and debt: an equity facility for growth-phase investment, and a loan guarantee facility which will provide SMEs with direct or other risk-sharing arrangements with financial intermediaries to cover loans; EUR 1.3 billion of the COSME budget is allocated to financial instruments;
- To improve access to markets both inside the Union and globally: growth-oriented business support services will be provided via the Enterprise Europe Network in



order to facilitate business expansion both within the single market and outside the EU;

- To promote entrepreneurship: activities will include developing entrepreneurial skills and attitudes, especially among new entrepreneurs, young people and women.

According to the Commission, the programme is expected, on an annual basis, to help 39 000 companies to create or save 29 500 jobs and launch 900 new business products, services or processes by 2020.

ROLE OF THE EUROPEAN PARLIAMENT

As early as 1983, Parliament declared a ‘Year of Small and Medium-sized Enterprises and the Craft Industry’ and launched a series of initiatives to encourage their development. Since then, Parliament has consistently demonstrated its commitment to encouraging the development of European SMEs. For example:

- In June 2010, Parliament adopted a [resolution](#) on Community innovation policy in a changing world^[1]. In this resolution, it emphasises the need to create conditions whereby risk capital would be more readily available for SMEs. It calls for the development of SME financing tools, such as microcredit, venture capital for people seeking to invest in innovative enterprises and ‘business angels’ to sponsor business projects by young researchers. It also calls for Member States and the Commission to create tax, financial, business and administrative incentives for investment.
- In March 2011, Parliament adopted a [resolution](#) on an industrial policy for the globalised era^[2]. Among other things, it calls on the Commission to proceed with the implementation of the SBA so as to reduce administrative burdens and ensure better access to financing opportunities for SMEs. It also calls for an updating of the definition of SMEs, with a view to allowing greater flexibility in specific industrial sectors. Furthermore, it urges the Commission to increase the participation of SMEs in the framework programmes for research and development.
- In May 2011, Parliament adopted a [resolution](#) on the Small Business Act review^[3]. In this resolution, Parliament, among other things, calls on the Member States to adopt the last remaining proposal on the European Private Company Statute. It also stresses its concern that the SME test has not been applied properly and consistently in all new legislative proposals, particularly at national level. In addition, it warns Member States about ‘gold-plating’ by exceeding the requirements of EU legislation when transposing directives into national law.
- In October 2012, Parliament adopted a [resolution](#) entitled ‘Small and medium-sized enterprises (SMEs): competitiveness and business opportunities’^[4]. In this resolution, it highlights a number of domains, including the reduction

[1]OJ C 236 E, 12.8.2011, p. 41.

[2]OJ C 199 E, 7.7.2012, p. 131.

[3]OJ C 377 E, 7.12.2012, p. 102.

[4]OJ C 68E, 7.3.2014, p. 40.



of administrative burdens, support for competitiveness and job creation, the launching of start-ups and access to information and financing.

- In January 2014, Parliament adopted a [resolution](#) on reindustrialising Europe to promote competitiveness and sustainability^[5], stressing the importance of SMEs in the EU economy and calling for specific support and assistance for SMEs.
- In September 2016, Parliament adopted a [resolution](#) on access to finance for SMEs and increasing the diversity of SME funding in a Capital Markets Union^[6].
- In July 2017, Parliament adopted a [resolution](#) on building an ambitious EU industrial strategy as a strategic priority for growth, employment and innovation in Europe ([2017/2732\(RSP\)](#))^[7].

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[5]OJ C 482, 23.12.2016, p. 89.

[6]Texts adopted, [P8_TA\(2016\)0358](#).

[7]Texts adopted, [P8_TA\(2017\)0305](#).

