Assessment of the effectiveness of the EU SME policies 2007-2015

STUDY

European Economic and Social Committee
Study on the assessment of the effectiveness of the EU SME policies 2007-2015

Final Study

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<td>BICA</td>
<td>Bulgarian Industrial Capital Association</td>
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<tr>
<td>CCS GF</td>
<td>Cultural and Creative Sectors Guarantee Facility</td>
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<tr>
<td>CEN</td>
<td>European Committee for Standardisation</td>
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<tr>
<td>CENELEC</td>
<td>European Committee for Electrotechnical Standardization</td>
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<tr>
<td>CIP</td>
<td>Competitiveness and Innovation Framework Programme</td>
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<tr>
<td>COSME</td>
<td>Competitiveness of Enterprises and Small and Medium-Sized Enterprises</td>
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<tr>
<td>EABC</td>
<td>European Association for Business and Commerce</td>
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<td>EaSI</td>
<td>Employment and Social Innovation Programme</td>
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<td>EASME</td>
<td>Executive Agency for Small and Medium-sized Enterprises</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECCP</td>
<td>European Cluster Collaboration Platform</td>
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<td>ECEI</td>
<td>European Cluster Excellence Initiative</td>
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<td>ECHA</td>
<td>European Chemicals Agency</td>
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<td>EEC</td>
<td>European Entrepreneurship Colloquium</td>
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<td>EEN</td>
<td>Enterprise Europe Network</td>
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<td>EESC</td>
<td>European Economic and Social Committee</td>
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<td>EFER</td>
<td>European Forum for Entrepreneurship Research</td>
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<td>EFG</td>
<td>Equity Facility for Growth</td>
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<td>EIF</td>
<td>European Investment Bank</td>
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<td>EIF</td>
<td>European Investment Fund</td>
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<td>EIT</td>
<td>European Institute of Technology</td>
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<td>EntreComp</td>
<td>European Entrepreneurship Competence Framework</td>
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<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>ESF</td>
<td>European Social Fund</td>
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<td>ESIF</td>
<td>European Structural and Investment Funds</td>
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<td>ESPD</td>
<td>European Single Procurement Document</td>
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<td>ETSI</td>
<td>European Telecommunications Standards Institute</td>
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<td>EU</td>
<td>European Union</td>
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<td>FP7</td>
<td>Seventh Framework Programme</td>
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<td>GIF</td>
<td>High growth and innovative SME facility</td>
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<td>GVA</td>
<td>Gross value added</td>
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<td>IPRs</td>
<td>Intellectual Property Rights</td>
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<td>LEIT</td>
<td>Leadership in Enabling and Industrial Technologies</td>
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<td>LGF</td>
<td>Loan Guarantee Facility</td>
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<td>MADB</td>
<td>Market Access Database</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<tr>
<td>R&amp;I</td>
<td>Research and innovation</td>
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<tr>
<td>REACH</td>
<td>Registration, Evaluation, Authorisation and Restriction of Chemicals</td>
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<tr>
<td>REFIT</td>
<td>Regulatory Fitness and Performance Programme</td>
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<td>SAFE</td>
<td>Survey on the access to finance of enterprises</td>
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<td>SBA</td>
<td>Small Business Act</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<td>SBS</td>
<td>Small Business Standards</td>
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<td>SME</td>
<td>small and medium-sized enterprises</td>
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<td>SMEG</td>
<td>SME guarantee facility</td>
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<td>SMEIP</td>
<td>SME Internationalization Portal</td>
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<td>SMEST</td>
<td>SME Toolbox</td>
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<tr>
<td>TED</td>
<td>Tenders Electronic Daily</td>
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<td>TES project</td>
<td>“The Entrepreneurial School” Project</td>
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<tr>
<td>WEF</td>
<td>World Economic Forum</td>
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<td>WES</td>
<td>European network to promote women's entrepreneurship</td>
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Abstract

SMEs are the backbone of the EU economy and have been placed in the focus of European policy following the adoption of the Small Business Act in 2008. This study makes a comprehensive overview of EU support initiatives for SMEs in the period 2007-2015 with the aim to assess the effectiveness of EU SME policies – both in terms of their formulation and implementation. On the basis of a literature review and five case studies with SME representatives in Austria, Belgium, Bulgaria, Italy and Hungary, this study tries to identify progress made along the key priority areas of EU SME policies: burden reduction; promotion of entrepreneurship; access to markets and internationalization; access to finance; competitiveness and innovation and key support networks in order to outline challenges that still impede SMEs’ growth. The results demonstrate that despite the numerous initiatives launched, EU SME policies could still benefit from a shift towards diversification of support measures, simplification of applicable rules and optimization of communication and collaboration with SMEs and SME organizations. This will enable the addressing of SMEs’ heterogeneity and diverse needs in an effective manner. The Study draws conclusions about challenges on the level of the policy priority areas and recommendations about the ways the effectiveness of the policies can be improved.
Executive summary

1. Study objectives and scope

This Study intends to assess the effectiveness and efficiency of EU policies for SMEs in the period 2007-2015, draw valid conclusions with regard to the results achieved and formulate recommendations about the ways the effectiveness of the policies can be improved. Observations on the EU level are enriched via illustrative examples of the views of individual SMEs on the effectiveness of EU provided support and existing challenges for doing business collected from 5 Member States. The thematic scope of the Study focuses on the following 6 key aspects of EU SME policy, as formulated by the SME Envoys Network: 1/ Burden reduction/simplification – the creation of a business-friendly environment; 2/ Promotion of entrepreneurship; 3/ Improving access to markets and internationalization; 4/ Facilitating access to finance; 5/ Supporting SME competitiveness and innovation; 6/ Provision of key support networks and information for SMEs.

Despite the current significant fragmentation of available information on the implementation of EU SME policies the Study tries to provide a comprehensive overview of implemented EU support initiatives focused on SMEs and to trace existing evidence of their impact on SMEs as well as to outline challenges and problematic areas that still impede efforts to unleash SME potential to contribute to the growth of the EU economy. Based on collected data and gathered perspectives of individual SMEs, the Study tries to identify the key aspects of SME policies that should be improved so as to ensure more effective and strengthened EU SME policies in the future.

2. Methodology

The Study methodology utilizes a combination of 2 qualitative methods – desk research and case studies. The desk research constitutes a leading research method for the assessment of the effectiveness and efficiency of EU SME policies. Over 80 research papers, materials and policy positions, opinions & declarations produced by international and European institutions and relevant European business organizations were subject to an in-depth review. The desk research exercise focused on the 6 key aspects of EU SME policies and was conducted on the basis of a desk research methodology that secures the well-structured and systematic review of the identified information sources.

In order to enrich and deepen the results of the desk research, 5 case studies were conducted as follows: 1/ Promotion of entrepreneurship (Belgium); 2/ Improving access to markets and internationalization (Italy); 3/ Facilitating access to finance (Hungary); 4/ Supporting SME competitiveness and innovation (Austria); 5/ Provision of key support networks and information for SMEs (Bulgaria). The policy area Burden reduction/simplification – the creation of a business friendly environment is excluded from the scope of the cases, as it is now covered by the REFIT initiative. Data was gathered on the basis of a case study methodology through telephone interviews with SME owners/ managers. In total, 15 interviews were planned - 3 SME enterprises (1 micro, 1 small and 1 medium sized enterprise) per case study so as to ensure full coverage of the whole range of companies falling within the SME definition.

Certain limitations related to the extremely low response rate among SMEs in the selected countries, especially in Belgium and Austria, prevented the research team from fulfilling the planned number of
interviews. A total of 14 interviews were carried out in the period 25.10-09.12.2016, distributed as follows: Belgium (2 interviews); Italy (3 interviews); Hungary (4 interviews – 1 in which responses to the questionnaire were provided in written form); Austria (2 interviews); Bulgaria (3 interviews). They still provide a valuable insight into the positive and negative effects of the implementation of the SBA framework via examples and stories gathered directly from SMEs.

3. Main findings

To date, a great deal of work has been done since the adoption of the SBA, especially in relation to the establishment and provision of numerous support tools, platforms and networks on the EU level designed to strengthen SMEs capacity to do business. On the general level of analysis of EU SME policies, the Study identified the following major challenges:

- So far EU SME policies and the elaborated support mechanisms treat the large population of SMEs in Europe as a homogenous group and do not necessarily reflect on the different needs of the numerous sub-groups falling within the SME definition. Examples of tailor-made support mechanisms are rather rare. Developing EU SME policies according to a “one size fits all” principle proves to be a challenge that prevents policies from achieving their desired effects.

- The bureaucratic approach and complexity of administrative rules still dominates EU SME policies and elaborated support mechanisms, despite constant efforts at the EU level to minimize administrative burden. EU SMEs often feel that responsible officials are not always aware of how the business actually functions. The majority of EU support mechanisms seem unable to respond to SMEs’ pressing needs for fast, clear and effective solutions.

- There is a communication gap between EU SME support mechanisms and their final addressees – SMEs, with the majority of the latter being unaware of the existence of these support tools and networks. It is explained with poor popularization efforts, the inability of the vast majority of SMEs to find the right information, weak involvement from the official bodies of key local intermediaries at the national and regional level specialized in working with SMEs (employers and SME associations), a lack of user-friendly and business-adapted needs approach in providing support. Most of the tools offered are too complex, unclear and bureaucratic in design and content to meet the needs of SMEs.

- The monitoring of EU SME policies progress is fragmented and weak. While SMEs’ business activities are comprehensively traced, the impact of EU support measures on these activities and to what extent changes in SME development can be attributed to these measures are not traced.

The Study provides important insight into the key challenges experienced in all main priority areas along which EU SME policies try to improve conditions for SMEs:

- **Burden reduction/simplification:** the number of exemption/simplification initiatives under the REFIT programme is limited in view of the vast SME-related EU legislation; the outdated SME definition remains unaddressed; the SME test is applied partially and unevenly in Member States as it is still not obligatory; public consultations on impact assessments and roadmaps for the adoption of SME-relevant legislation are hampered by bureaucratic institutional language and inaccessibility in all EU languages; part of SMEs point to
corruption as a serious problem that has a very adverse impact on their business; inefficient state administration is also pointed to as a hurdle to the business environment;

- **Promotion of entrepreneurship:** entrepreneurship is still not thoroughly incorporated into the national education systems of Member States; teachers’ training in entrepreneurship is sporadic and mostly associated with several projects, no cross-European initiatives exist in this area; youth programmes focused on entrepreneurship, although successful, are threatened by deviating from their initial goals to promote entrepreneurship; all SME promotional campaigns, such as the European SME Week, have limited impact on making attendees strongly consider becoming entrepreneurs; the benchmark level of 3-days required to start a business is almost reached, yet start-up costs are still 3 times higher; few results have been achieved in the simplification of business transfer and liquidation procedures;

- **Improving access to markets and internationalization:** non-application and non-conformity of Member States with the Single Market rules pose serious administrative burdens on SMEs and impede their access to markets; complicated administrative procedures and high delivery costs are major problems for exporting/importing SMEs; the lack of a tailor-made approach in SME support schemes for internationalization; standards and IPRs are still not attractive to SMEs mainly because their benefits are not well communicated to them, costs are high and rules seem complicated;

- **Facilitating access to finance:** access to finance remains a top-priority for SMEs, who rely primarily on bank loans; the typical financing models of support are grants and financial instruments; grants are not market-driven, their policy orientation is problematic as it rarely matches SME needs, up to now, grants were not tailor-made for specific SME sub-groups; financial instruments are market driven and stand closer to SMEs’ immediate needs for working capital – however a relatively low proportion of SMEs are well informed about them, tailor-made approaches in their application are still rare and their provision is highly dependent on effective collaboration among financing institutions, intermediaries and final recipients; innovative non-lending financing channels such as private equity and venture capital are still under developed, in spite of the efforts devoted, which have led to some success;

- **Supporting competitiveness and innovation:** SME innovative performance is in decline; although Horizon 2020 allocates special funding for SMEs, this doesn’t solve problems with access to risk finance for innovation; reported SME interest in the programme is still insufficient, mainly because eligibility and application rules are still difficult to comply with; moreover, existing rules may possibly discourage SMEs to participate in viable consortia for the implementation of innovation projects;

- **Provision of key support networks:** the abundance of support networks doesn’t result in the expected quality of information provided; structure, content and design are not user-friendly, a bureaucratic approach in information provision is common; language barriers are common as information is largely provided only in English.
4. **Main recommendations**

**General recommendations:**

- EU SME policies should acknowledge the heterogeneity and diversity of European SMEs. They should explore the specific needs of microenterprises, family businesses, social enterprises, the liberal professions and all other specific sub-groups that have quite varying legal forms and models of operation from "traditional" businesses, in order to be able to provide an adequate portfolio of policy measures to promote their growth;

- With regard to the need to respond adequately to SME heterogeneity, it is crucial that the EC examines the possibility of revising the definition of SMEs so as to recast the outdated approach of taking into account only the number of employees and turnover or balance sheet and elaborate a new one adapted to the existing reality and ensuring consideration of SMEs specific features and diversity;

- EU SME support tools should be translated into the language of business in order to be fit for their purpose to promote growth and employment. To cope with the identified over-complexity of support mechanisms, it is important to seek the help and advice of SME organizations that stand closest to SMEs needs so as to make EU SME policies speak the language of business;

- EU SME policies should invest more effort in informing SMEs, especially the most vulnerable sub-groups among them such as microenterprises, traditional companies without much innovative potential, companies from remote regions, etc., on available support. Key support networks should be maintained and popularized so as to make them fit for their purpose to support SMEs, as well as being more user-friendly and comprehensive to them. The potential for ensuring the gradual unification of existing support networks into a single one-stop-shop network for EU SMEs should be carefully considered by the European Commission;

- It is crucial to establish a strong multi-stakeholder partnership with social partners and public and private stakeholders engaged with SME problems. Currently, EU SME policies seem to fall short in their collaboration with SME organizations that stand closest to SME needs. Strengthening the interaction with such organizations is vital not only for overcoming the communication gap existing between SMEs and EU support mechanisms, but also has the potential to provide a new and effective channel of reaching to SMEs by using local branches of employer organizations and SME associations as key intermediaries in the popularization and provision of existing support tools.

**Specific recommendations on priority areas of EU SME policies:**

- **Burden reduction/simplification:** consider the option of making the SME test obligatory for new legislative proposals and to guarantee their effective implementation by all member states; ensure more effective inclusion of SMEs and their organizations in impact assessments of new legislation via simplification of their format and content as well as availability of information in all EU languages; consider the option of making complete fitness check of EU legislation regarding EU policies on regular basis; include SME organizations as partners in
inter-institutional debates on new legislation relevant to SMEs; ensure effective monitoring of results under REFIT Programme in lessening the burden for SMEs;

- **Promotion of entrepreneurship:** enrich existing tools to support the strengthen an entrepreneurship mind-set among young people and ensure support programmes stay focused on the development of key entrepreneurial skills; consider the option of making entrepreneurship part of the curriculum as an optional subject based on coordination of the national educational systems; make additional efforts to further lessen the costs of start-up procedures and motivate more people to develop their entrepreneurial endeavours; complement start-up procedure simplification with viable mechanisms for promoting business start-ups through easier access to finance at a moderate risk; provide simple and easy business transfer and liquidation procedures as well as second chance options;

- **Improving access to markets and internationalization:** optimize the functioning of the Single Market so as to prevent gold-plating, non-application and other Member States’ practices that distort competitiveness and affect SMEs the most due to their weak capacity to defend their rights; strengthen the visibility of existing internationalization support networks through better collaboration with SME organizations that could disseminate internationalization options among their members; provide tools to help SMEs take part in fairs abroad, which will increase their opportunities to access new markets; create regional and national sectoral clusters with producers of products/service with a certificate of guaranteed quality; invest additional efforts in lessening costs of standards and IPRs for SMEs and promoting their benefits for competitiveness;

- **Facilitating access to finance:** optimize the application of existing mechanisms to facilitate SMEs’ access to finance by: 1/designing grant-based programmes on the basis of careful needs assessment of SMEs most pressing financial needs so as to avoid the vicious practice of implementing projects only for the sake of acquiring non-repayable finance and without any business development strategy; 2/ strengthening the collaboration among EIF, financial intermediaries and SMEs organizations with the aim to design highly effective financial instruments that respond to SMEs’ needs for working capital, loans and guarantees; 3/ diversifying all support measures, both grant-based and financial instruments, in order to establish a full portfolio of diverse and innovative measures to effectively reach the heterogeneous group of SMEs; enrich traditional lending by exploring ways to strengthen innovative non-lending financing channels such as private equity, venture capital, business angels and crowd funding;

- **Supporting competitiveness and innovation:** pay special attention to the provision of tools improving SMEs’ access to venture capital for the introduction of innovations; create viable business incubators in which innovative ideas, knowledge, managerial experience and investors can operate; support cooperation between SMEs and research institutions, creating favourable conditions for building viable consortia in which SMEs and their market-driven innovative ideas play a central role;

- **Provision of key support networks:** enrich content and optimize structure by limiting redirections and improving language in terms of comprehensibility and availability in all EU
languages; consider the option of creating a single portal for all SME support initiatives with clear and user-friendly design.
1. Introduction

The strive to ensure the growth of small and medium-sized enterprises (SMEs) stands firmly on the European Union (EU) political agenda. The reason is obvious and simple: SMEs\(^1\) are the backbone of Europe's economy, representing 99.8% of all companies in the non-financial business sector\(^2\) (just under 23 million in absolute figures). For every square kilometre of land surface the EU has an average of 5 SMEs. According to the Annual Report on European SMEs 2014/2015\(^3\), they generated more than EUR 3.7 trillion of value added (57.4% of the total value added by enterprise), and employed almost 90 million people (66.8% of the total employment by enterprise) in 2015. The report outlined the first positive signs that EU SMEs are steadily emerging from the economic crisis and are regaining their positions on the EU economic landscape. Namely, in 2014, EU28 SME value added grew by 3.3% and employment by 1.2%, while in 2013 value added grew by 1.6% and employment declined by 0.5%. Moreover, it was only in 2014 that SMEs finally started to outperform large enterprises in terms of employment creation. **Yet the generally positive picture of first signs of EU SMEs’ revival is not shared by all Member States.** A more detailed analysis offered by the report at the Member States level shows that SMEs in only 7 countries (AT, BE, DE, MT, LU, SE and UK) have fully recovered in terms of the number of SMEs, value added and employment. In contrast, SMEs in 9 countries still have to achieve a recovery in any of the 3 performance indicators (EL, ES, HR, HU, IE, IT, PL, PT and RO). In the remaining Member States, SMEs have only achieved a recovery in two of the performance indicators.

Despite the adoption of the Small Business Act\(^4\) (SBA) in 2008, as an overarching framework of EU SME policy and the proclamation of the “think small first” principle, and its update in 2011 after the economic crisis, the assessment of the real effect SBA produced on SME promotion demonstrates the need for a revised policy approach. This was confirmed by the conclusions of the Report on the public consultation on the “New SME Policy” in 2015\(^5\) that followed an open consultation launched by the European Commission in September 2014\(^6\). According to the SME Envoy Network, special focus should be paid to 6 priority areas: 1/ Burden reduction/simplification – the creation of a business-friendly environment; 2/ Promotion of entrepreneurship; 3/ Improving access to markets and internationalization; 4/ Facilitating access to finance; 5/ Supporting SME competitiveness and innovation; 6/ Provision of key support networks and information for SMEs.

During the last years, the European Commission has committed itself to ensure the revival and growth of SMEs. Though a proposal for a revised SBA was originally planned for the first half of 2015, this revision seems to be postponed for an unknown moment in the future. This was a real disappointment,

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\(^1\) SMEs are defined as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million according to the definition in Commission Recommendation 2003/361/EC of 6 May 2003 [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361).

\(^2\) The non-financial business sector consists of all sectors of the economies of the EU28 or Member States, except for financial services, government services, education, health, arts and culture, agriculture, forestry, and fishing.


especially for key social partners and business organizations at European level such as BusinessEurope, CEEP, UEAPME, EUROCHAMBRES, EuroCommerce and Copa-Cogeca who adopted a joint declaration on EU SME policy on 5 April 2016 calling for a reinforced horizontal EU SME policy and SME Action Plan to reinvigorate the SBA.

In its turn, the European Economic and Social Committee (EESC) has repeatedly put forward proposals to improve the effectiveness of EU policies for SMEs (e.g. relevant EESC opinions include: INT/573, INT/619, INT/632, INT/679, INT/692, INT/755, ECO/396). The EESC has commissioned the conduct of the current Study on the assessment of the effectiveness of the EU SMEs policies 2007-2015 to ESTAT Ltd., an independent research-based consultancy company from Bulgaria on the basis of a Service contract № EESC/CES/CSS/7/2016/23107 signed on 3rd of October, 2016.

The ensuing chapter will outline the study objectives. Chapter 3 provides an overview of the applied methodology. Chapters 4 – 9 evaluate the effectiveness of EU SME policies along the line of the 6 priority areas covered by the Study respectively the burden reduction and simplification of legislation and administrative procedures, the promotion of entrepreneurship, access to markets and internationalization, access to finance, support for SME competitiveness and innovation as well as the provision of key support networks. Finally, chapter 10 concludes the Study by summarising the main findings and presenting concrete recommendations on how to improve EU SME policies so as to support and strengthen their role for ensuring economic growth and job creation across the EU.

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7 Joint Declaration on a horizontal EU SME policy – SME Round Table, 5 April 2016: http://www.eesc.europa.eu/?i=portal.en.group-1-new-news.38883
10 EESC opinion INT/632: An action plan to improve access to finance for SMEs: http://www.eesc.europa.eu/?i=portal.en.int-opinions.22362
13 EESC opinion INT/755: SBA experiences in the USA and EU: http://www.eesc.europa.eu/?i=portal.en.int-opinions.32861
2. Study objectives and scope

2.1 Study objectives

General objective
The main objective of the Study is to **assess the effectiveness and efficiency of EU policies for SMEs – in terms of both their formulation and implementation, draw valid conclusions with regard to the results achieved and formulate recommendations about the ways the effectiveness of the policies can be improved**. In doing so, the Study tries to outline the opportunities and challenges related to ensuring a more efficient policy making process in the future.

Specific objectives
In order to achieve its main objective, the Study will pursue the following specific objectives:

- To draw valid conclusions about EU policies for SMEs in the period 2007-2015 with regard to:
  - their relevance to the needs of SMEs & adequacy in light of the current economic situation and the constantly changing economic/business environment;
  - the degree to which the stated goals of the different aspects of these policies have been achieved so far;
  - how they can best recognize and account to the specific needs of the different sub-groups included in the SME category;
- To draw valid conclusions about the implementation of the SME promotion programmes and highlight:
  - whether there are significant information deficiencies as regards SME promotion programmes;
  - whether any inequalities could be identified as regards access to SME promotion programmes in terms of SME size, business activity, business sector, geographical location (e.g. urban vs rural, island vs continental, remote vs centrally located) and the Member State where the SME is established and operates;
  - whether there are significant transaction costs related to the application procedures for financing;
- To assess the quality of cooperation established among existing EU level "structures" for SME policies (such as the Competitiveness Council, the Commission’s Network of SME Envoys and the European Parliament’s SME Intergroup) and whether certain areas need improvement and if so, how this should be done;
- To evaluate to what extent EESC recommendations in relevant opinions have been implemented in EU SME policies;
- To identify key aspects of SME policies that should be improved;
- To formulate recommendations/proposals as to:
  - how certain aspects of SME policies and their overall effectiveness can be improved;
  - how SME policies could be better targeted and measures could be better designed to match and respond to the specific needs of the entrepreneurs and companies of different types and sizes falling within the definition of SMEs (e.g. solopreneurs, micro, small and medium-sized companies, family businesses as well as start-ups and more established businesses) without creating barriers to their growth;
• To define key constitutive elements of strengthened and revised EU SME policies that will help the ongoing preparation of the future EESC opinion INT/787 on the Effectiveness of policies for SMEs.

2.2 Scope of the study

Thematic scope
The Study focuses on the following 6 key aspects of SME policy, as formulated by the SME Envoys Network:
1. Burden reduction/simplification – the creation of a business friendly environment
2. Promotion of entrepreneurship
3. Improving access to markets and internationalization
4. Facilitating access to finance
5. Supporting SME competitiveness and innovation
6. Provision of key support networks and information for SMEs.

Time scope
The Study will cover the implementation of EU SME policy in the period 2007 – 2015. Though it provides a general overview of EU SME policies development throughout the above-mentioned period, the Study pays greatest attention to recent tendencies and observations related to the current programming period 2014-2020.

Geographical scope
In geographical terms, the Study provides an overview and detailed analysis of the current state of EU SME policies on the EU level (28 Member States). The scope of the case studies’ components included in the Study design covers 5 EU Member States – Austria, Belgium, Bulgaria, Italy and Hungary.
In terms of the type of stakeholders to be included in the scope of the Study, ESTAT will ensure that all relevant types of enterprises falling within the definition of SMEs - micro-sized, small and medium-sized companies, are included in an appropriate way in the scope of the Study, as well as mid-caps, where appropriate.

3. Methodology

In order to achieve the set objectives, the Study utilizes a combination of 2 qualitative methods – desk research and case studies so as to ensure the gathering and analysis of sufficiently in-depth information that will help understand what works, how it works and why in EU SME policies, as well as how to improve their design to better address the needs of SMEs.

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16 Detailed methodology of the desk research and the case studies could be found in the Annexes section.
4. Burden reduction/simplification

4.1 Overview of main commitments for burden reduction/simplification of EU legislation in relation to SMEs

The European Charter for Small Enterprises (2000)\textsuperscript{17} acknowledges that “SMEs are the most sensitive of all to changes in the business environment. They are the first to suffer if weighed down with excessive bureaucracy. And they are the first to flourish from initiatives to cut red tape and reward success.” The document is the first of its kind that pinpoints measures towards which the efforts of all EU institutions should be directed so as to achieve a favourable business environment for SMEs to flourish. The key measures envisioned to be the focus of burden reduction efforts in the following years are related to the simplification of EU legislation so as to provide entrepreneurship-conducive regulatory, fiscal and administrative framework, introduce adequate SME exemptions for certain regulatory obligations and widen the provision of electronic services to SMEs from public authorities.

Later on, in 2008, the Small Business Act\textsuperscript{18} stated that it aims at “making the EU a world-class environment for SMEs”. In trying to do so, SBA substantially widens the measures envisaged to reduce the bureaucratic burden for SMEs. Proposed measures include actions designed to simplify future legislation elaborated on the EU level which effect SMEs as well as actions to revisit and simplify already existing EU legislation. Among the key measures planned are:

- impact assessments of the effect of forthcoming legislative and administrative initiatives on SMEs (“SME test”\textsuperscript{19}), taking the results into account in designing the legislative proposals;
- stakeholder consultations, including SME organisations, for at least 8 weeks prior to making any legislative or administrative proposal that has an impact on businesses;
- use of derogations, transition periods and exemptions for SMEs, in particular from information or reporting requirements in EU legislation, wherever appropriate;
- gold-plating avoidance;
- reduction of the level of fees/ time required to set up a business or other business-related procedures;
- business licence and permit simplification;
- points of single contact/ one-stop shops, through which businesses can obtain all relevant information and complete all necessary procedures and formalities by electronic means;
- complementing existing EU websites dedicated to public procurement with a series of initiatives such as optional publication of contract notices for below-threshold procurement;
- adapting and improving state aid and procurement legislation so as to better reflect SMEs needs.

\textsuperscript{17} European Commission, European Charter for Small Enterprises: http://bookshop.europa.eu/en/the-european-charter-for-small-enterprises-
pbNB4302600/
4.2 Key facts on the EU legislation and the challenges it poses to SMEs

The European Union is a huge organizational structure unifying the interests of 28 Member States across Europe in their strive to secure growth that is: smart, through more effective investments in education, research and innovation; sustainable, thanks to a decisive move towards a low-carbon economy; and inclusive, with a strong emphasis on job creation and poverty reduction. This strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and climate/energy.

In doing so, European institutions have elaborated complex EU legislation which is supranational to the national legislation of the Member States. Throughout the years, the number of EU legislation in force has grown to 19,875 documents (agreements, directives, regulations and decisions)\textsuperscript{20}. Currently, 1,527 of these documents constitute EU legislative acts that contain provisions related to SMEs\textsuperscript{21}. Such provisions are mostly found in EU legislation related to the following 5 subject matters: State aid (343 acts), Competition (293 acts), Internal market - Principles (217 acts), Research and technological development (133 acts) and Budget (117 acts).

Though not all of these acts impose direct obligations to individual SMEs across the EU, it is very unlikely that the majority of the SME enterprises, having in mind their limited human/financial resources and technical capacities, can cope with this immense bureaucratic overload and keep itself up to date with all legislative developments that in some way affect its business activity. Therefore, it is not surprising that according to data from a recent survey\textsuperscript{22} conducted via EESC, CEEP, UEAPME, and BICA (Bulgarian Industrial Capital Association), amongst their members from April to May 2016, SMEs define administrative barriers and burdens as the TOP impediment to improving the business environment. In addition, they rate the inefficient state administration as the second most important impediment.

4.3 Burden reduction for SMEs – part of the Better Regulation Agenda of EU

The issue of burden reduction for SMEs has evolved into the mainstream of the EU Better regulation initiative that was launched in 2002\textsuperscript{23}. The Better regulation programme can be highlighted as the first step in simplifying and improving EU legislation. It introduces obligatory impact assessments and stakeholder consultations for all new initiatives proposed by Commission. In 2005, the

\textsuperscript{20}EUR-Lex, Directory of EU legislation, aggregated number of links to consolidated documents (only legislation into force) by policy subject as by 31.10.2016: \url{http://eur-lex.europa.eu/browse/directories/legislation.html?displayProfile=allConsDocProfile&classification=in-force}

\textsuperscript{21}EUR-Lex, Directory of EU legislation, aggregated number of links to consolidated documents (only legislation into force) by policy subject as by 31.10.2016: \url{http://eur-lex.europa.eu/search.html?textScope0=ti-te&qid=1477928749338&DTS_DOM=EU_LAW&type=advanced&lang=en&andText0=small%20and%20medium-sized%20enterprises&SUBDOM_INIT=LEGISLATION&DTS_SUBDOM=LEGISLATION}

\textsuperscript{22}The results were analysed, with Member States split into two groups – Group 1 and Group 2. The countries from Group 1 include Austria, Belgium, Sweden and Germany - which have a high readiness index for Industry 4.0 - defined as ‘potentialists’ and ‘frontrunners’. The countries from Group 2 include Bulgaria, Romania, Hungary, Spain and Cyprus - defined as ‘hesitators’ and ‘traditionalists’. The division follows the classification of ‘Industry 4.0 The new industrial revolution. How Europe will succeed’, Roland Berger Strategy Consultants, March 2014. \url{https://www.rolandberger.com/media/pdf/Roland_Berger_TAB_Industry_4.0_20140403.pdf}.

Simplification Rolling Programme\textsuperscript{24} becomes part of the annual work programme of the European Commission and has covered 164 measures during 2005-2009.

Later, in 2007, the Commission launched the Action programme to reduce administrative burden of EU regulation (ABR Action Programme)\textsuperscript{25}. The aim of the Action Programme was to measure costs imposed by information obligations on business and to eliminate unnecessary administrative burdens in order to improve the efficiency of legislation without jeopardising its purpose. A High-Level Group of National Experts on Better Regulation was set up to provide advice on implementation and Single Points of Contact were designated in each Member State to coordinate the national feedback on the Action Programme. The programme covered both EU legislation and national legislation, implementing and transposing EU law. The scope of the programme initially included 42 legislative acts which were later extended by a further 30 acts in 13 Priority Areas identified as the most burdensome for businesses: Agriculture and Agricultural Subsidies; Annual Accounts / Company Law; Cohesion Policy; Environment; Financial Services; Fisheries; Food Safety; Pharmaceutical Legislation; Public Procurement; Statistics; Taxation and Customs; Transport; Working Environment / Employment Relations. Along the identified 13 most burdensome sectors, specific sectoral reduction plans were adopted containing more than 120 measures to reduce the administrative burden affecting the 13 priority areas. Measures adopted include more than 40 changes introduced through regulations and 26 through directives. Additional reductions have been achieved through 15 measures of a non-legislative nature.

Since 2010, after the introduction of the new Europe 2020 Strategy for smart, sustainable and inclusive growth\textsuperscript{26} and the first review of the SBA in 2011 triggered by the new EU developmental priorities, SMEs were steadily placed in the focus of the better regulation initiatives of the EU institutions. The Europe 2020 Strategy highlights the importance of improving the business environment, including through smart regulation, to make European enterprises more competitive on a global scale. In its turn in 2011, the Commission declared that it is aware “that the smallest firms face the greatest costs in complying with regulations” and confirmed its belief that it is “essential to free up micro enterprises to allow them pursue their business goals without unnecessary regulation”\textsuperscript{27}.

In order to take the concept of "Think Small First" a step further and to deliver rapid results, the Commission engaged to ensure the use of exemptions for SMEs or specific and lighter legislative regimes for SMEs through a wider application of the SME test with a specific focus on micro enterprises as well as to strengthen the involvement and consultation of small businesses in better law-making through constant consultations via the creation of specific consultation panels, the work of the SME Envoys Network, etc. Last but not least, the Commission initiated the launch of a special public consultation on the TOP10 most burdensome legislative acts for SMEs to make focused and tailor-made revisions of these legislative acts.

\textsuperscript{24} European Commission, Communication of the Commission “Simplifying the regulatory environment”, COM(2005) 535 final: \url{http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AL10107}


The TOP10 public consultation was run from 1 October 2012 until 21 December 2012 through an online questionnaire available in 21 EU languages. It produced a total of 1000 responses including from individual SMEs (over 600 responses from SMEs based in the EU, 40% of which were microenterprises) and organizations representing SMEs interests at different levels in the EU (nearly 150 responses). Reactions were received from almost all EU Member States (with more than half of the replies from individual SMEs in 3 Member States - BE, DE and IT), and also from some non-EU countries, mainly Turkey.

The results highlight the 11 most burdensome policy areas and 14 pieces of EU legislation, with a fair overlapping between the two:

- REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals);
- VAT – Value added tax legislation;
- General Product Safety and market surveillance package;
- Recognition of professional qualifications;
- Shipments of waste – Waste framework legislation – List of waste and hazardous waste;
- Labour market-related legislation;
- Data protection;
- Working time;
- Recording equipment in road transport (for driving and rest periods);
- Procedures for the award of public contracts (public works, supply and service contracts);
- Modernised customs code.

The results of the TOP10 public consultation fed into the work already in progress in relation to the overall implementation of the Better Regulation initiative. Moreover, they were incorporated in the targets of the EU Regulatory Fitness and Performance Programme (REFIT) launched by the Commission in the end of 2012 as a logical continuation of the ABR Programme.

In 2012, the better regulation initiative was renewed with greater strength through the launching of the Regulatory Fitness and Performance Programme (REFIT)28 which seeks to reduce the regulatory burden and to ensure the body of EU legislation remains fit for purpose.

The most recent developments along the Better Regulation initiative in the EU are related to the announcement of the Better Regulation Agenda (2015)29. This new agenda is about designing and evaluating EU policies and laws transparently, with evidence, and backed up by the views of citizens and stakeholders. It covers all policy areas and aims for targeted regulation that goes no further than required, in order to achieve objectives and bring benefits at minimum cost. In relation to businesses, the Better Regulation Agenda sets out to ensure that regulatory burdens on businesses, citizens or public administrations are kept to a minimum. The Agenda aims at strengthening the existing better regulation tools and to introduce important improvements in their design so as to go further ahead in ensuring its better regulation goals.

In adopting the new Better Regulation Agenda the Commission once again made a commitment to apply the "Think Small First" principle more thoroughly when preparing initiatives: taking the interests of small- and medium-sized businesses into account when designing and evaluating policies, and envisaging a lighter regime for them including an outright exemption for micro-businesses wherever it is possible and makes sense.”

4.4 Main results in the area of burden reduction for SMEs in the period (2007-2015)

4.4.1 Overview of the better regulation toolbox in the period (2007-2015)

The developments of the Better Regulation initiative during the last decade have produced important steps forward towards making EU legislation more comprehensible and adequate towards the needs of European societies. Cutting red tape has become a key priority in European policy and has led to the adoption of important mechanisms that help transforming the EU legislation body into a fit for purpose legislative framework. Those mechanisms are designed so as to cover the whole legislative process and ensure guarantees that the interests of citizens and businesses are reflected and duly taken into account. The Commission announces the planned initiatives that include both new legislative acts as well as planned revisions in existing ones annually in its programme. Even though the annual programme publication is a good step forward, some initiatives remain pending for years for various reasons (mostly due to the long and complex process of trialogue). All initiatives that are expected to have significant economic, social or environmental impacts are subject to Impact assessments. Roadmaps are another tool used by the Commission to describe the problem to be tackled and objectives to be met, explain why EU action is needed, outline policy options and describe the main features of the consultation strategy. Citizens and businesses can express their opinions freely on both impact assessments and roadmaps as they are published and publicly accessible. The special attention of the better regulation initiatives to SMEs is demonstrated by the utilization of the SME test that helps to analyse the possible effects of EU legislative proposals on SMEs by assessing the costs and benefits of policy options. Throughout the implementation phase the adopted legislation is subject to continuous review through the REFIT Programme that ensures EU legislation remains fit for purpose and through the utilization of evaluations of single actions or fitness checks of a group of legislative acts. The annual SME scoreboard was established as a main monitoring tool in order to make it possible to track specific measures throughout the decision-making cycle.

In addition, the new Inter-institutional Agreement between the European Parliament, the Council and European Commission on better law-making is a step further in improving the cooperation between EU institutions in the area of better regulation thus securing better focus of all key actors in the legislative process on the interests and needs of SMEs.

Despite the better regulation toolbox created, a check in the REFIT initiatives, which the Commission has proposed each year since 2012 within the framework of its annual programmes, gives the impression that the goals in the area of better regulation are extremely ambitious and growing in their absolute numbers (REFIT initiatives were 32 in 2013, 53 in 2014 and 79 in 2015)\(^\text{30}\). Yet, the attempt to collect comprehensive quantifiable information on the number of successfully completed

initiatives is confronted by the way in which REFIT Scoreboard results are reported\textsuperscript{11}. In practice for the reader, the REFIT Scoreboard provides no clarity as to the number of completed initiatives and raises doubts in the effectiveness of achieved results.

Though only 17 legislative acts adopted under REFIT envisaged explicitly lighter regimes and exemptions for SMEs, it should be highlighted that most of the legislative acts outlined as most burdensome during the TOP10 consultation were revised accordingly and many of them introduced less burdensome regimes for SMEs.

4.4.2 Specific results under ABR Programme (2007-2012)

In 2012, at the closure of the ABR Programme, the Commission reported that achieved results surpassed the target of cutting the administrative burdens stemming from EU legislation by 25% (the overall burden is estimated at $\sim \text{€}124$ billion). The Commission exceeded the target by tabling proposals with a burden reduction potential close to $\text{€}41$ billion (33\%)\textsuperscript{32}. Some of this potential was lost in the legislative process as Commission proposals were amended. The measures adopted at the EU level by the end of 2012 are estimated to reach €30.8 billion in annual savings for businesses.

In 2007, a measurement exercise was performed in all 27 Member States to estimate the existing level of administrative burden. This baseline measurement identified the extent of existing administrative burden and provided a basis for the subsequent calculation of the reduction measures using the so-called “EU Standard Cost Model”\textsuperscript{33} inspired by different variants of the Standard Cost Model (SCM)\textsuperscript{34}. The sectoral reduction plans included burden estimates and defined specific actions to be taken in each of the 13 Priority Areas listed in the Programme. The sectoral reduction plans include more than 120 measures to reduce the administrative burden affecting the 13 Priority Areas. Measures adopted include more than 40 changes introduced through regulations and 26 through directives. Additional reductions have been achieved through 15 measures of a non-legislative nature. The biggest reductions have taken place in 3 policy areas: Agriculture, Annual Accounts / Company Law and Taxation / Customs, with potential reductions worth EUR 28.7 billion (23\% of the initially estimated burden), reflecting the fact that these three areas accounted for more than 80\% of the administrative burden initially estimated. Reducing inspection costs stemming from marketing standards for fruits and vegetables (part of Regulation (EC) No 1234/2007 — Single Common Market Organisation Regulation) alone amounted to a potential burden reduction of EUR 973.7 million. Additionally, the measure allowing Member States to exempt micro-enterprises from accounting directives (part of Directive 2012/6/EU of 14 March 2012) presented potential savings of close to EUR 3.5 billion. Although high, this savings potential is substantially lower than that proposed by the Commission (EUR 6.3 billion). In the area of Taxation and Customs, the measure to foster equal treatment between paper and e-invoices to enable wider use of electronic invoicing (part of Directive


2010/45/EU amending Directive 2006/112/EC on the common system of value added tax as regards the rules on invoicing) produced a burden reduction potential of EUR 18.8 billion. The measures to modernise customs procedure and especially to switch to a fully electronic customs procedure (Regulation (EC) No 450/2008 laying down the Community Customs Code (Modernised Customs Code and Decision 70/2008/EC on a paperless environment for custom and trade) while not being still in application, are among the other substantial improvements in the regulative framework.

4.4.3 Specific results under REFIT Programme (2012-2015)

4.4.3.1 General overview of REFIT results and benefits

Since its launch in December 2012, the REFIT Programme\(^{35}\) has achieved the following results measured in absolute numbers of legislative acts/initiatives addressed by the programme\(^{36}\):

- 58 legislative initiatives proposed under REFIT, of which 25 were adopted (some proposals are still pending adoption by the legislator), and 22 implemented in EU countries (some measures are not yet applicable and for other there is no data available yet, also some recommendations are voluntary);
- 17 actions contain exemptions for micro-companies and lighter regimes for SMEs;
- 141 laws in preparation withdrawn;
- 2 measures have been repealed, while 4 measures are still pending repeal with the legislator, 10 proposals have been withdrawn;
- 11 evaluations and Fitness Checks have already delivered results and 31 evaluations and Fitness Checks are planned to be concluded in 2015.

The concrete benefits for businesses, especially SMEs as reported by the Commission to be achieved so far are related to:

- simpler financial reporting system for 5 million micro-companies (estimated annual savings €6.3 billion);
- registration fees under REACH chemicals legislation cut by up to 95% for SMEs;
- procurement costs cut by up to 20% thanks to new electronic procurement rules;
- new digital tachographs for lorry drivers to increase safety and cut red tape (estimated annual savings €400 million);
- fitness check begun on EU chemicals legislation other than REACH; an evaluation will assess REACH in light of REFIT goals;
- VAT simplification measures, particularly for SMEs, which are ongoing.

Under the ABR-Plus Programme, the Commission and Member States worked together to assess savings to business of measures that had already reached implementation stage. These assessments


\(^{36}\)These assessments were provided at a general level of estimation and do not allow for an overall estimate of the burden reduction achieved across all Member States or for a quantification of savings in absolute numbers. This assessment was made under the ‘ABRPlus’ programme by which the Commission and Member States followed-up on the implementation in Member States of the EU measures already adopted.
were provided at a general level of estimation and do not allow for an overall estimate of the burden reduction achieved across all Member States or for a quantification of savings in absolute numbers.

4.4.3.2 Key REFIT legislative initiatives with burden reduction impact on SMEs

The REFIT scoreboard in 2015 tracked the proceedings related to 86 REFIT and ABR+ legislative initiatives that are at different stages of their implementation. 58 of them were adopted within the REFIT programme or the preceding ABR+. From all tracked initiatives, 35 concern the conditions under which SMEs do business. Out of these 35, only 17 were adopted and led to the introduction of exemptions or lighter regimes for SMEs designed to create a more business-friendly environment.

The REFIT scoreboard tracked better regulation initiatives along 19 policy areas of key importance. In 11 of these policy areas there have been proposed initiatives that explicitly concern SMEs. Those of the adopted initiatives already implemented in Member States that have produced greatest effect on the burden reduction for SMEs and the creation of a business-friendly environment are presented below organized by policy area

- **Internal market, industry, entrepreneurship and SMEs**

  Launched under the ABR+ Programme, the **new Public Procurement framework** includes important measures to ensure lighter regimes for small companies. Specific measures elaborated with care for SMEs include the following:

  - Bidders for public tenders are required to provide a standardized self-declaration (European Single Procurement Document) rather than original documents or certificates, showing that they meet eligibility criteria. Only the winning bidder would be asked to provide the original documents;
  - Breaking tenders down into smaller lots is encouraged;
  - Reduction of the limitation of maximum turnover requirements to a maximum twice the contract value;
  - Greater use of e-procurement is encouraged.

  Reported data on implementation by Member States shows that the new rules have led to cost reductions to business in a range between 29% and 58% (reported by 5 Member States: CY, DE, PT, SK, NL), while the initial estimation by the Commission predicted savings of administrative burden of 50%.

To protect European businesses, in particular SMEs, against late payment and to improve their competitiveness, **Directive 2011/7/EU on combating late payment in commercial transactions** was adopted on 16 February 2011 and was due to be integrated into national law by EU countries by 16 March 2013 at the latest. This Directive puts in place strict measures which, when properly implemented by EU countries, will contribute significantly to employment, growth and an improvement in the liquidity of businesses. Despite a push from the Commission for Member States to undertake early transposition of the Directive, few countries heeded this advice. Some Member States even delayed communication of transposition measures, which led to the launching of four infringement procedures for non-communication. Infringement procedures for incorrect transposition
of the Directive were opened against five Member States. As of May 2016, the Directive is fully and correctly transposed in the national laws of all Member States.\(^{37}\)

A number of actions have been undertaken to facilitate the implementation of **Regulation No 1907/2006 on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)** that concerns chemicals and their safe use. While the regulation aims to improve the protection of human health and the environment through a system of Registration, Evaluation, Authorization and Restriction of Chemicals certain measures are taken to make enterprises’ obligations easier, simpler and less costly.

The impacts and the real cost savings produced by the implementation of these measures will be evaluated in the framework of the upcoming report on the performance of REACH foreseen for 2017.

**Financial stability, financial services and capital market union**

Much of the financial regulation that is currently in place has recast previous legislation, reducing the number of directives and regulations that are in application. For example, the new Accounting Directive (2013/34/EU), which enters into force in July 2015, repeals 7 directives; and the Solvency II Directive (2009/138/EC), which entered into force in June 2014 and will apply in principle as of 1 January 2016, repeals 13 Directives. These substantial revisions have led not only to the reduction of the number of legislative acts but to an estimated reduction of costs for financial reporting of SMEs that amount to €6.3 billion on annual basis.

Under its ABR-Plus Programme, the Commission and Member States worked together to assess savings to business of measures that had already reached implementation stage. In this context, the follow-up on the implementation by Member States of the Company Accounts Directive shows that cost reductions were calculated at rates between 8% and 66% per Member State. The Directive introduced lighter regimes and exemptions for SMEs from certain accounting and disclosure requirements, some of those are optional for Member States.

**Taxation and customs**

The area of VAT is one of the main areas of EU regulatory burden identified by SMEs in the TOP-10 consultation and an area where simplification requires unanimous agreement of Member States in Council after consultation of Parliament and the Economic and Social Committee.

In this context, certain measures for simplification have been undertaken through the launching of the new directives on the Common system of VAT and on the refund of VAT.

The Directive on the Common system of VAT suppresses certain requirements on invoices and enables wider use of electronic invoicing. According to the measurement exercise performed in 2007, the implementation by Member States of the new rules for a Common system of VAT has been assessed as having delivered savings between 30% and 35% to industry.

According to the same measurement exercise, the implementation of the Directive on the refund of VAT by Member States has produced savings in the range between 2% and 35% according to

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calculations by Member States. The Directives provides several options of implementation to Member States. With the new rules applicants are able to file their applications electronically in their own Member State. The electronic procedure replaces the previous paper-based procedure which was slow, cumbersome, and costly ensuring a quicker refund to claimants.

Though first steps for simplification in the area of taxation are taken other important initiatives are still pending mainly for reasons related to subsidiarity and the fact that Member States are reluctant to reduce regulatory burden through EU harmonisation in this area.

The legislative debate of the EU standard VAT declaration has shown strong and diverging positions in the Council. The idea that the introduction of a standardised format of VAT declaration is of key importance and it needs to remain simple with a minimum number for mandatory fields and an adequate number of optional boxes is confronted by many Member States based on subsidiarity issues. If Member States in Council are not be able to agree on the proposed simplification, an estimated 15 billion EUR savings for industry and public administration will not materialise.

❖ **Statistics**

Efforts to reduce regulatory burden in the area of statistics have led to the simplification of rules related to Statistics on Intra-EU trade and the Survey on industrial production. According to the measurement exercise performed in 2007, the implementation by Member States of the reduction proposals for Statistics on Intra-EU trade and the Survey on industrial production have led to cost reductions to business in a range between 28% and 43% for 'Intrastat' and 32% and 52% for 'Prodcom'.

In the area of statistics, Member States in certain cases maintain national requirements not required by EU legislation, such as in the area of Intrastat and Prodcom where data collected by respondents serve both national and EU needs. Therefore, national statistical offices should carry out cost-benefit analysis in a systematic way to balance the general interest in market information against the cost for stakeholders of providing required statistics.

❖ **Mobility and transport**

Another simplification initiative is related to the area of mobility and transported and introduced an exemption from tachograph obligations for craftsmen driving within a radius of 100 km from the base of the undertaking. No data are still available on the real cost savings produced by the adopted measure.

❖ **Employment and social affairs**

A Directive 2014/67/EU for posting of workers entered into force in June 2014 to be implemented by Member States by June 2016. In comparison with the original Commission proposal, the final text of the Directive agreed by the co-legislator contains a number of modifications increasing administrative burden on companies and imposing a number of new obligations on public authorities. Yet, the overall REFIT objectives are reached and a balanced package of measures guaranteeing a better protection of posted workers and a more transparent and predictable legal framework for service providers is ensured. This will clarify and simplify procedures and ensure a better level playing field from which all SMEs will benefit. No data are still available on the real cost savings produced by the adopted measure.
Environment
Simplification efforts in the environmental area have led to the adoption of new regulation about shipments of waste. Initially, in 2006, within the ABR+ Programme the Commission issued a recommendation letter to Member States advising them to introduce electronic data exchange for waste shipments. According to the measurement exercise performed in 2007 and reported data by Member States, the implementation of the measure has led to cost reduction to business by 70%, where an original 50% cost reduction was estimated in the ABR-programme. Later, in 2014, the attempt to introduce mandatory electronic data exchange for waste shipments through the new Regulation (EU) No 660/2014 proved unsuccessful. Yet, an additional proposal in this area has been approved by the co-legislators, opening the possibility for creating an electronic data exchange for waste shipments through secondary legislation thereby further reducing administrative burden and costs. No data are still available on the real cost savings produced by the adopted measure.

Health and food safety
In 2014, the proposal for the simplification of the regulation of clinical trials was adopted to create a single set of rules and a one-stop-shop for the authorisation procedure. The changes are facilitating the work of all actors, especially SMEs, by creating a unique set of rules applicable across Europe. In addition, some important exemptions were adopted under the simplification of the Food labelling regulation (Regulation (EU) No 1169/2011) that provided for food, including handcrafted food, directly supplied by the manufacturer in small quantities to final consumers or to local retail establishments directly supplying final consumers to be exempted from the mandatory nutrition declaration on the label of packaged foods. Moreover, nutrition information of foods produced by SMEs can be based on calculation from generally established and accepted data, which avoids the necessity to pay for costly laboratory analysis. The Regulation gives Member States the option to adopt national measures on how information on allergens is provided by SMEs (in particular for restaurants, canteens, hotels etc.) so as to ensure the rules reflect SMEs’ specificities and need and don’t impose too heavy administrative load on them.

Agriculture and rural development
In the area of agriculture, the simplification initiative carried out in 2007 in relation to the egg-labelling rules has led to the introduction of 2 exemptions of SMEs that the Member States are left to decide whether to implement or not. According to the measurement exercise performed in 2007, the estimated cost-reduction of small companies achieved through these exemptions reported by Member States that implement the measures vary between 9% and 63%.

4.4.4 The burden reduction for SMEs - progress in figures (2016)
The SME Policy Database (2016) tracks key data on the performance of all Member States along the implementation of the 10 principles set out in the SBA. According to the most recent data collected and reported in 2016, the overall performance on the EU level registered by all 28 Member States in relation to the application of the “Think small first” principle and the ensuring of a responsive administration to business needs has reached 0.643 measured on a scale where 0 stands for

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“worst” and +1 “best”. The compound annual growth registered in the period 2008-2015 is positive and amounts to 2% (calculated on the basis of average values of the indicator taken from 3 years). The burden reduction policy measures are among the few SBA policy areas that register positive annual growth in the period 2008-2016 (together with the annual growth rates achieved in the policy measures related to the “Internationalization” area). In fact, they occupy the leading place among the best-performing policy measures in terms of registered compound annual growth rates in the period 2008-2016.

Yet the average values reported under the different indicators on business-friendly environment are still far from ensuring a substantial positive change so as to ease the conditions for SMEs to do business. Recent data reported in the SME Policy Database show that the time and costs in relation to the acquisition of property or payment of taxes are far from favourable to SMEs.

Figure 1. Indicators related to property registration and taxation (Source: World Bank “Doing Business”, 2017)

![Property registration](Image)

- Time required: 23.8 days
- Cost: 4.8% of property value

![Taxes](Image)

- Number per year: 11.3
- Time required per year: 175.6 hours (~7.3 days)

Views of company representatives shared within the most recent Flash Eurobarometer "Businesses' attitudes towards corruption in the EU", 2013 reaffirm the conclusion that although certain positive steps have been undertaken in the last years the business environment is still not evaluated as being enough business-friendly to SMEs. According to the Flash Eurobarometer Survey, 70% of businesses think that fast-changing legislation and policies are a problem when doing business. At the same time, 63% of businesses feel that the complexity of administrative procedures is also a major problem. Therefore, it is not surprising that the overall burden of government regulation across the EU is evaluated with an average score of 3.2 on a scale from 1 to 7 where 1 stands for “extremely burdensome” and 7 “not at all burdensome”.

The same relative picture is presented in the last Annual Report on European SMEs in 2016. In terms of the business conditions faced by SMEs in 2015, the survey results show that relative to the previous 2011, 2013 and 2014 surveys, a large proportion of firms chose ‘regulation’ as the most pressing problem, although this percentage has decreased compared to the previous two years (Figure 2). In Bulgaria, Croatia, France, Romania, and Slovenia, ‘regulation’ was perceived as the most pressing problem by more than 20% of SMEs. While the responses of the SMEs as a

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group show clear differences across Member States, there were no major differences in the way SMEs of different sizes perceive problems.
4.5 Key challenges & problematic areas in relation to burden reduction for SMEs

As mentioned above, at this stage of better regulation development, in some areas there is a lack of sufficient data to prove that the desired effect in terms of burden reduction and cost savings is achieved through the introduction of simplification, exemptions and lighter regimes for SMEs. The current situation in the business environment on EU level outlines several important problematic areas that are still not adequately addressed and require more active measures on behalf of EU institutions and Member States. Among these the following should be treated with utmost importance:

- **SMEs definition**

  Though the most common and widely applied definition for SMEs is stipulated in Commission Recommendation 2003/361/EC of 6 May 2003 in which SMEs are defined as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million there are in fact three valid definitions in the European Union, the aforementioned being the oldest. Directive 2013/34/EU on Annual financial statements, consolidated statements and related reports of certain types of undertakings defines Micro, Small, and Medium enterprises as having a balance sheet of €350,000, €4 Million, and €20 Million, and a net turnover of €700,000, €8 Million, and €40 Million respectively (the reference to the number of employees, however, remains the same). Directive 2014/65/EU on Markets in financial instruments, in turn, defines SMEs as “companies that had an average market capitalization of less than €200.000.000 on the basis of end-year quotes for the previous three calendar years”.

  To be fully objective in relation to the historic development of the current SME definition as stipulated in Commission Recommendation 2003/361/EC of 6 May 2003, it should be noted that the

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first original of the EU SME definition was established in 1996 through the adoption of Commission Recommendation (96/280/EC) concerning the definition of small and medium-sized enterprises and envisaged the cumulative application of two out of the three criteria (headcount and turnover or balance sheet). Based on arguments related specifically to administrative simplification the Commission revised the definition and its version currently gives permission to use only one criterion — namely the headcount. Since that revision, the SME definition of 2003 has been subject to strong opposition and disagreement by a great number of SMEs. They strongly insist on applying the headcount only in connection to turnover or balance sheet.

Aside from the strongly criticized application of the SME criteria, it must be stressed that the use of several definitions in parallel to one another creates substantial risks as it undermines the consistency of EU policies for SMEs and provides room for discrepancies and contradictions.

Against the new economic developments, framing policies based only on the size of the supported companies seems old-fashioned and not capable of taking into account the different needs of SMEs. SMEs differ in their size, field of activity, objectives, financing, management, geography and legal status. Policymakers therefore need to take into account these variations and try to reflect them in the most appropriate way in the definition of SMEs so as to ensure maximum guarantees to their interests.

This definition is, however, challenged across EU civil society. It is not a rare case for some SMEs that struggle to obtain financing to be left outside the scope of eligible companies that may apply to EU programmes as a result of this outdated definition. The EESC also stressed in its recent opinions the need to update the definition of SMEs.

**SME test use**

The SME test is an integral part of impact assessments, but its application both on the EU level and on that of Member States is not placed on equal footing. Not all relevant legislative proposals initiated in the EU are subject to an SME test. Certainly, there are enough resources to ensure the implementation of SME tests within all impact assessments carried out for legislative initiatives. Furthermore, application in Member States is only stimulated by the Commission, but is not obligatory. Making the SME test obligatory, at least in certain SME-sensitive policy areas including for the Member States, might be an important step to strengthen the burden reduction initiative and help the creation of a more business-friendly environment. A positive step forward in stimulating the Member States to use more often the SME test is that it is included in the European semester evaluation across the Member States for this year.

In addition, at this stage the SME test implementation focuses on SMEs as a whole without taking into account the specific characteristics of the different subgroups within the SME group. In order to reflect the specific needs of all types of SMEs the SME needs to screen thoroughly and individually the impact of legislation for the three different subgroups and thereafter examine the scope for exempting micro-enterprises from new regulations or adopting lighter regimes.

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44 "(7) … In the interests of administrative simplification, the Member States, the EIB and the EIF may use only one criterion — the staff headcount — for the implementation of some of their policies. However, this does not apply to the various rules in competition law where the financial criteria must also be used and adhered to.," Commission Recommendation (2003/361/EC).
Public consultations, call of evidence and the use of impact assessments & roadmaps

The access of SMEs to the ongoing public consultations on new legislative proposals and existing legislative acts announced by the Commission regularly on its official website is hampered by:

- **Language barriers**

  All impact assessments, call of evidence and roadmaps published within the framework of public consultations are available only in English. Most of the regular SMEs across the EU lack the necessary fluency in English so as to participate actively in the consultation process and to have their active stance in defence of their interests when SME policies are designed.

- **Comprehensibility of impact assessments and roadmaps**

  Though impact assessments and roadmaps are technical documents, they should be fit for their purpose i.e. to provide level playing field for active dialogue between EU institutions and SMEs in relation to SME policies. Therefore, despite the adopted unified format of these documents, an overview of the recent impact assessments and roadmaps shows that there are substantial differences in their length and content. It turns out that while the adopted format is observed as a formality, the reality of the documents differs very much.

  In order to ease the process of consultations, impact assessments and roadmaps should be made more user friendly by using the standard template, keeping the volume of the document concise and the language simple and understandable to the audience. In many cases, the long and heavy bureaucratic style of these documents discourages SMEs from participating more actively in the public consultations. Moreover, it is extremely essential that these documents present a clear executive summary highlighting the main issues, including implementation costs, as regards SMEs, outlining the prognostic level of these costs for every SME subgroup.

- **Awareness of public consultations**

  Though there has been a substantial prolongation of the time for public consultations, SMEs and citizens won’t participate actively if they are not aware of this possibility to have their say on the EU legislation. Current results from the "Lighten the Load – Have Your Say" feature on the Commission's better regulation website demonstrate that citizens are substantially more active in comparison with businesses. According to data extracted on 26th of October, 2016 since its launching in May, 2015 the platform has collected feedback from 157 citizens and only 16 individual SMEs and 15 business organizations. Therefore, consultations with stakeholders should be widely advertised so that they can respond in good time.

REFIT programme scope in relation to SMEs

As reported in p. 4.1, the existing EU legislation body contains over 1500 legislative acts that contain provisions related to SMEs. Although the REFIT Programme has managed to address most of the regulations outlined as the most burdensome in the TOP10 consultation among SMEs the volume of relevant EU legislation in scope makes it necessary to undertake more active actions in relation to burden reduction. The future steps of the REFIT Programme should ensure that burden reduction results surpass the 17 acts revised so far to include lighter regimes and exemptions for SMEs.
At the same time, exemptions cannot be used in all cases because regulations on worker protection, gender equality standards or environmental standards should be respected by all companies no matter of their size.

❖ Monitoring and impact of achieved results in terms of cost savings and real effect on businesses

The overview of the REFIT Scoreboard (2015) demonstrates that at this stage of better regulation development there is a lack of sufficient data to prove that the desired effect in terms of burden reduction and cost savings is achieved through the introduction of simplification, exemptions and lighter regimes for SMEs in key EU regulations. Greater attention should be paid on monitoring achieved results both at EU level and at Member States’ level. There is a need to elaborate a common measurement system through which the cost savings can be measured in a uniform way from all Member States. In this sense, reliable data should be collected not only through Member States reports but also through the more frequent conduct of cross-European quantitative surveys that could ensure representative data on achieved results.
5. Promotion of entrepreneurship

5.1 Overview of main commitments on EU level for the promotion of entrepreneurship

The European Charter for Small Enterprises (2000)\(^45\) acknowledges among its core principles the recognition of entrepreneurship as a valuable and productive life skill and the need to applaud successful enterprises and consider some failure that may occur along responsible business initiative mainly as a learning opportunity. By endorsing, the Charter Member States pledged themselves to “Strengthen the spirit of innovation and entrepreneurship which enables European businesses to face the challenges ahead”. The key actions planned to be the focus of entrepreneurship promotion in the following years are related to the incorporation of entrepreneurship as an essential ingredient of education schemes at all levels of the educational system (primary and secondary schools, colleges and universities) through the elaboration of specific business-related modules as well as the development of appropriate training schemes for managers in small enterprises. The other main direction of intervention proclaimed in the Charter is focused on ensuring favourable conditions for faster and cheaper start-up in order to strengthen entrepreneurial endeavours among EU citizens.

The Small Business Act\(^46\) acknowledges that “achieving the best possible framework conditions for SMEs depends first and foremost on society’s recognition of entrepreneurs”. Therefore, the SBA sets an ambitious goal to change the perception of the role of entrepreneurs and risk-taking in the EU and make the option of starting an own business attractive to more EU citizens. Proposed steps in this direction include measures to make the teaching of entrepreneurial skills an essential part of the school curriculum thus ensuring future generations will be more inclined to venture in business opportunities. Furthermore, aside from making entrepreneurship part of the educational programmes, measures are envisaged to ensure favourable environment that is supportive to entrepreneurship initiative. Key actions should be focused on simplification of procedures for start-ups and business transfers so as it becomes cheaper, easier and faster to set up a new business or to make a transfer of a business. Furthermore, in cases of failure, entrepreneurship initiative should be supported and responsible and fair entrepreneurs should be able to receive a second chance to develop their business ideas. Among the key measures planned both on EU and Member States’ level are:

- **Developing entrepreneurship as a skill through:**
  - Incorporation of entrepreneurship education in the educational systems of Member States and inclusion of entrepreneurship as a key competence in school curricula, especially in the general secondary education;
  - Launch of “Erasmus for Young Entrepreneurs” initiative to promote exchanges of experience and training by giving nascent entrepreneurs the possibility to learn from experienced host entrepreneurs and improve their language skills;
  - Provision of mentoring and support for female entrepreneurs and immigrants who wish to become entrepreneurs;


- Launch of a European network to promote women's entrepreneurship (WES) to promote mentoring schemes and to inspire women to set up their own businesses and promote entrepreneurship among women graduates;
- Launch of “European SME Week” to serve as an umbrella for many campaign-type events to promote entrepreneurship across Europe.

- Providing favourable business environment for the realization of entrepreneurial ideas through:
  - Elaboration and promotion of easier, faster (required less than 1 week) and cheaper procedures for registering a new business;
  - Simplification of the process of acquiring business licences and permits (a maximum deadline of 1 month for granting these licences and permits is recommended);
  - Simplification of business-transfer procedures and proper regulation of taxation (in particular gift tax, taxation of dividends and wealth tax) so as not create burden for companies and impede this process;
  - Promotion of second-chance options for entrepreneurs experiencing non-fraudulent bankruptcy including simplified and faster wind up procedures (no longer than a year) as well as equal treatment of re-starters in their access to EU support mechanisms.

Member States have been very active in implementing new policy measures geared towards creating a better business environment and promoting entrepreneurship. However, some entrepreneurship measures were not implemented because the situation was already considered satisfactory or because measures were taken in the past but results were still pending. There are differences between Member States as regards to scope of measures implemented and the pace of implementation. The overall trend is positive, however some SBA principles and measures linked to them have received very little attention in Member States\textsuperscript{47}.

In 2013, in an effort to establish a coherent framework so as to guide and coordinate effectively the initiatives on the promotion of entrepreneurship, the Commission adopted the Entrepreneurship 2020 Action Plan\textsuperscript{48}. The document provides a logical follow up to the Small Business Act review in 2011 and the Industrial policy communication adopted in 2012. It sets out a renewed and more focused vision on entrepreneurship promotion and designs a number of actions to be taken at both EU and Member States' level to provide adequate support in this area which is especially crucial in relation to SMEs development. The Action Plan establishes 3 main pillars of interventions: Pillar 1-Entrepreneurial education and training to support growth and business creation; Pillar 2* - Strengthening framework conditions for entrepreneurs by removing existing structural barriers and supporting them in crucial phases of the business lifecycle; Pillar 3 - Dynamising the culture of entrepreneurship in Europe: nurturing the new generation of entrepreneurs.

*Important note: The current section 5 of the report tracks only the EU initiatives under Pillar 2 related to the following crucial phases of a business lifecycle – registration of companies, business transfers and insolvency cases. Pillar 2 encompasses many other initiatives related to regulative

\textsuperscript{47} Implementing the Small Business Act, Actions by the European Commission, Member States and the SME Envoy Network, 2012
burden reduction, access to finance, etc. which are not the focus of the current section as they are investigated in detail in the next sections of the report.

5.2 Key European initiatives related to the promotion of entrepreneurship (2007-2015)

5.2.1 Support to develop entrepreneurship as a skill

5.2.1.1 Support to entrepreneurship education

In order to develop and strengthen the entrepreneurship potential of the European population, especially of the young generations that will enter the labour market in the coming years, European institutions place specific focus on stimulating Member States to incorporate entrepreneurship as part of the school curriculum in all levels in their educational systems. Entrepreneurship education aims at preparing people to be responsible and enterprising individuals. It helps people develop the skills, knowledge, and attitudes necessary to achieve the goals they set out for themselves.

By teaching entrepreneurship skills in classes, young people can find better opportunities in the labour market in the future.

It should be noted that education policies are the competence of Member States, but the European institutions, especially the Commission, try to facilitate Member States paying greater attention to the development of entrepreneurship skills and support them to include entrepreneurship education in their education systems. In trying to do so, the Commission provides opportunities for sharing of ideas, knowledge, experience, and best practices among countries, stakeholders, and practitioners and develops useful models, common instruments, and projects with a focus on teaching entrepreneurship as a skill.

Traditionally, formal education in Europe has not been conducive to entrepreneurship and self-employment. However, as attitudes and cultural references take shape at an early age, the education systems can greatly contribute to successfully addressing the entrepreneurial challenge within the EU.\(^\text{49}\)

In 2005, entrepreneurship was identified as a key competence in the Reference framework of eight key competences for lifelong learning\(^\text{50}\), necessary for personal fulfilment, social inclusion, active citizenship and employability. Entrepreneurship was defined as “an individual’s ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports everyone in day-to-day life at home and in society, makes employees more aware of the context of their work and better able to seize opportunities, and provides a foundation for entrepreneurs establishing a social or commercial activity.”

Yet, while recognising that the entrepreneurship competence should be acquired throughout lifelong learning, the Commission focused on various actions to stimulate Member States to include entrepreneurship education in their education systems from primary school to university, also


including secondary level vocational education (initial vocational training) and technical institutions at the tertiary level.

In doing this, specific measures were taken in relation to training teachers and preparing them to teach entrepreneurship as a skill within the formal education system effectively. These actions are based on the understanding that teachers play a vital role in ensuring the effective incorporation of entrepreneurship education in the school curriculum. Therefore, it is important that they are trained in right teaching methods, that they can improve their knowledge and skills, and that they share best practices with colleagues across all EU countries. The actions to support education and training for teachers include:

- **Publication of guidelines/materials/tools to help teachers in effectively teaching entrepreneurship in school** such as:
  - Guide for Educators\(^{51}\) with a selection of examples of inspiring practice in training and supporting teachers for entrepreneurship education;
  - Virtual Guide to Entrepreneurial Learning for Teachers\(^{52}\) created under the project “The Entrepreneurial School” (TES project)\(^{53}\) financed by the EU;

- **Implementation of EU funded projects focused on training educators in teaching entrepreneurship** such as:
  - The European Entrepreneurship Colloquium (EEC)\(^{54}\) – an intensive one week residential programme, launched in 2001 and coordinated by the European Forum for Entrepreneurship Research (EFER) whose mission is to put entrepreneurship on the roadmap of European higher education. The EEC is specifically designed for European professors and educators seeking to integrate more effective, appropriate and interactive approaches, and practical skills in teaching entrepreneurship;
  - The international network of universities - CONEEECT\(^{55}\) - an international network of universities supported by the EU that offers interactive training courses for academic entrepreneurship teachers to improve the Entrepreneurship Education across Europe in the form of an intensive, one week, experiential workshop.

Since its acknowledgment as a key competence skill for the development of a knowledge-based economy, the notion of entrepreneurship has been further strengthened recently through the adoption of the European Entrepreneurship Competence Framework (EntreComp)\(^{56}\). The EntreComp framework proposes a shared definition of entrepreneurship as a competence, with the aim to raise consensus among all stakeholders and to establish a bridge between the worlds of education and work. Developed through a mixed-methods approach, the EntreComp framework is set to become a reference de facto for any initiative aiming to foster entrepreneurial capacity of European citizens. It

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\(^{52}\) [http://www.tesguide.eu/](http://www.tesguide.eu/)

\(^{53}\) TES is one of the largest entrepreneurship education initiatives in Europe, co-funded by the European Commission through the Competitiveness and Innovation Programme (CIP). It aims at supporting teachers professional development in applying the entrepreneurial learning in several subjects and learning environments (primary, secondary, upper secondary and vocational schools). For more information on the TES project visit: [http://www.theentrepreneurialschool.eu/](http://www.theentrepreneurialschool.eu/)

\(^{54}\) [http://www.efer.eu/faculty-training/eecc/](http://www.efer.eu/faculty-training/eecc/)

\(^{55}\) [http://www.coneeect.eu/index.htm](http://www.coneeect.eu/index.htm)

consists of 3 interrelated and interconnected competence areas: ‘Ideas and opportunities’, ‘Resources’ and ‘Into action’. Each of the areas is made up of 5 competences, which, together, constitute the building blocks of entrepreneurship as a competence. The framework develops the 15 competences along an 8-level progression model and proposes a comprehensive list of 442 learning outcomes. The framework can be used as a basis for the development of curricula and learning activities fostering entrepreneurship as a competence. Also, it can be used for the definition of parameters to assess learners’ and citizens’ entrepreneurial competences.

5.2.1.1 Progress in entrepreneurship education
The latest developments in the area of promoting entrepreneurship education demonstrate that, in general, there is a growing awareness about the importance of entrepreneurship education as a tool to shape the mind-sets of young people and provide the skills, knowledge and attitudes that are central to developing an entrepreneurial culture. Yet, according to a recent survey carried out in 2016\textsuperscript{57}, results achieved so far in the development of entrepreneurship education under the main responsibility of the national governments in the EU countries are far from satisfactory.

Even though most national definitions reflect the same broad understanding of entrepreneurship education as the European Key Competence definition, in almost 10 countries there is no commonly agreed definition of entrepreneurship education in the national context.

Research shows generally low levels of participation in practical entrepreneurial learning at school and a need to further develop the entrepreneurial skills of young people. A recent Eurobarometer survey\textsuperscript{58} indicates that for many young Europeans entrepreneurship does not seem to offer an alternative solution in the face of the jobs crisis. Indeed, in the survey, more than half of the respondents declared having no wish to start their own business (52\%). Just one in five (22\%) would like to start a business but considered it too difficult. Only a quarter of young Europeans are more proactive about starting a business (5\% have done so, 17\% intend to do so in the near future and 3\% tried to start a business but gave up because it was too difficult).

The key problems that are identified at this stage in the implemented national strategies in relation to entrepreneurship education are the lack of comprehensive learning outcomes and the weak monitoring approaches of achieved results. Establishing learning outcomes does not appear to be a priority action within strategies linked to entrepreneurship education, with only 5 Member States and 3 other European countries/regions (Denmark, Estonia, Austria, Poland, the United Kingdom (Wales), Bosnia and Herzegovina, Montenegro and the former Yugoslav Republic of Macedonia) including this as a strategic action. Few countries provide detailed information on the monitoring approach within the strategy, some broader strategies do not specifically link to outcomes or impacts related to entrepreneurship education.

In terms of funding, the above-mentioned survey highlights that more than half of European countries allocate both national and EU funding to the development and implementation of entrepreneurship education. 27 of the European countries/regions dedicate national funding to entrepreneurship education.


\textsuperscript{58} Flash Eurobarometer of the European Parliament (EP EB395) on ‘European Youth in 2014’.
education. In addition to national funding, 24 European countries/regions receive EU funding for entrepreneurship education currently. EU funding for entrepreneurship education is available both via direct funding (managed directly by the EU programmes, for example Erasmus+) or via indirect funding (shared management between national/regional authorities and EU institutions). The main source of indirect funding is the European Social Fund (ESF), which is one of the European Structural and Investment Funds (ESIF). Although both types of funding are important, EU indirect funding may result in more sustainable outcomes as it supports operational programmes with national investment priorities, specific objectives and concrete actions over an extended period of time, as opposed to the often (shorter-term) project-based approach of EU direct funding. Stable and long-term funding streams ensuring a comprehensive approach to funding for entrepreneurship education, including for strategy implementation, the curriculum, teacher education and support, building partnerships with stakeholders, etc. still needs to be developed across Europe.

So far, entrepreneurship education is increasingly recognized as a cross-curricular objective in primary education, but is most commonly taught in upper secondary education through a variety of approaches. Yet, while the majority of countries report integrating entrepreneurship education in their curricula, over half of the countries provide few or practically no guidance on any particular teaching/learning methods to be used and consequently leave teachers with great autonomy in this area. Furthermore, very few countries include practical entrepreneurial experiences as a regular and compulsory part of the curriculum. The most widespread examples of practical entrepreneurial experience are the creation of mini or junior companies and project-based work that has a clear idea generation process and a tangible end product.

On the level of school curriculum, learning outcomes linked to entrepreneurship education are fragmented in most European countries. They are not comprehensive and lack progression between education levels. Only few countries/regions show a more structured approach to specific assessment of learning outcomes with respect to entrepreneurship education (Estonia, Spain, the United Kingdom (Scotland) and Norway) Also, some countries are already developing a more comprehensive and strategic approach, especially through the development of a competence reference framework. This is the case in the Flemish Community of Belgium, Denmark, Austria and the United Kingdom (Wales). It is expected that the recently adopted European Entrepreneurship Competence Framework (EntreComp)\(^{59}\) will help for more focused actions in this direction.

With regard to the provision of focused teachers’ training in the area of entrepreneurship education, the main type of support for teachers provided by central authorities is through the funding or development of teaching materials (17 countries/regions). In 12 countries/regions central authorities have developed guidelines for entrepreneurship education, sometimes in cooperation with other stakeholders. Almost half of the European countries grant autonomy to initial teacher education institutions for the introduction of entrepreneurship education. The provision of courses on entrepreneurship education within continuing professional is better developed than in initial teacher education.

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To sum up, for the time being, none of the countries surveyed within the framework of the above-mentioned study have fully mainstreamed entrepreneurship education in their schools. Progress is most needed in two areas – learning outcomes and teacher education.

At EU level, the Commission’s actions to support exactly those 2 vulnerable segments in the area of entrepreneurship education have resulted in the launching of the above-mentioned European Entrepreneurship Competence Framework (EntreComp) as well as the implementation of several EU-funded projects focused explicitly on teachers’ training and guidance in the area of entrepreneurship education and described in detail in p. 5.2.1.1. Achieved results under these projects are summarized below:

- **TES project** – 4 920 trained teachers from 18 European countries in teaching entrepreneurship, a Virtual guide to entrepreneurial learning containing 126 different entrepreneurial tool and methods and available in 9 languages (Danish, English, Finnish, Greek, Italian, Norwegian, Portuguese, Polish and Slovak)

- **European Entrepreneurship Colloquium** - 14 successful training programmes since 2001, EFER has developed an alumni network of 638 professors from 239 institutions in 53 countries. According to an EFER Alumni Survey in 2012, 96% of academics, who attended EEC, agree that EFER has helped them teach entrepreneurship better, and 79% say that they have built a stronger personal network

- **CONEEECT international network of universities** – so far 6 5-day training workshops have been conducted in the period 2013-2015 with 70 alumni trained from over 17 countries. The Coneeect Handbook 1.0 was published to share innovative practical examples on teaching entrepreneurship as well as the Connect compendium consisting of interactive video clips of entrepreneurship education.

**5.2.1.2 Erasmus for Young Entrepreneurs**

Erasmus for Young Entrepreneurs was launched in 2009 as a cross-border programme facilitating the exchange of entrepreneurial and management experience. New entrepreneurs gather and exchange knowledge and business ideas with an experienced entrepreneur, with whom they stay and collaborate for a period of 1 to 6 months. The stay, including travel and subsistence costs during the visit, is partly financed by the European Commission. Erasmus for Young Entrepreneurs is implemented through local contact points competent in business support (e.g. SME and employers’ organisations, Chambers of Commerce, start-up centres, incubators etc.) in all participating counties (all 28 Member States, Albania, Iceland, Serbia and Turkey) selected through annual calls for proposals. Their activities are coordinated at European level by the Support Office of the Programme.

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60 TES e-brief, 18th Edition - September 2015: http://campaign.r20.constantcontact.com/render?ca=dae04d96-9213-41d2-8c33-5d20d04b42b4d5e=6c3a4d10-666f-11e3-b911-d34ae528434d&ch=6c3ff260-666f-11e3-b911-d34ae528434d


62 European Entrepreneurship Colloquium: http://www.fer.eu/faculty-training/eeec/


64 Coneeect handbook 1.0: https://sites.google.com/site/coneeectwiki/home

65 Coneeect compendium: http://coneeect.eu/compendiumVideos.htm

66 Erasmus for Young Entrepreneurs Programme website: http://www.erasmus-entrepreneurs.eu/
## 5.2.1.2.1 Key achievements under Erasmus for young entrepreneurs

Since its beginning in 2009, Erasmus for Young Entrepreneurs has provided over 4 000 entrepreneurs with the opportunity to meet another entrepreneur of a different country and develop their business. In total 2,500 exchanges have taken place, involving 5 000 new or experienced entrepreneurs. The majority of new entrepreneurs are below 40 years old (89%), while experienced entrepreneurs are mostly below 50 (74%). A third of the participants are women. Almost a quarter of the new entrepreneurs already had a company (for 1 to 3 years) when joining the programme. While the cooperation happens across all sectors, the three most popular ones so far are education and training, advertising and promotion as well as architecture and construction services. In terms of Member States participation, Italy and Spain have registered the highest number of outgoing entrepreneurs, followed by Romania, Greece and Poland. The average duration of the stay abroad is 3.5 months. The most popular destinations are Spain, Italy, the United Kingdom, Germany and Belgium.

64% of the new entrepreneurs, who have participated in the programme, consider that it has contributed significantly to their ambition of becoming entrepreneurs. For start-up entrepreneurs who created their company after the exchange, the experience was a real turning point and 78% confirm that the programme contributed significantly to their motivation to start a business. 60% of the programme’s new entrepreneurs fine-tuned their management skills and almost half of them acquired new marketing competences (46%). Yet it should be highlighted that most of the participants find positive effects mainly in relation to their personal skills (self-confidence, determination) and language skills. Additional efforts are needed to strengthen the positive effects the programme produces over key entrepreneurial skills as they form the initial focus of the programme. One-third of the aspiring entrepreneurs that have participated in the programme (36.5%) have created their own business. 60% of the new entrepreneurs increased their turnover after participating in the programme. Participating businesses have proved to be more active than the average SMEs in the EU when it comes to developing new products and services. 53% of the host entrepreneurs and 73% of the new entrepreneurs have developed new products or services, compared to the 35% of SMEs at EU level from 2007-2010.

## 5.2.1.3 European SME week

The European SME Week[^67] is a pan-European campaign coordinated by the Commission that is focused on promotion of entrepreneurship in Europe. The key objectives of the campaign are to inform entrepreneurs about support available at EU, national, regional, and local level and encourage more people to become entrepreneurs. It consists of events that go throughout the whole year, but the main event is organized every autumn together with the SME Assembly and the European Enterprise Promotion Awards Ceremony. The events organized under the campaign involve many different stakeholders related to the promotion of entrepreneurship - business organizations and business support providers, public authorities, educational institutions as well as existing and potential entrepreneurs and young people.

However, a limited number of SMEs and SME organisations are able to attend this event, and the participant list shows a great majority of state administration representatives. In any case, this is a

positive initiative and can be further developed in the future with the aim of attracting more speakers from the real business – owners and managers of SMEs.

5.2.1.3.1 Assessment of the results achieved under European SME Week

According to the Evaluation of the European SME Week in the period 2009-2012, The Week has proven itself to be an effective mechanism for promoting entrepreneurship. The Week’s events have in the majority of cases helped to improve participants’ understanding of the importance of entrepreneurs and the contribution they make to society, and have improved their perceptions of, and attitudes towards, entrepreneurs. European SME Week events have also been effective at encouraging attendees to more seriously consider becoming entrepreneurs as a career option, and to take concrete steps towards becoming an entrepreneur. However, a significant minority of these events actually took place in multiple locations (up to 17), and/or on multiple dates. Separating out these multiple events (so that, for example, an event held in London and Paris is counted as two events, rather than one), results in a total of 6,349 events in total across the 2009-12 period. This separation arguably provides a truer picture of total activity, and so the analysis that follows is based on this expanded list of “events” that have been held under the first four European SME Weeks (2009-12). The total number of events held has increased year-on-year, from 1,117 (in 2009), to 1,642 (2010), 1,775 (2011), and 1,815 (2012). The Week has therefore increased in size by 62% over its first four years, an impressive expansion in terms of the numbers of events, although the rate of growth is now diminishing.

Events have been held in 38 countries, covering all EU28 Member States, the 9 non-EU ‘members’ of European SME Week, and the principality of Andorra (1 event). The highest numbers of events have taken place in Turkey, Portugal, the UK, Belgium, Spain, France, Italy, Germany and Hungary, with each hosting in excess of 200 events over the four-year period. Turkey stands out however, having hosted 1,838 events, or 29% of the total number overall (Portugal, at 396 events, is the next most common location). The financial costs during the four years of operation are estimated at €6.87 million, or €1.72 million per annum.

The majority of attendees involved in the central event of the European SME Week consider it to have been effective to some extent at improving understanding of entrepreneurs and their contribution to society (1/2 of attendees share this opinion), and improving perceptions of, and attitudes, towards entrepreneurs (46% of attendees). Yet, almost half of the stakeholders consider European SME Week and its events to have been effective to a small extent at encouraging attendees to more seriously consider becoming an entrepreneur as a career option. In fact, the assessment of attendees highlights that the European SME Week has been least effective in stimulating attendees to take concrete steps towards becoming entrepreneurs (39% were not encouraged at all and another 38% - only to a small extent).

Figure 3. Effectiveness of events at improving attitudes and encouraging entrepreneurship – central events attendees

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>The event(s) improved my understanding of entrepreneurs and their contribution to Europe’s welfare, jobs, innovation and competitiveness</td>
<td>7%</td>
<td>43%</td>
<td>50%</td>
</tr>
<tr>
<td>The event(s) improved my perceptions of, and attitudes towards, entrepreneurs</td>
<td>13%</td>
<td>41%</td>
<td>46%</td>
</tr>
<tr>
<td>(If you are not already an entrepreneur) The event(s) encouraged me to more seriously consider becoming an entrepreneur as a career option</td>
<td>30%</td>
<td>46%</td>
<td>24%</td>
</tr>
<tr>
<td>(If you are not already an entrepreneur) The event(s) encouraged me to taking concrete steps towards becoming an entrepreneur</td>
<td>39%</td>
<td>38%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Surveys of Central Event Attendees and Event Attendees (n=115 - 199)

5.2.1.4 Promoting entrepreneurship among specific target groups

Other initiatives at the EU level have a specific focus on the promotion of entrepreneurship culture among specific target groups whose current entrepreneurial skills need additional support so as to favour their more active inclusion within the entrepreneurial field. The groups targeted by EU measures are female entrepreneurs, migrant entrepreneurs, senior entrepreneurs, family businesses and people practicing liberal professions. Due to certain specificities inherent to their status, people from these groups face additional difficulties when trying to set up businesses and therefore need additional support to overcome the challenges.

Family businesses are eligible for all support provided for SMEs such as funding under COSME Programme. In the period 2007-2009, a specific Expert Group on Family Business was established under Directorate-General for Enterprise and Industry to discuss the problems and possible solutions to ensure a friendly business environment to family businesses.

The needs of liberal professions were also addressed through the establishment of a specific working group 'Bolstering the Business of Liberal Professions' in 2013 as a result of the adoption of the Entrepreneurship 2020 Action Plan. The main aim of the group is to help overcome the challenges faced by liberal professions.

5.2.1.4.1 Progress in promoting entrepreneurship among specific target groups

The current desk research exercise identified that, in general, there is very limited information on the progress of EU initiatives in relation to the promotion of entrepreneurship among specific target groups such as women, seniors, migrants, etc. In view of the fact that most EU initiatives along the line of specific target groups are focused on female entrepreneurs, it is not surprising that detailed information is available only for female entrepreneurs.

According to the latest research on the topic[^69], the period 2008-2012 is marked with a slight increase in the share of female entrepreneurs in the total number of entrepreneurs on EU level – from 28% in 2008 it reached 31% (10.3 million women) in 2012. There is great diversity among EU Member

States with Liechtenstein having the highest percentage of women entrepreneurs (43%) and Malta - the lowest percentage (18%).

5.2.2 Creation of favourable conditions for the most crucial phases of a business lifecycle

Another part of the Commission’s efforts to promote entrepreneurship are focused on ensuring favourable conditions for SMEs throughout the most crucial phases of their development:

- Setting up a business;
- Transferring business;
- Winding up a business in case of bankruptcy and restarting.

Even though bankruptcy is not uncommon, the stigma and practical difficulties faced by formerly bankrupt entrepreneurs often deters them from starting new ventures. Moreover, many Europeans fear the consequences of failure enough to deter them from setting up their own business in the first place.

To establish a common framework for insolvency proceedings in the EU, the Council set up a Regulation on insolvency proceedings. It establishes common rules on the court competent to open insolvency proceedings, the applicable law and the recognition of the court's decisions when a debtor (a company, a trader or an individual) becomes insolvent.

5.2.2.1 Progress in relation to optimization of costs and time of start-up procedure

According to the most recent data reported by the Commission, the time required to start a business measured in days has undergone more substantial progress than the costs for starting a new enterprise. The slight reduction in average time is mostly due to simplifications implemented in Austria, Bulgaria and Sweden. The slight augmentation of average cost that is evident during the last 3 years (2013-2015) is mostly due to an increase of costs in Hungary. Thus, in terms of current achievements in this area of SME policies Member States and the Commission have almost reached the goal of reducing the average time required for the start-up procedure to 3 days, while success in the accomplishment of the other goal – the reduction of costs for start-up to 100 euro, seems still distant as the current level of costs is 3 times higher than desired. (Figure 4 and Figure 5).

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Under these new benchmarks for favourable start-up procedures, the aggregated results of the Member States in relation to the 3 objectives earmarked for administrative simplification for start-ups demonstrate uneven implementation – only 8 out of 28 Member States are compliant with all 3 objectives, while the majority has achieved compliance with 2 or 1 objectives – 11 Member States and 8 Member States respectively. Germany is the only country that has not covered any of the set objectives. Best results are achieved in the sphere of ensuring a one-stop-shop for start-up procedures. 24 Member States have put such one-stop-shops in place. 20 Member States have reached the benchmark of 3 days for start-up procedures while only 10 Member States are in compliance with the costs benchmark of 100 euro.

5.2.2.2 Progress in relation to business transfers

According to the latest evaluation of measures to support business transfer\textsuperscript{72}, there has not been much progress in the implementation of measures to improve the framework for business transfers since the 2006 Commission Communication\textsuperscript{73}. The effectiveness of the 2006 Communication in improving the conditions for business transfer is traced along the 4 priority areas identified in the Communication where actions are needed in order to ensure a transfer-friendly business environment - awareness-raising and business support, access to finance, the legal framework and taxation.

The 2006 Communication reported that 60\% of the original recommendations had been implemented (and 45\% in new Member States). Data gathered within the evaluation carried out in 2014 shows an improvement but not as significant as might have been expected. The 19 Member States that responded to the survey carried out during the evaluation have implemented 70\% of the original recommendations, with ‘old’ Member States counting for 77.5\% and “new” Member States for 58\%.

The overall figures, however, should be treated with some caution. While most countries, for instance, report awareness-raising activities, further investigation reveals that these can be sporadic and relatively restricted in scope. The main regulatory measures requiring changes to legislation had in fact already been implemented in many countries by the time of the Communication. Some further
progress has been made in these areas and in reductions or deferral of inheritance tax, but the other proposed changes in tax reliefs in connection with retirement, re-investment or sale to employees have proved more difficult to implement. Of the six proposed tax measures in these areas, only about half (56%) have been implemented on average in the participating Member States.

Furthermore, those countries implementing the recommendations relating to support measures and access to dedicated finance are largely those that were already doing so in 2006. The main considerations leading to the comparatively slow progress in the non-regulatory areas probably relate to cost, since implementing these measures extensively would certainly be costlier than changing regulations, but also to a failure in some countries to appreciate the significance of business transfer as an issue in Enterprise policy.

The general conclusion, then, is that there has not been much further progress in the measures to improve the framework for business transfers since the 2006 Communication. The main earlier gains were in changes in legislation and improvements in relation to inheritance law and tax. There have been fewer developments in areas such as tax arrangements for third parties or employees or in the provision of dedicated support and finance initiatives.

In terms of the efficiency of the implementation of various policy mechanisms highlighted in the 2006 Communication, the evaluation provides a relatively optimistic picture of the processes made in assisting business transfer.

Support services for individual enterprises have increased over the period under review and especially in some countries, provision by the private sector. Public advice services on transfer are often underfunded particularly as compared with support provided for start-ups.

There is evidence that the use of advisers can actually have negative consequences for the post-transfer performance of enterprises and many advisors are ill-equipped to provide advice over the entire process of a business transfer or to deal with the psychological and motivational factors that are important for individuals facing a life changing event. It also appears that professional SME advisors in general target their services at medium-sized firms and are too expensive for small firms. There is, however, emerging good practice that can provide the basis for establishing an appropriate framework.

A review of online transfer markets suggests that the recommendation of the 2006 Communication this area on the development of transparent markets is being increasingly realized and more provision is being made for the whole range of businesses for which transfer is an issue. The existing systems appear to have been developed cost-effectively.

With regard to the financing of transfers, there has been little development of dedicated transfer funds since 2006, especially beyond the core group of countries that took early action in this area. Nor has the issue been specifically addressed at an EU level. However, a lot of transfer financing is achieved through non-dedicated channels and although businesses seeking to finance a transfer have experienced problems from the worsening of the overall financial environment for SMEs since 2008, a consistent feedback from stakeholders is that there is not generally a finance problem specific to business transfers and that, in fact, well prepared transfer propositions can usually find an appropriate financing solution.
5.2.2.3 Progress in relation to insolvency and second chance options
The Commission Insolvency Recommendation of 2014 encourages Member States to “put in place a framework that enables the efficient restructuring of viable enterprises in financial difficulty” and to provide for “minimum standards on preventive restructuring frameworks.”

The latest 2016 Study on a new approach to business failure and insolvency highlights that modern restructuring procedures already exist in most, if not all, Member States and that European insolvency law has gone through a significant transformation over the past decade or so. But difficulties across the EU remain in that there are some countries where such procedures are outdated at best or completely lacking. In other cases, the procedures may be cumbersome and inefficient and have the effect of transfer wealth to out-of-the money creditors and shareholders. Other inefficiencies include prolonging the life of financially unviable enterprises. This has detrimental consequences for healthy competitors and the overall soundness of the economy. It hinders achievement of the objective of putting assets to their most effective use. There are other countries with a multiplicity of procedures that may lead to a restructuring outcome. The overall result may be complexity in the law and a number of potentially conflicting options for a debtor to contemplate in a particular case since some but not all the options may be covered by the recast Insolvency Regulation and therefore entitled to the benefit of automatic EU-wide recognition under the Regulation.

The approach of the EC Recommendation is to limit the discharge period to a maximum of three years, after which a debtor is freed from outstanding debt (as appropriate), whilst safeguarding the livelihood of the Entrepreneur. The data gathered about the extent to which ‘second chances’ are supported in Member States as envisaged by the EC Recommendation evidences divergence across the EU, whether in terms of the basis upon which Entrepreneurial debt is treated and the connected issue of availability of procedures, length of the discharge period or how the livelihood of the Entrepreneur is safeguarded. Discharge from debt within five years is now possible in most Member States. However, whilst discharge within three years is now widely available, the EC’s goal of discharge within three years is not yet guaranteed. In relation to supporting the honest Entrepreneur, and safeguarding livelihoods, again there is some similarity in approach. Divergence lies in the detail, and highlights some important issues that need further consideration: what constitutes a living wage, what assets are excluded from liquidation and protection against losing the family home.

Important future steps in the area of insolvency and second chance still lie ahead in view of the ongoing Commission insolvency initiative that aims at providing tools which would allow viable businesses in distress to be rescued and honest but bankrupt individuals to be given a second chance. The Commission is planning to present a legislative proposal for a Regulation amending Council Regulation (EC) No 1346/2000 on insolvency proceedings offering new rules that will shift focus away from liquidation and develop a new approach to helping businesses overcome financial difficulties, all the while protecting creditors’ right to get their money back.

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5.2.3  The promotion of entrepreneurship in the EU – progress in figures (2016)

According to the most recent data reported under the SME Policy Database in 2016\textsuperscript{76}, the overall performance on the EU level registered by all 28 Member States in the area of entrepreneurship promotion has not been strong. This area is covered by 2 SBA principles - “Entrepreneurship” and “Second chance” and the indicators collected by the database provide relevant information on the progress achieved under each of them. While the assessment of second chance options to bankrupt entrepreneurs in the EU have placed “Second chance” principle on the third place in the ranking of the best-performing principles (EU average performance score 0.608 measured on a scale where 0 stands for “worst” and +1 – “best”) the results achieved under “Entrepreneurship” principle are the least satisfactory (lowest EU average performance score 0.439).

The performance picture turns upside down when the compound annual growth registered in the period 2008-2016 for both principles is compared. For “Entrepreneurship” it is positive and amounts to 0.6\% (calculated on the basis of average values of the indicator taken from 3 years) while the compound annual growth for “Second chance” is calculated to be 0.1.

In fact, this unbalanced picture in the area of entrepreneurship promotion demonstrates that the strive to develop a strong entrepreneurial culture in the EU society is the task in which the EU is confronted with the greatest difficulties in comparison to the results achieved along the other SBA principles.

Recent data reported in the SME Policy Database proves that changes on the level of perceptions take more time to happen. Despite the initiated interventions to strengthen entrepreneurial culture across Europe only a very small proportion of EU citizens in general have made their first steps in entrepreneurship recently. Entrepreneurial activity is even lower among women. Those of EU citizens with any entrepreneurial intentions are just 12.1\%.

More positive results are tracked in the area of ensuring favourable conditions for companies to overcome the most crucial phases in their development, such as the start-up phase, cases of transferring business and last but not least insolvency cases. In the same time though some progress has been achieved the business conditions related to start-up and insolvency issues are still far from being favourable and from reaching the EU goals related to the regulation of these crucial phases in the business cycle. In terms of the time for setting up a business the Member States have come at closest to proclaimed goals. Yet, the cost for the start-up procedures is three times higher than the goal of 100 euro.

Entrepreneurial activity*
- 7.5% of EU citizens and 5.5% of women aged 18-64 are either nascent entrepreneurs or owner-managers of a new business
- 47.9% of them are driven by the opportunity to be independent and successful
- 6.7% of EU citizens aged 18-64 are owners of established businesses (operating more than 42 months)
- 12.1% of people aged 18-64 have intend to start a business in 3 years

Entrepreneurship education and developing entrepreneurial culture
- School helped 50% of people to develop a sort of entrepreneurial attitude
- 56.9% of EU citizens aged 18-64 think starting a business is considered a desirable career choice in their countries compared to 64.7% in the USA
- 66.6% of EU citizens aged 18-64 claim that successful entrepreneurs have high status in their country compared to 76.9% in the USA
- 53.6% of EU citizens aged 18-64 claim that they often see stories in the media about successful new businesses compared to 75.8% in the USA

Start-up procedures
- Time to start a business: 3.5 days
- Cost to start a business: 312.9 Euro
- Paid-in minimum capital (% of income per capita): 11.3%
- Licensing complexity: 15.8 on a scale where 1=lowest level of complexity, 26=highest level of complexity

Insolvency
- Time for resolving insolvency: 2 years
- Cost for resolving insolvency: 10.3% of the debtor’s estate
- Fear of failure: 40.7%
- Degree of support for allowing a second chance: 82% of people agree bankrupt entrepreneurs to have the right to second chance

Data in the SME database is extracted from the following sources:
5.3 Key challenges & problematic areas in relation to promotion of entrepreneurship

The analysis of the progress achieved in both dimensions of the priority area related to promotion of entrepreneurship (developing entrepreneurship as a skill and the creation of favourable conditions for the most crucial phases of a business lifecycle) provides evidence on the following challenges and problematic areas that still exist on EU level and should be further addressed in EU SME policies with greater care:

❖ Challenges and problematic areas in developing entrepreneurship as a skill

Desk research data demonstrates that the strive to develop a strong entrepreneurial culture in EU society is the task in which the EU is confronted with the greatest difficulties in comparison to the results achieved along the other SBA principles. Although many initiatives were launched with the aim to support entrepreneurship, most of them constitute soft measures focused on training, exchange of best practices, establishment of information networks, etc. Most of these measures though successful within their specific goals (e.g. Erasmus for Young Entrepreneurs Programme and the projects in relation to entrepreneurship education implemented on EU level) have in general limited effect because they encompass limited number of people. Thus, results turn out to be not so positive when it comes to measuring the performance indicators for entrepreneurship that track the actual changes in entrepreneurial behaviour among EU citizens. It is a common rule that cultural changes in the perceptions of the general population need plenty of time to happen. Therefore, stronger efforts on EU level are especially necessary in relation to the following issues:

▪ Entrepreneurship education

The most problematic component within the dimension of developing entrepreneurship as a skill is related to the successful integration of entrepreneurship education in the school curricula on all educational levels. Progress is most needed in two areas – steady integration of entrepreneurship in the education systems across all Member States as an optional subject and teacher education. So far, entrepreneurship education is increasingly recognised as a cross-curricular objective in primary education, but is most commonly taught in upper secondary education through a variety of approaches. No coherent practice is identified among Member States, though this is quite normal as their education systems vary substantially. Furthermore, very few countries include practical entrepreneurial experiences as a regular and compulsory part of the curriculum. Therefore, it is essential to invest more efforts in making entrepreneurship part of the curriculum as an optional subject so that young people, too, can acquire positive attitudes and skills for the development of small and medium-sized undertakings.

The current lack of comprehensive learning outcomes related to entrepreneurship education on the Member States’ level may be identified as another main hindrance to the development of effective and high quality entrepreneurship education. More work may be needed to support countries in developing and implementing more robust monitoring frameworks especially in times when government and other funding is squeezed.

▪ Erasmus for Young Entrepreneurs Programme

Though in general the programme achieved very good results in relation to the strengthening of the entrepreneurial spirit of young people, more focus and attention should be paid on the development of
entrepreneurial skills, as they form the initial focus of the programme. So far, reported data highlight that most of the participants find positive effects mainly in relation to their personal skills (self-confidence, determination) and language skills which are also essential but are not the core aim of the programme.

- **European SME Week**

Feedback from stakeholders has confirmed that while progress has been made, entrepreneurs within Europe still do not receive adequate recognition, there are still insufficient numbers of people seriously considering becoming entrepreneurs and there is an ongoing need to promote entrepreneurship to encourage more people to start and run their own businesses. Therefore, the objectives of European SME Week with respect to improving entrepreneurial attitudes, aspirations and activity remain relevant today but additional and more focused efforts are needed to optimize this tool for promoting entrepreneurship. Specific attention should be paid on making organized events more focused on stimulating attendees to seriously consider becoming an entrepreneur as a career option and to take concrete steps towards becoming such. Currently, the European SME Week has produced little real impact on attendees in this direction. There is more to be done to include more real entrepreneurs and SMEs managers and owners to the attendees as well as provide for more balanced participation of SMEs organizations from all MSs.

Despite annual improvements, feedback from stakeholders suggests that further optimization in the website of the event is desired especially in making the event registration and approval process more user-friendly. Some problems with the translation of pages remain. Another concern in relation to the website effectiveness is related to the need to make it more attractive, engaging and up-to-date. In view of the drastic decline in the number of unique visitors, special attention has to be paid in order to ensure that the website is an informative and useful resource that is expanding its audience rather than losing it.

- **Promoting entrepreneurship among specific target groups**

Within the dimension related to the development of entrepreneurship as a skill, the least progress is achieved along the actions designed to promote entrepreneurship among specific target groups. So far, efforts have been focused mainly on the promotion of entrepreneurship among women and only in the last 2-3 years, specific attention is paid to migrants in view of the tightening migration crisis in Europe. There is a room for a more active EU support to other specific groups such as people practicing liberal professions. Though the EESC has encouraged the Commission to develop the idea of adopting a "European Charter for the liberal professions" similar to the "European Charter for Small Enterprises" such a charter is still missing and as a result there is a lack of coherent policy framework towards this specific target group of entrepreneurs.

As to the place of senior people within EU efforts to promote entrepreneurship their potential as valuable educators of younger generation and the opportunities of sharing their work experience is still largely unexplored. In general, their needs have been addressed only through the collection and dissemination of best practices and other more focused initiatives are rare.

The possibility of tapping into the experience of retired and experienced entrepreneurs who are willing to help by passing on their expertise to "new" entrepreneurs is still vaguely explored and addressed by specific EU support measures. Such exchange of entrepreneurial knowledge among
generations, although highly valuable, still falls outside special EU support based on incentives making it possible for mentors and entrepreneurs to share the benefits of creating generated value.

- Challenges and problematic areas in the creation of favourable conditions for the most crucial phases of a business lifecycle

Analysis of achieved progress outlines that relatively more positive results are tracked in the area of ensuring favourable conditions for companies to overcome the most crucial phases in their development such as the start-up phase, cases of transferring business and, last but not least, insolvency cases. The major positive changes are related to the nearly completed benchmark level of time required to set up a business and the slight decrease in the costs to start a business. Yet, the benchmark of 100 euro cost for the start-up procedure is 3 times lower than the current average cost across the EU.

While much has already been done in terms of making the registration technology and procedure easier in the EU, there is still much to be desired in relation to the conditions for business transfers and insolvency and second chance options. Practically, the area of insolvency is the most crucial issue if really favourable conditions to SMEs must be granted. Making the creation of a start-up easy doesn’t mean that sufficient support is provided in the other phases of an enterprise’s evolution, especially in its last phase when, for certain reasons, it should be closed. By all means, the liquidation event is very stressing to SMEs. If favourable and supportive second chance options are not guaranteed, the EU risks suffocating the entrepreneurial spirit of many EU citizens. There is a need to ensure a simple and clear procedure for liquidations (both insolvency and voluntary winding-up), which in many countries is difficult from a purely procedural perspective. Hopefully, the current Insolvency initiative of the Commission will ensure the necessary progress in this direction.

According to the Final report from the Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers, the policy relating to business transfer has simply not been given sufficient profile on EU level. It is clear, for instance, that in spite of earlier recommendations that business transfer be put on a similar footing to policy promoting start-ups, this has simply not been achieved in many countries, nor at a European level.

5.4 The SMEs perspective on promotion of entrepreneurship in the EU – summary of the case study in Belgium

In general, Belgian SMEs are not assessing the business environment in their country as favourable to entrepreneurship endeavours. Their main difficulties are related to high taxes, access to finance to support the business activity and heavy administrative burden. Maintenance of personnel is also expensive and the rules of hiring and firing are not flexible at all, involving very high costs for redundancy. Belgian SMEs consider that the successful examples of the large and powerful companies lead to increased expectations towards them: job creation, secure employment, better remuneration for the personnel, etc. The problem however is that in comparison to large enterprises, the capabilities of SMEs are limited.

According to them, the existing legislation is not always efficient enough and does not comply with demands of the employers, personnel, consumers and the environment. Therefore, modifications to the legislative framework are needed so as to make it fit for its purpose and more adequate to the
economic reality in the country. They find the start-up and winding-up procedures particularly challenging. In view of the too high taxes, Belgian SMEs point out that it is difficult to survive and succeed at the early stage of development, so they need strong support to grow more quickly and more effectively. Moreover, there is a need for accelerating winding-up procedures when businesses fail as they impose difficulties from a procedural perspective. Respondents consider that in Europe, the stigma of failure does not give a second chance for entrepreneurs.

In fact, a small part of Belgian SMEs have used EU support for their activities. Most of them are not familiar with any national or EU initiatives that promote entrepreneurship and support start-ups and entrepreneurship education and the reasons are that they are not sufficiently informed about the possibilities or do not need such kind of support. Belgian entrepreneurs usually find the information they need alone. Their work schedule is quite hectic and they do not have plenty of time in order to delve into large amounts of information. Moreover, some respondents conclude that the authorities that are supposed to support the business have no idea how the business actually functions.

Belgian SMEs acknowledge that in the recent years, the EC is making efforts to support SMEs but the progress is still limited. The focus and priorities of support instruments do not always match the needs and priorities of SMEs. Therefore, Belgian SMEs believe that the EU needs to amend its socio-economic policy in order to be able to address adequately the specificities of the business sector which consists largely of micro and small enterprises.
6. Improving access to markets and internationalization

6.1 Overview of main commitments on EU level for improving SMEs access to markets and internationalization

By endorsing the European Charter for Small Enterprises (2000), Member States pledged themselves to “ensure access to markets on the basis of the least burdensome requirements that are consistent with overriding public policy objectives”. The key actions planned to be the focus of EU efforts to improve SMEs’ access to new markets in the following years are related to the development of the EU Single market so as to guarantee a user-friendly environment to SMEs in such critical areas as electronic commerce, telecommunications, utilities, public procurement and cross-border payment systems. The other main direction of intervention proclaimed in the Charter is focused on the further development of EU and national competition rules so as to make sure that SMEs have every chance to enter new markets and compete on fair terms.

In 2008 The Small Business Act further strengthened the EU commitments in relation to EU support for the improvement of SMEs access to new markets by incorporating this issue in several of its core principles - principle VII “Single market”, principle X “Internationalization” and partially principle V “Public procurement & State aid”. The SBA acknowledges that the EU has to “help SMEs to benefit more from the opportunities offered by the Single Market” as well as “encourage and support SMEs to benefit from the growth of markets”. Furthermore, the EU makes a commitment to “adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs”.

Proposed steps in the area of strengthening the Single Market include measures to monitor the development of the Single market so as to minimize market failures and to promote the use of electronic signatures and authentication so as to help SMEs participate in global supply chains. Furthermore, measures are envisaged to ensure adequate access for SMEs to standards and certification processes as well as to promote the importance of intellectual property rights among them.

Key actions in the area of internationalization of SMEs to markets outside the EU should be focused on improving access to procurement markets and enforcement of intellectual property rights, ensuring fair competition, as well as facilitating market access. Furthermore, additional efforts will be invested in trade facilitation, exploiting the potential of market opportunities in the EU candidate and neighbouring countries and the opening up of third country markets. Among the key measures planned both on EU and Member States’ level are:

- promotion of the Community Trade Mark system and stimulating SMEs access by Community Trade Mark fees reduction;
- facilitation of cross border trade for SMEs by minimizing administrative burdens and removing the fragmentation of consumer protection rules;

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• promotion of standardization;
• promotion of the correct application of the mutual recognition principle;
• elaboration of voluntary Code of Best Practice for contracting authorities on how to reduce bureaucracy, improve transparency and information and ensure a level playing field for SMEs
• upgrade of EU public procurement websites to offer optional publication of contract notices for below-threshold procurement, an online tool to find business partners, and increased transparency of public procurement requirements;
• facilitation for the opening up of non-EU countries’ procurement markets;
• publication of a Vademecum on State Aid for SMEs to increase awareness of the existing support options;
• promotion of the practice contracting authorities to subdivide contracts into lots where it is appropriate and to make sub-contracting opportunities more visible;
• establishment of European Business Centres in selected markets, starting with the fast-growing economies of India and China;
• launch of ‘Gateway to China’ scheme, focusing on establishing an Executive Training Programme in China to enable European SMEs to be more competitive in the Chinese market;
• opening up of third countries markets, in particular in developed and advanced developing economies, through WTO negotiations and bilateral agreements.

6.2 Key European initiatives in the area of improving SMEs access to markets and internationalization

6.2.1 Strengthening the European Single Market

6.2.1.1 The four freedoms and the new Single Market Strategy
The creation of the Single Market is one of the major developments in the process of European integration. The market is intended to be conducive to increased competition, increased specialization, larger economies of scale, allowing goods and factors of production to move to the area where they are most valued, thus improving the efficiency of the allocation of resources. It is also intended to drive economic integration whereby the once separate economies of the Member States become integrated within a single EU wide economy.

A current overview of the applied support mechanisms at the EU level to boost SMEs internationalization prepared by the European Commission in March, 2016, distinguishes 69 different support mechanisms in total. Though many steps to strengthen the Internal Market have already been taken on the EU level, implementation on the level of Member States still continues to face numerous challenges in areas that impact its proper functioning (e.g. taxation). In those areas, deep differences between the various Member States still exist. Therefore, in order to allow the Single Market to adapt to the rapidly changing business environment and the rise of new business models, such as the widespread digitalization, the fourth industrial revolution (Industry 4.0), the concept of the circular economy and the collaborative economy the Commission adopted a new Single Market

Strategy in October 2015 with the aim to boost the potential of the Single Market through so that consumers and businesses can benefit more from their participation in it. The new strategy specifically focuses on practical measures designed to help SMEs and start-ups to grow and expand, improve the opportunities for businesses and professionals to move across borders, eradicate restrictions in the retail sector and optimize the delivery of the Services Directive by reforming the notification procedure. In view of the current launch of this new strategy the implementation of the strategy is still in its initial phase preventing the possibility of making any assessment as to its future effectiveness. Therefore p. 6.3 and 6.4 provide information and analysis on the achieved results and benefits SMEs experienced in the period 2008-2015 from their participation on the Single market as well as the key problems they have experienced so far.

6.2.1.2 Promoting standardization among SMEs

Standards are an important tool for the development of the Single Market in general and particularly for ensuring adequate access for SMEs to new intra-EU markets outside their country of nationality. Their voluntary application and the fact that they represent technical specifications for products developed on the grounds of consensus between industry and market actors makes them a very credible and useful instrument for companies that want to demonstrate their products’ compliance with rules for consumer protection, public health and environment, and be able to sell them across the EU. Thus, by using standards companies can reduce costs, improve safety, enhance their market competitiveness and become more open to innovation.

European Standards are under the responsibility of the 3 existing European Standardization Organizations (CEN, CENELEC, ETSI). The European Committee for Standardization (CEN) brings together the National Standardization Bodies of 33 European countries. The European Committee for Electro-technical Standardization (CENELEC) is specialized in the standardization in the electro-technical engineering field. In its turn, the European Telecommunications Standards Institute (ETSI) produces globally-applicable standards for information and communications technology, including fixed, mobile, radio, converged, broadcast, and internet technologies. At the EU level, Standardization is increasingly seen as a bridge between research, innovation and the market. Every year, more than 1000 European standards are adopted. However, many companies, especially SMEs that are not backed by substantial resources in terms of qualified personnel and finance, find it extremely complex to take part in the standardization system. They are also very often not even aware of the benefits that standards can offer for their trade and daily activities. The main problems are lack of information on new standards, little knowledge of standards to be applied, proper understanding and applying of standards, obtaining certificates of compliance with standards and an inability to take part in drafting new standards.

This need to ensure active involvement of SMEs in the standardization process was acknowledged by the European Parliament in 2010 and was later recognized through the adoption of Regulation

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1025/2012\footnote{Regulation 1025/2012 on European standardization: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:316:0012:0033:EN:PDF} that introduced overall rules regarding the European standardization process in order to encourage an appropriate representation of all relevant stakeholders, including SMEs. As a result the Small Business Standards (SBS)\footnote{SBS website: http://www.sbs-sme.eu/} was founded as a non-profit European association under Belgian law with the financial support from the European Commission. Its purpose is to provide adequate expertise to SMEs in relation to standards, raise their awareness of the benefits of standards and get more SMEs involved in the standardization process. SBS aims to represent and defend SME interests in standardization at the EU and international level. SBS experts directly participate in the standardization process through European Standardization Organizations (CEN, CENELEC, ETSI). Moreover, in relation to the work of ETSI, SMEs have the opportunity be involved directly as members and do not have to be represented by SBS.

Aside from ensuring SMEs representation in the standardization process at the EU level, the EU seeks to address SMEs needs and raise their awareness on standards through the provision of support networks such as the CEN-CENELEC SME Helpdesk\footnote{CEN-CENELEC SME Helpdesk: http://www.cencenelec.eu/sme/Pages/default.aspx} (presented in detail in Annex 4 of the report) and dedicated SME directories on the official websites of all European Standardization Organizations.

**6.2.1.3 Promoting intellectual property rights among SMEs**

In today’s global economy, the success of European business and industry depends not only on creativity and inventiveness, but also on the effective and profitable transposition of new products and services to the market. The Intellectual Property Rights (IPRs), including patents, trademarks, designs and copyright are an essential tool for enabling business success based on innovation. However, SMEs face particular problems as they rarely have the resources to address the issues unaided. The costs and complexity of the IPR system may cause SMEs to turn away and focus on more immediate issues of day to day running a business. It is therefore essential to ensure that SMEs are able to build an IPR strategy as an integral part of their business strategies, and to do this the regime must be easier to understand, more accessible and less costly.

Under the EU’s flagship initiative on the creation of Innovation Union and based on the adopted comprehensive IPR strategy in a 2011 Communication of the Commission\footnote{Communication of the Commission, “A Single Market for Intellectual Property Rights Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe”: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011DC0287}, the EU makes a commitment to support EU companies, especially SMEs, to better manage and take advantage of IPR in the EU and beyond. In order to tackle the existing difficulties for SMEs in their access to IPR, the EU focuses predominantly on the provision of key support networks aiming to improve SMEs awareness and understanding of IP and IPRs and provide free access to IPR sources. The EU funds four IPR helpdesks on IP issues - the European IPR Helpdesk and 3 specialized helpdesks designed to support European SMEs in China, South-East Asia and Latin America that provide free of charge services for SMEs in the area of IPR generation, management and enforcement (details on these IPR support networks are provided in Annex 4).
6.2.1.4 Expanding SMEs opportunities to access public procurement & state aid

The public sector in the EU is the biggest single spender on the Single Market. Therefore, in order to create a level playing field for all businesses across Europe and ensure transparency of public spending and fair competition among companies, EU law sets out minimum harmonized public procurement rules. These rules organize the way public authorities and certain public utility operators purchase goods, works and services. They are transposed into national legislation and apply to tenders whose monetary value exceeds a certain amount. For tenders of lower value, national rules apply. Nevertheless, these national rules also have to respect the general principles of EU law.

To further strengthen the Single Market and open up national public procurement markets to companies from other EU countries, including through the use of joint cross-border procurement, the EU launched a major public procurement reform in 2014 by adopting a set of 3 directives - Directive 2014/24/EU86 on public procurement, Directive 2014/25/EU87 on procurement by entities operating in the water, energy, transport and postal services sectors and Directive 2014/23/EU88 on the award of concession contracts.

The new rules apply for all Member States after 18 April 2016, which was the final date for transposition of the directives’ rules into the national legislative systems. The success of the new legislation depends very much on its effective enforcement in EU countries.

6.2.2 Helping SMEs internationalize beyond the EU

Internationalization beyond the European Single Market to third countries is regarded as an important opportunity for stimulating SMEs growth. In 2011, the Commission adopted a new strategy89 aimed at helping SMEs expand their business outside the EU. Key actions proposed encompass strengthening the existing supply of support services, creating a single virtual gateway to information for SMEs and promoting clusters and networks for SME internationalization.

6.2.2.1 Support tools for SMEs internationalization

In general, the period 2007-2015 is characterized by the proliferation of a large number of support networks devoted to provide support to EU SMEs. Among the diversity of networks installed in this period the SME Internationalization portal is of key importance as it gives access to over 700 service providers that offer help to EU-based SMEs extend their business to markets outside the EU (detailed information on this key support network is provided in Annex 4 of the report).

Other support networks providing specialized information on third countries’ markets are:

- The Business Centres established in key third countries’ economies such as:
  - India – important information on exports and internationalization options for business in general is provided through a specialized directory “Doing Business in India”90 on the website of the delegation of the EU in India;

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- China – the EU SME Centre\textsuperscript{91} provides a comprehensive range of hands-on support services to EU SMEs, getting them ready to do business in China;
- Thailand - The European Association for Business and Commerce (EABC), a European Trade Organization offers a specialized business helpdesk for EU SMEs\textsuperscript{92};
- EU-Japan Centre for Industrial Cooperation\textsuperscript{93} - a non-profit organization established as a result of the cooperation between the EU and the Japanese government to promote all forms of industrial, trade and investment cooperation which offers services like training, matchmaking missions for clusters and SMEs, logistics and market-entry business plan support, etc.;
- Market Access Database (MADB)\textsuperscript{94} gives information to companies exporting from the EU about import conditions in third country markets in relation to tariffs, procedures and formalities, trade barriers, sanitary and phytosanitary issues, rules of origin as well as links to many EU support networks aimed at SME internationalization.

6.2.2.2 Promoting the establishment of clusters among SMEs

Clusters are highlighted by the European Commission as a useful tool for facilitating cross-sectoral and cross-border collaboration among SMEs that can help them grow and internationalise\textsuperscript{95}. Usually, they provide a field for active cooperation among companies specialized in a given business area and operating in a particular location. Thus, in working together, SMEs can be more innovative, create more jobs and register more international trademarks and patents than they would alone. Currently the larger number of support tool provided by the EU are in the form of support portals and networks that disseminate important information on the opportunities for the establishment of clusters provide field for cooperation.

Actually, the EU Cluster Portal established for the exchange of information on key European initiatives, actions and events for clusters and their SMEs doesn’t even possess its own website, but is hosted by a separate directory within the Commission’s portal\textsuperscript{96}. The portal offers access to information, mapping tools and analysis of EU clusters and cluster policy through the European Cluster Observatory\textsuperscript{97}. It supports cluster organisations by offering them benchmarking and training tools elaborated under the European Cluster Excellence Initiative (ECEI)\textsuperscript{98}. The continuation of the actions developed under the ECEI is secured through the establishment of a European Secretariat for Cluster Analysis whose tasks are focused on the regular update of the benchmarking tool, training on how to use this tool and manage the labelling process and the European Foundation for Cluster Excellence\textsuperscript{99} whose aim is to update the training materials and organise training activities for cluster managers.

\textsuperscript{91} EU SME Centre website: \url{http://www.eusmecentre.org.cn/}
\textsuperscript{92} EABC business helpdesk for EU SMEs: \url{http://www.eabc-thailand.eu/business/83/BUSINESS+HELPDESK+FOR+EU+SMES.htm}
\textsuperscript{93} \url{http://www.eu-japan.eu/}
\textsuperscript{94} Market Access Database website: \url{http://madb.europa.eu/madb/indexPubli.htm}
\textsuperscript{96} EU Cluster Portal: \url{https://ec.europa.eu/growth/smes/cluster_en}
\textsuperscript{97} European SME Observatory: \url{https://ec.europa.eu/growth/smes/cluster/observatory/about}
\textsuperscript{98} European Cluster Excellence Initiative: \url{https://ec.europa.eu/growth/smes/cluster/excellence_en}
\textsuperscript{99} European Foundation for Cluster Excellence: \url{http://www.clusterexcellence.org/}
Furthermore, The European Cluster Collaboration Platform (ECCP)\textsuperscript{100} has been established as a specialized platform to facilitate cluster cooperation within the EU and to help clusters access international markets. This platform lets European cluster organisations profile themselves, exchange experience and search for potential partners for transnational cooperation.

The Cluster Excellence Programme and the internationalization of clusters are currently supported under the COSME Programme. Details are provided in section 7 of the report.

\begin{footnotesize}
\begin{itemize}
\item\textsuperscript{100} European Cluster Collaboration Platform: \url{http://www.clustercommission.eu/}
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6.3 Main results in the area of improving SMEs access to markets and internationalization in the period (2007-2016)

6.3.1 Improving access to markets and internationalization for SMEs in the EU – progress in figures (2016)

According to the most recent data reported under the SME Policy Database in 2016, the overall performance at the EU level registered by all 28 Member States in the area of improving SMEs access to markets and internationalization is highest in comparison to the other priority areas of intervention of EU SME policies. This area is covered by 3 SBA principles - “Single market”, “Internationalization” and “State aid & Public Procurement” and the indicators collected by the database provide relevant information on the progress achieved under each of them. While the assessment of the internationalization support provided on EU level to have placed the “Internationalization” principle in first place in the ranking of best-performing principles (EU average performance score 0.757 measured on a scale where 0 stands for “worst” and +1 – “best”), the results achieved under the “State aid & Public Procurement” principle and “Single market” principle are not so satisfactory with EU average performance scores of 0.499 and 0.497 respectively. Actually, while the measures initiated in the area of state aid and procurement are at least close to the average level of performance along the adopted scale the implementation under the “Single market” principle takes the third lowest position with EU average performance score of 0.497, just before “Skills and Innovation” and the “Entrepreneurship” principle that is at the bottom of this ranking.

The performance picture is slightly reversed when the compound annual growth registered in the period 2008-2016 for the “Internationalization” and “Single market” principles is compared. Quite expectedly, “Internationalization” is amongst the highest measured priority areas of EU SME policies with a growth rate of 0.7%. At the same time though, the average performance score for the measures under “Single market” is not so satisfactory, the compound annual growth rate for “Single market” is the second highest rate along all priority areas of EU SME policies and is calculated to be 0.9%.

In fact, this situation might signal that the EU has initiated important actions to further strengthen the Single Market as a result of which compound annual progress rate is positive, but the effect from these actions takes time and have still not produced the expected impact in terms of achieved performance level.

The most recent data available in the Interactive SME database clearly illustrates that progress is still needed in all directions of support provided to SMEs so as to facilitate their access to new markets within and outside the boundaries of the EU. The number of detected infringements on behalf of Member States in relation to the proper transposition of EU Single Market rules is still high, which means that the Single Market environment has not reached yet its optimal state of being business-friendly and conducive to entrepreneurial endeavours.

Quite expectedly, the comparison between SMEs’ share in the intra-EU export/import and extra-EU export/import highlight that SMEs are more active within the Single Market. The size constraints and limited human and financial resources of SMEs usually prevent them from expanding globally outside

the confines of the EU. The Greatest activity of SMEs is observed in intra-EU imports, with approximately 25% of SMEs importing foreign production from other EU Member States. Half that number of EU SMEs import such products from outside the EU. An even smaller share of SMEs (7%) dare to export their production globally. The share of SMEs exporting to other countries in the EU is also far from impressive, though higher than the level of extra-EU exports among SMEs. It might be that, in many cases, especially for micro enterprises, the required procedures and time and cost related to exporting outside the EU prevent them from making the first step toward such an expansion of their business. The costs of extra-EU export/import are relatively the same and fluctuate slightly below 1 000 euro.

SMEs register a relatively satisfactory level of public contracts awarded to them by receiving a share of 29% of all contracts awarded by Member States above threshold levels. Yet payment delays in relation to the implementation of public contracts continue to be a problematic issue with average delays calculated to reach approximately 1 month measured in calendar days in addition to days stipulated in the contract for the execution of the final payment. At the same time, the share of state aid granted to SMEs from the total aid earmarked for horizontal objectives is relatively low.
Figure 7. Key results in the area of access to markets & internationalization (Source: Interactive SME Database)

- Intra-EU exports of goods by SMEs in industry: 16% of EU SMEs
- Intra-EU imports of goods by SMEs in industry 24.3% of EU SMEs
- Number of pending infringement proceedings\(^{102}\): 30.2
- SMEs' share in the total value of public contracts awarded by Member State (only contracts above threshold levels): 29%
- Share of businesses having taken part in a public tender of public procurement procedure: 37%
- Share of aid earmarked for SMEs including risk capital of total aid for horizontal objectives of common interest: 6.8%
- Average delay in payments - public authorities: 27.9 days
- Key export indicators: 4.1 documents, 11.6 days & 1,042.10 USD required to export one 20-foot container
- Key import indicators: 4.6 documents, 10.6 days & 1,079.50 USD to import one 20-foot container
- Extra-EU exports of goods by SMEs in industry: 10.7% of EU SMEs
- Extra-EU imports of goods by SMEs in industry: 12.5% of EU SMEs

Data in the SME database is extracted from the following sources:

- **State aid & Public procurement:**

\(^{102}\) All cases where transposition is presumed not to comply with the directive it transposes or where Single Market rules (either in the Treaty on the Functioning of the European Union or in the secondary legislation) are presumed to have been incorrectly applied and where a letter of formal notice has been sent to the Member State in question. In order to avoid double counting, cases of failure to notify transposition are excluded from these figures.
6.3.2 **Specific results in the area of promoting SMEs internationalization both within and beyond the EU**

Recent evidence indicates that the total value of EU exports was approximately EUR 5500 billion in 2015, contributing to 43.8% of the Europe’s GDP (Eurostat, 2015) and has faced moderate but stable increase every year after it dropped down to its lowest level of 34.8% in 2009 in the aftermath of the economic crisis. According to a Eurobarometer survey on SME internationalization in 2015\(^{103}\), one third of SMEs in the EU (33%) have exported to another country in the last three years; in particular, 30% have exported to another EU country, while only 20% have exported to a non-EU country.

Near four in ten SMEs in the EU (39%) have imported from another country in the last three years; overall, 36% have imported from another EU country, while 19% have imported from a non-EU country. The reported data in 2015 although demonstrating a slight increase in SMEs’ participation in internationalization are relatively the same as per the Final Report “Internationalization of SMEs” issued in 2010\(^{104}\). In 2010, 25% of SMEs within the EU27 export, of which about 50% also go beyond the Internal Market (13%). 29% of SMEs within the EU27 import, again 50% import from countries outside the Internal Market (14%). The proportion of SMEs engaging in internationalization activities outside the EU is approximately half of those doing business in internal markets. In terms of the number of enterprise involved in international trade, SMEs are net importers rather than exporters both within and outside the EU.

Among all Member States the highest proportions of SMEs with experience with international business were observed in Cyprus (62%), Latvia (52%) and Austria (51%), while the lowest proportions were observed in Bulgaria (16%), Estonia (13%) and Italy (12%).

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The EU is the main destination of goods or services for four fifths of SMEs that export. Among SMEs in the EU that have exported in the last three years, the most common destination of their exports was by far the EU: 81% of exporting SMEs have exported to another EU country. Other destinations for the exports of the EU SMEs were the Middle East and North Africa (15%), closely followed by Eastern Europe, the Caucasus and the Balkans (14%) and the USA (13%). The data on the contribution to turnover is, however, less clear although estimates suggest that among exporters, the local market still represented the largest proportion of sales in 2014. On average, 66% of sales in 2014 were within a company’s own country while around 21% of export ‘sales’ came from within the EU and 13% from outside the EU.

Relatively the same situation in terms of key import-destinations is observed. EU countries are the main source for imports for most SMEs. Among EU SMEs that have imported in the last three years, the most likely origins of their imports are other EU countries: 81% of importing SMEs have imported from another EU country; China (19%) is the second most likely origin of imports for EU SMEs, followed by the USA (14%), and India and South East Asia (11%).

A survey for the European Commission (2010)\textsuperscript{105} suggests that the proportion of exporters amongst micro, small and medium sized is 24%, 38% and 53% respectively. This is in line with the latest evidence reported by the European Commission (2015) that found larger enterprises to be more likely to engage into international activities beyond the EU markets over a three-year period. In addition, the proportion of exporting SMEs belonging to an international group also doubled that of independent SMEs over the last three years (42% compared with 19%). Clearly, firm size is an important determinant of the firm’s engagement in international trade and any intervention needs to be aware of the differences in capacity between micro and medium sized enterprises.

\textsuperscript{105}Internationalization of European SMEs, 2010 : http://ec.europa.eu/DocsRoom/documents/10008/attachments/1/translations/en/renditions/pdf
Another factor affecting SMEs’ internationalization activities identified by the Eurobarometer survey on SME internationalization in 2015 is related to the age of the company. SMEs established before 2008 are more likely than those that were formed more recently to both import from (20% vs. 15%) and export to another country (21% vs. 15%) outside the EU. This indicates that the more mature a firm grows, the more active it is in internationalization because of its accumulated resources, market knowledge, experience and networking. These firms are also more likely to be larger SMEs. Hence, these facts and figures imply that younger firms that are seeking to internationalize may be more vulnerable to failure. This tendency has remained stable over the years as according to findings of the Internationalization of European SMEs Study, 2010 exporting and importing activities increase in intensity by age of enterprise. According to reported data within the study the percentages of SMEs that are exporting gradually increases from just over 15% for enterprises up to 4 years of age to nearly 30% for enterprises that have existed for 25 years or more.

Despite the slight increase registered in the shares of SMEs that report to have exported/imported to countries within the Single Market or outside the EU, support mechanisms applied at the EU level to stimulate SMEs’ internationalization seem to have limited effect. This is mainly demonstrated by the data on the plans of internationally inactive SMEs to start international activities in the foreseeable future. In 2010, few non-internationalized companies show any intention to start international operations. Only about 4% of all SMEs have concrete plans to start such activities\textsuperscript{106}. In 2015, the situation is more or less the same with the large majority of companies that have not exported in the last three years saying they will probably never export (74%). A very small proportion say they used to export but have stopped (2%), while 2% tried to export but have given up. Almost one in ten (9%) say they are considering exporting for the future, while 3% are trying to export now. This result constitutes some increase in the share of SMEs considering expansion outside the borders of their country in the future but these positive signs are still not so significant.

6.3.3 Specific results related to improving SMEs access to public procurement markets

According to the most recent data available from the conducted Study on "SMEs access to and demand aggregation in public procurement", 2013\textsuperscript{107}, an estimated 56% of all public procurement contracts above the EU-thresholds were awarded to SMEs (or groupings of companies led by an SME) in the period between 2009 and 2011. In terms of the aggregate value of contracts awarded, this corresponds to a 29% market share accumulated by EU SMEs. These figures are slightly below the estimates of the previous three-year period (2006-2008) according to which SMEs have secured around 60% of above-threshold public contracts between 2006 and 2008, and 34% in terms of value. It cannot be determined whether this marks a genuine negative trend or merely indicates random fluctuations of the market or bias coming from a refined estimation methodology.

It should be noted that the analysis of public procurement above EU thresholds rests on a detailed statistical analysis of contract award notices published on TED (Tenders Electronic Daily), the EU’s public procurement portal. The records are not fully complete, as award notification for some

\textsuperscript{106} Internationalization of European SMEs, 2010 : \url{http://ec.europa.eu/DocsRoom/documents/10008/attachments/1/translations/en/renditions/pdf}

\textsuperscript{107} "SMEs access to and demand aggregation in public procurement", 2013: \url{http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/smes-access-and-aggregation-of-demand_en.pdf}
procurement procedures has not been published or the information disclosed was not sufficient to be included in the analysis, and may contain a small number of below-threshold public contracts (which are not covered by the EU Public Procurement Directives but have been voluntarily published). However, these shortcomings are relatively benign and the database allows for obtaining a good picture of above-threshold procurement in the EU-27.

Collected data within the Study demonstrate that the distribution of shares of above-threshold contracts won by size class of the enterprise has remained relatively stable through the years. Although micro-enterprises won an estimated 18% of all above-threshold contracts in the EU-27, these contracts corresponded to a mere 1/20th of the aggregated value of all the contracts awarded annually. Greater dynamics are observed in the groups of small and medium-sized enterprises. They succeeded in winning more contracts in terms of number and to accumulate greater share of public procurement contracts in terms of aggregated value during the peak of the world economic crisis perhaps taking advantage of the crisis turmoil among large companies. Yet since 2008, their share in the awarded contracts both in terms of number and aggregated value faced decrease and in 2011 the pre-crisis situation was more or less restored. In general the share of the aggregate value of above-threshold contracts that SMEs have secured has not changed markedly in recent years.

Figure 9. SMEs’ share of above-threshold contracts won, by number of contracts (%)

Figure 10. SMEs’ share of above-threshold contracts won, by aggregate value of contract (%)

Breaking down figures on SMEs’ share by Member State in which the public procurement took place shows marked differences between countries. In terms of the number of contracts won, SMEs’ share ranged from an estimated 84% in Greece to 44% in Spain. In terms of the aggregate value of public contracts awarded, there is a considerably wider difference between countries ranging from an estimated 19% in Portugal to 78% in Greece.

Apart from inherent differences between countries, the value of public contract is one of the major factors that influence the extent to which SMEs can access these contracts. The larger a contract (i.e. single awards/lots), the less likely it will be awarded to SMEs, starting from above ca. 60.000 euros. This effect is not detectable among lower-value contracts. Other factors influencing SMEs' share in winning public contracts are:

- **The type of contract.** SMEs' account for a considerably lower proportion of above-threshold supplies contracts than that of public works contracts.

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• **The sector of the goods or service.** SMEs play only a marginal role in the supply of commodities (16% by value of contracts), but they accounted to more than half (57%) of the contract volume in the ‘other manufacturing’ sectors. Their share is between 25% and 32% in the other five sectors: supply of machinery and equipment; medical products; construction; business services; other services.

• **The type of procurer.** The share of contract volume awarded to SMEs was relatively high for tenders launched by regional and local authorities and agencies (37%) but low among utilities (15%).

• **The tender procedure chosen.** SMEs take a much smaller share of the total value of contracts awarded under the various negotiated procedures (19%) than under open procedure (34%) or restricted procedures (29%).

• **Market aggregation.** Joint purchasing (procurement on behalf of others) seems to have a significant negative impact on SMEs’ chances4, even if the contract value is the same; whereas framework agreements do not influence the outcome. The latter result is also in line with tenderers’ perceptions.

In terms of SME participation rates in above-threshold procurement, the results show, unsurprisingly, that larger companies submit more tenders on average. While the difference between micro and small enterprises is small, the gap between small and medium, and medium and large companies is considerably larger. The success rate of companies does not seem to differ significantly by enterprise size class.

Between 2009 and 2011, 1.26% of all contracts above thresholds were awarded to economic operators located in a foreign country. In terms of the aggregate value of these contracts, this corresponds to 3.1% of all above-threshold procurement. The analysis does not reveal significant difference between the proportions of SMEs among the companies winning domestic or direct cross-border contracts. SMEs won 56% of domestic public contracts and 54% of cross-border contracts. In terms of value, SMEs’ share was lower in cross-border procurement (22%) than domestic procurement (29%). SMEs performance on cross-border procurement markets by size class doesn’t show any significant difference in terms of the number and aggregated value of awarded cross-border contracts in comparison to domestic contracts. Yet, achieved shares are slightly lower signalling that the cross-border element additionally limits SMEs active participation on the procurement markets.

**Figure 11. Successful bidders by company size and by cross-border nature of contract (%)**

**Figure 12. Share of the total value of contracts awarded, by company size and by cross-border nature of contract (%)**
Due to minimal information available about SMEs performance in below-threshold procurement, no robust estimated method could be employed to calculate their share. Data obtained from official sources within the Study on "SMEs access to and demand aggregation in public procurement" confirm a rather evident hypothesis that SMEs are more successful in below than in above-threshold procurement. The estimate made in the study assigns a total share of 58-59% to SMEs in below-threshold procurement in terms of the aggregate value of contracts awarded.

In general the collected data leads to the conclusion that SMEs are somewhat underrepresented in public procurement (at least in procedures above the EU-thresholds) compared to their overall weight in the economy. If SMEs’ share in winning public contracts (by aggregate value) is compared to the breakdown of combined gross value added (GVA) by company size class on the basis of employment for non-agricultural and non-financial business sectors (NACE Rev.2 categories B to N, with the exemption of K), it turns out that the 29% share of European SMEs in the 2009-2011 period is 29 percentage points lower than it would have been (58%) if the share of public procurement they won equalled to their share of the total gross value added produced in the business economy.

6.3.4 Specific results in the areas of promoting standards, IPR, clusters and information support networks

6.3.4.1 Scarcity of information on SMEs progress in standardization

Although through the establishment of SBS, SMEs have secured a high-level representation of their interests in the standardization process, there is a great scarcity of data on the real effect such activities have produced on SMEs’ actual access and adoption of standards. As the support provided to SMEs in the area of standards is organization-based (i.e., SBS, ETSI, etc.) the examination of the performance of such EU-level initiatives leads to the conclusion that the available monitoring and assessment system of existing EU organizations focused on standards is not sufficiently transparent. There appears to be limited or even no robust data on the progress of interventions that would enable comprehensive analyses and help shape subsequent improvements. Actually, the annual reports produced by SBS and other organizations in the area of promoting standardization among SMEs don’t provide any sound quantitative data on SMEs involvement in standardization activities. The websites of such organizations contain mainly promotional materials such as newsletters and guidebooks to standardization specially developed for SMEs but no monitoring reports to allow the research team to trace back progress along SMEs standardization.

The only source of relevant information identified is an SBS Report on assessment of norms price gap at national level, 2015\(^{108}\), which aims to provide a snapshot of the difference in standards’ prices across EU. From the data gathered, although having no statistical significance given the partial information available on the websites of the National Standardization bodies in all Member States, it appears that there are big differences in the price of a standard in the different countries. Overall, there is a wide discrepancy among the pricing policies, with fees ranging from very low (9,49 euro for Occupational Health and Safety standard EN 12021:2014 in Estonia) to high amounts (200 euro for the same standard in the UK). There are cases in which the relevant National Standardization bodies

offer the standards in only one language (mostly English). In the majority of translation cases, the price of the standard remains the same both in English and in the national language. Yet there are few cases when it becomes higher after translation. It should be noted that CEN and CENELEC issue standards in English, French and German, therefore favouring some countries which can have immediate access to the standard in their national language without putting extra effort in translation. According to the report, there is also discrepancy in the offers towards SMEs available across EU countries. Based on feedback provided by SBS experts some National Standardization Bodies don’t offer SMEs any special offers discounts for purchasing standards or lower registration fees, thus limiting the scope of the progress desired in promoting standards among SMEs.

6.3.4.2 Progress in promoting IPR to SMEs

Recent data from a Study, carried out by the Office for Harmonization of the Single Market in 2015 through the European Observatory on Infringements of Intellectual Property on Intellectual property rights and firm performance in Europe, indicated that only 9 % of European SMEs register IPRs. The study, based on official public financial data from more than 2.3 million EU firms, covers companies which own patents, trademarks and designs at both national and at EU level. The firm-level analysis review produced as a follow up to the study delves deeper into the role of IPRs by analysing a large representative sample of over 130 000 European firms in order to compare the economic performance of firms that own IPRs with those that do not. The study shows that large companies are four times more likely to own IP rights than smaller companies - 40% of larger firms have registered rights, compared the registered 9% share among SMEs. It also shows that companies that own IP rights perform better than those that do not. This is best demonstrated on the basis of the indicator “revenue per employee”. According to collected data, firms that own IPRs have on average 29% higher revenue per employee than firms that do not. Furthermore, firms that own IPRs pay on average 20% higher wages than firms that do not. This is a particularly significant finding for the 1.8 million SMEs that have registered IP rights, since they represent such an important part of the EU economy.

According to the econometric analysis performed on gathered data, there is a positive association between IPR ownership and economic performance, with revenue per employee 28% higher for IPR owners than for non-owners. This relationship is particularly pronounced for SMEs. SMEs that own IPRs have almost 32% higher revenue per employee than SMEs that do not own IPRs at all. Thus, while the majority of SMEs in Europe do not own IPRs, those that do own IPRs have significantly higher revenue per employee. In the case of large companies, revenue per employee is 4% higher for IP owners than for non-owners. Here, the analysis shows that 4 out of 10 large companies in Europe own IPRs, but the association with higher revenue per employee is less pronounced than in the case of SMEs.

Subsequently, more insights and evidence as to why SMEs do or do not register IPRs were provided in the IP SME Scoreboard, 2016 - a quantitative study based on a sufficient number of interviews with SMEs that have registered an IPR and those that have not (sample size n=8 970 SMEs). SMEs that register IPRs use mostly alternative measures of protection (72% of SMEs with IPRs) followed

by registration of national trade marks (68% of SMEs with IPRs) and European Union trade marks (EUTMs reported by 48% of SMEs with IPRs). The alternative protection measures mainly relate to domain name or trade secrets. In fact, Internet domain names, confidentiality (trade secrets) and trademarks are the top three measures that SMEs report as being important for a company’s ability to derive competitive advantage from their innovative activities. Having an Internet domain name is the single most important kind of protection measure for all SMEs regardless of size.

Preventing others from copying their products or services, followed by better legal certainty and an increase in the value and image of the SME, are the top three reasons why SMEs register IPRs – respectively 79%, 74% and 73% of SME IPR users reported these as main reasons.

SMEs’ assessment of the impact of IPRs on their businesses demonstrates somewhat mixed feelings and a not very strong belief in the benefits for business experienced as a result of registering IPRs. The picture in relation to IPR impact on business varies between SMEs of different sizes. Data clearly demonstrates that the larger the company the greater the benefits that it experiences as a result of IPR. Thus, the majority of medium-sized enterprises report positive and very positive effects (53% and 17% of medium-sized enterprises with IPRs). These positive perceptions are turned upside down for micro companies. They are rather sceptic to the real impact of IPR. A great proportion of them claims IPRs produced no impact at all on their business (45% of micros with IPRs). Another 42% confirm the existence of some positive effect while only 8% report to have experienced very positive impact which is half that of medium-sized enterprises.

Figure 13. SMEs assessment of IPR impact on company’s business (%)

Increased reputation or an image of reliability, strengthening of long-term business prospects and increased turnover were the top three positive outcomes of IPR registration.

In general SME IPR-users’ share in the total number of SMEs is, as reported above, far from being significant (only 9% of all SMEs use IPRs). Belief that intellectual assets are not innovative enough, lack of knowledge about how to register IPRs and belief that there are no additional benefits stemming from IPR protection are three top reasons refraining SMEs from IPR registration. Reasons that SMEs refrain from registering IPRs are different depending on the size of an SME. Micro SMEs clearly cite lack of knowledge as an important barrier compared to small SMEs where predominantly
there is a belief that IPR does not bring any benefits, whilst medium-sized companies state that their intellectual assets are not innovative enough.

**Figure 14. TOP 3 reasons for never or stopping registering IPRs (%)**

In addition, results demonstrate quite a strong lack of interest both among SMEs using/not-using IPRs in receiving information about opportunities in the area of intellectual property (around 60% of SMEs with IPR and around 74% of SMEs with no IPR are not at all interested in such information). This clearly outlines that progress in the area of promoting IPR benefits to SMEs is still in a quite early stage of development and results are insignificant, especially in the attempts to draw SMEs attention to the actual benefits and to convince that IPRs have practical value. Further elaboration on the problematic questions related to IPRs is presented in p. 6.4.

### 6.3.4.3 Progress in the area of supporting SME clusters

The European Cluster Panorama\textsuperscript{111}, published in 2016, outlines key facts demonstrating the important role of clusters in European economy. In general, there are 3 043 strong clusters across Europe that account for more than 54 million jobs and 45% of all traded industries’ wages (23% of the overall economy). Wages in strong clusters are close to 3% higher than in industries not located in such regional hotspots where clusters proliferate. Clusters have appeared in all parts of Europe. 55% of all European regions have between 30% and 60% of traded industries employment in strong cluster. Strong clusters have shown resilience through the crisis; their share in total traded industry employment and wages has from 2008 to 2014 increased slightly to 45% (jobs) and 51% (wages). Yet, the research team was confronted with an absolute lack of data on SME participation in such kinds of clusters, or their use of support services provided by existing cluster organizations promoted, for example, though SMEIP website. Therefore, analysis of achieved results in the area of clusters is impossible.

6.4 Key challenges and problematic areas in relation to access to markets and internationalization

The analysis of the identified data on the progress achieved in the area of SME internationalization provides evidence on the following challenges and problematic areas that appear to be pertinent on EU level and should be more adequately addressed in EU SMEs policies so as to ensure a level playing field for SMEs both on the Single Market and outside the EU:

- **The Single Market is not completed yet**

Despite the continuous and step-by-step efforts to establish a working Single Market in which all market players are granted the 4 freedoms of movement, the current snapshot of the EU performance in the area of Single Market governance (the set of mechanisms, rules and practices to design, implement, apply and enforce the Single Market regulatory framework) is far from the desired results. So far, EU institutions have elaborated a tremendous regulatory framework (1 099 directives and 3 175 regulations) designed to ensure proper functioning of the Single Market.

The EU average transposition deficit (% of all directives not transposed) and the compliance deficit (% of all directives transposed incorrectly) have remained stable at the level of 0.7%. Only 13 Member States, less than half, have met the 0.5% target proposed by the Commission in the 2011 Single Market Act. This fact signals that stronger efforts are needed so as to ensure the Single Market’s proper functioning.

The problematic nature of Single Market governance is also demonstrated by the high number of pending infringement procedures - 732 in total as of December, 2015. Although this number constitutes a quite unremarkable decrease in comparison to the previous scoreboard, it should be highlighted that the number of pending infringements has always been huge. The average number of infringement cases per Member States is 26. The sectors from the Single Market with the most infringement cases are transport, especially air transport (24.3% of all cases), environment, especially water protection & waste management (22.3%) and taxation (14.7%).

A good example to illustrate the problems stemming out from the incorrect or non-application of the EU rules designed to ensure the free movement of goods, services, capital and persons is found in the Evaluation of the application of the mutual recognition principle in the fields of goods conducted in 2015. The evaluation shows that there are still significant barriers towards meeting the goal of ensuring free movement of goods within the internal market as well as the goal of promoting trade of goods between EU Member State. The typical barriers to effective mutual recognition stem largely from the Member States’ application and knowledge of the principle and are as follows:

- Lack of trust in the authorities (including market surveillance) of other Member States, which leads some Member State administrations to add requirements (e.g. extra tests) that are not in

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accordance with the mutual recognition principle. For instance, this is seen within water taps and ship classification, and in both sectors, it appears to be a cross-European issue.

- Lack of knowledge of the application of the mutual recognition principle among competent authorities, particularly concerning innovative products, where it is not always clear to the competent authorities under which categories these products fall and if the mutual recognition principle applies.

- Difficulties for product contact points and economic operators alike to determine what documentation companies should (be requested to) submit to document that their product is lawfully marketed in another Member State. This may lead to additional administrative burdens on companies if the product contact point is unsure of the validity of the documentation and asks for additional documentation to be supplied.

- The dialogue among competent authorities is too slow and incomplete at times, not infrequently resulting in delays and incomplete and unhelpful information to the economic operators.

- Differences in Member States’ national definitions and standards. This obstacle is seen in several sectors, including foodstuffs, fertilizers, and nursery and childcare products.

- Lack of acceptance of the mutual recognition principle, where in some countries and sectors Member State authorities insist on upholding their national standards, etc., even when it is clear that mutual recognition principle should apply (particularly an issue in the construction products sector, and particularly in Germany and to some extent Belgium).

The identified problems related to Member States’ approach to the application of the principle evaluation result in additional administrative burdens to enterprises. The evaluation highlights that these administrative burdens primarily relate to incorrect (or non-) application of the principle. None of the burdens mentioned were a result of the implementation of the principle as such. These burdens are closely related to the requests from different Member States that national tests be conducted, even though the mutual recognition principle should apply. The burdens imposed on companies resulting from the incorrect application of the mutual recognition principle are not proportionate, but the problem is that the only alternative that companies feel that they have would be a court case, which is too costly and takes too long. The costs and administrative burdens have particularly serious effects on SMEs, which are much less able than larger companies to counteract requirements from Member State authorities which are not in accordance with the mutual recognition principle, and SMEs are thus much more likely to simply comply with requirements or abstaining from entering the market.

**Complicated administrative procedures and high delivery costs – main barriers towards SMEs internationalization**

Unsurprisingly, administrative burdens are highlighted as major barrier to export/import activities from SMEs themselves, which fully correlates with the above-mentioned administrative burdens that the improper application of the Single Market rules on behalf of Member States poses on enterprises of all sizes, especially SMEs. According to the most recent Eurobarometer survey on SMEs
internationalization in 2015\textsuperscript{115}, the complicated administrative procedures and the high delivery costs are seen as the main barrier to exporting and importing by SMEs involved in such activities. Overall, 81\% of companies that have had experience with exporting identify between 0-3 major problems out of the enlisted 12 difficulties. Just over half of all SMEs say the administrative procedures when exporting are too complicated (52\%), with 24\% saying this has been a major problem. At least four in ten companies with export experience say the fact that delivery costs are too high (49\%), identifying business partners abroad is too difficult (45\%), or the financial investment is too large (42\%) are either minor or major problems for their company. In each case around one in five say these have been major problems. Among those that do not export, more than half see the large financial investment (54\%), expense of resolving cross-border complaints and disputes and complicated administrative procedures as problems (both 51\%).

The analysis of company characteristics for the three most common problems (administrative procedures too complex, high delivery costs, identifying business partners abroad) shows that micro enterprises are slightly more likely to consider the identification of business partners abroad (20\% vs. 12-15\%) a major problem. SMEs in the services sector are the least likely to say that high delivery costs (35\% vs. 44\%-58\% across other sectors) have been a problem for them when exporting. Companies with a turnover of more than two million euros are less likely than those with a lower turnover to say complex administration has been a major problem (19\% vs. 27\%-30\%). They are also the most likely to say high delivery costs have not been a problem at all (50\% vs. 38\%-44\%). In general, micro enterprises tend to view a greater number of the enlisted 12 barriers as a major problem to their exporting activities in comparison to larger SME enterprises (18\% of micros identify 4-8 barriers as major problems vs. 11\% among medium-sized enterprises do so).

The analysis of the type of barriers typical for SMEs exporting outside the EU makes it very clear that several of the barriers resonate much more with SMEs that only export outside the Internal Market. With a few exceptions, SMEs that export outside the EU are more likely to see each of the difficulties as a problem (either a major or minor) than those that export inside the EU. This is particularly the case for the complicated administrative procedures (48\% of companies that export inside the Internal Market see this as either a major or minor problem vs. 62\% of companies that export outside); difficulties in identifying partners abroad (43\% vs. 52\%); the large financial investment (38\% vs. 50\%); the expense of resolving cross-border disputes (35\% vs. 44\%) and not knowing where to find information about the potential market (34\% vs. 44\%).

The analysis of import activities of SMEs signals that the expense of delivery costs is the barrier most widely viewed as a problem by them. Just over half of these companies say the fact that delivery costs are too high is a problem (53\%), with more than one in five saying this is a major problem (22\%). Almost half (46\%) say the fact that administrative procedures are too complicated is a problem, and for 18\% it is a major problem when importing. Overall, 84\% of companies that have had experience with importing identify between 0-3 major problems out of the enlisted 12 difficulties. The main barriers companies think they would face if they were to import are: the fact that administrative procedures are too complicated (52\%), not having specialized staff to deal with imports, delivery

\textsuperscript{115} Eurobarometer survey on SMEs internationalization in 2015:
costs are too high, identifying business partners abroad is too difficult or controlling the quality of their orders is too difficult (all 48%). An analysis of company characteristics for the most mentioned item, delivery costs being too high, shows that micro enterprises are most likely to consider this as a major problem (23% vs. 17% across other company sizes). In general, like in exports micro enterprises tend to view a greater number of the enlisted 12 barriers as a major problem to their importing activities in comparison to larger SME enterprises (13% of micros identify 3-5 barriers as major problems vs. 8% among medium-sized enterprises do so). The analysis of the type of barriers typical for SMEs importing from outside the EU is in line with the pattern identified in exports activities that a larger proportion of SMEs importing from abroad perceive the listed barriers as problematic in comparison to those only importing from the Internal Market. This is particularly the case for the following difficulties: high delivery costs (50% of companies that only import from inside the EU see this as a minor or major problem vs. 59% of companies that only import from outside the EU); complicated administrative procedures (45% vs. 57%); difficulties in identifying business partners abroad (39% vs. 49%); not knowing the rules that have to be followed (37% vs. 43%) and difficulties in controlling the quality of orders (37% vs. 57%).

Standards & IPRs remain unattractive to SMEs – benefits are unclear and don’t outweigh the high cost and difficult to understand procedures

With regard to standards, despite the considerable scarcity of information available through SBS and other sources, it should be stressed that the cost of purchasing standards has been identified as an important barrier to their use, especially by SMEs. The cost that SMEs must incur to buy the standards is proportionately much higher than in comparison to big companies’ turnover: to stay competitive, micro and small businesses need to make investments involving a greater consumption of resources. Furthermore, in order to be updated on the requirements, buying the standards once published is not enough; it is highly recommended to be up to date already during the standard making process, which unfortunately results in additional costs for SMEs to send their few experts to represent them in the various committees. SBS analysis on norms prices confirms that there exist major differences among prices of standards across EU countries. Overall, the lowest prices seem to be applied in Eastern Europe. Furthermore, there are also important differences in the offers SMEs can obtain through their SMEs associations and NSBs. A unified approach across Europe is lacking. Therefore, EU policies focused on the promotion of standards among SMEs seem to be at their early stage and have not produced any significant positive effects.

As reported in p. 6.3.4.2 with regard to IPRs, not seeing any benefit in protecting innovations, lack of knowledge on how to protect innovations and the cost of procedures are the top three reasons why SMEs do not protect their innovation. In average 35 % of SMEs do not take any measures to protect their innovations because they do not see any benefit of doing so. A further 13 % say they do not have enough knowledge on how to protect innovations, while 10 % say the procedures are too costly.

Furthermore, the most common difficulties experienced by SMEs when they try to register IPRs are related to the cost and length of procedure. According to SMEs, the most effective and desired ways to support SMEs in registering IPR require simplification and shortening of procedures (35% of SMEs describe this as a highly effective measure) and better access to IPR databases (31% high effectiveness). Other measures generally considered moderately effective are reduction of costs or
Almost one third of SMEs registering IPRs declare having suffered an infringement. This proportion increases with the size of the SME, with medium-sized SMEs being affected most (39 %) and micro SMEs suffering least from IPR infringement (24 %). Loss of turnover, damage to reputation or a loss of competitive edge are the top consequences reported by SMEs of IPR infringement. Bilateral negotiations followed by a court procedure are the most commonly mentioned ways of solving IPR infringement conflicts among SMEs. SME size is strongly linked to the likelihood to fight IPR infringement and the method used. Micro SMEs are more likely not to fight the infringement (17 % compared to 12 % on average) and less likely to choose a court procedure (27 % compared with 35 %). Costs and lengthy procedures are reported by more than half of SMEs as key reasons of refraining from court procedures as a means to solve IPR infringement conflict.

SMEs would register IPRs if they would be assured of receiving adequate protection (respectively 32%, 29% and 30% among micro, small and medium-sized enterprises distinguished this), if it would be easier to take legal action and if the process would be easier to understand and access. These results indicate that a combination of changes would be needed to encourage SMEs to register IPRs, as no single solution stands out. The same importance was given to improving the process (understanding, access, and cost) and to making it more reliable (adequate protection, ease of taking action).

At this point, the of development of EU-level actions to promote standards and IPRs among SMEs relevant actions seem scattered, not well-coordinated and largely based on the provision of support networks that are not recognized by SMEs themselves as a useful tool. SMEs are in general unaware of such support networks and are even not interested in receiving such kind of information. Therefore substantially more efforts should be invested in adapting the complicated procedures of standards and IPRs to the needs of SMEs taking into account their internal differentiation by size class.

- **Opportunities for better matching the EU support mechanisms with SME internationalization needs in the areas of matchmaking, popularization and monitoring**

Meet better SMEs diverse needs in relation to size, growth-orientation and behaviour specificities

The scale and range of EU support can be tracked through the overview of the instruments that exist to support EU SME’s internationalization prepared by the European Commission in March, 2016, in which around 69 EU interventions are listed. Many of these interventions are designed to enhance trade and investment during the period 2014-2020 such as COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises-2014-2020), Partnership instrument, European neighbourhood instrument, HORIZON and Structural and investment funds (ESIF). These initiatives aim to promote SMEs’ ability to seize market opportunities by facilitating networking, bilateral trade, information exchange, access to finance and business support in the foreign markets.

Many European support schemes are found to be more open to all SMEs engaging in internationalisation. However, they seem to be more useful if they would take into account the diversity of the SME market by firm age, size, sector and experience of internationalisation. There is a need for more tailor-made programmes that address specific business concerns of different SMEs and
their phases of internationalisation. SMEs from different sectors and industries are also likely to encounter specific challenges in different business environments, such as regulations relating to product specifications or intellectual property issues. For example, networking and market information are perceived to be more valuable to ‘born globals’, compared with other SMEs because of their higher speed of internationalisation, and the range of markets involved in their businesses\textsuperscript{116}.

SME needs are also determined by their growth orientation, as driven by the entrepreneurial mind-set of the enterprise owner/management team. The analysis of the existing interventions and structures demonstrates that support mechanisms usually tend to focus on the most active players among SMEs while not taking into account SMEs with more moderate growth results that still contribute substantially to EU economy and deserve being supported. Thus, support mechanisms have not been able to offer tailor-made support to ’growth-inclined’ and ‘growth-ambivalent’ SMEs to enhance their internationalisation performance, in particular in third countries which involve a higher level of risks and challenges. Hence, the link between the specific needs of SMEs and their individual development pace and what is on offer may be inadequate. For many SMEs, interventions need to be meaningful to them and their requirements; otherwise they will suffer from a lack of take-up.

Despite substantial efforts to enhance internationalization, European interventions still may better fulfil SMEs’ needs, especially with regard to business support to SME internationalization in non-EU countries\textsuperscript{117 118}. For example, a preliminary assessment of the Asian supporting schemes suggests that the top-down approach of European Commission’s interventions have failed to reach the SMEs’ needs. The main problems and concerns are mainly related to the lack of adequate cooperation between EU centres in the third countries and SMEs and their network partners in the member states, the incoherent approach of support provision with the utilization of both organization-based (i.e., EABC, SME Centre, IPR Helpdesk, Europe Enterprise Network) and activity based (i.e., Gateway to Japan, ETP, Missions for Growth) initiatives which causes confusion among SMEs and last but not least in importance the lack of consistent monitoring system to track the progress and efficiency of the existing EU centres, the implemented programmes and ongoing projects\textsuperscript{119}.

Another major challenge for the EU in designing interventions for SMEs is how to connect with the existing fabric and behaviour of SMEs, their owner-managers and associations. Although there appears some collaboration, such as with the EEN and chambers of commerce\textsuperscript{120}, this is not widespread and is a source of criticism. This can lead to both the duplication of services and the lack of capacity building for SME support. The lack of cooperation between EU service points in foreign markets and the home market has led to SMEs’ confusion\textsuperscript{121} (European Parliament, 2012). For

\textsuperscript{117} Study on Support Services for SMEs in International Business, 2013: http://ec.europa.eu/DocsRoom/documents/9126/attachments/1/translations/en/renditions/native
\textsuperscript{121} European Parliament (2012) European SMEs and International Trade, Directorate-General for external
example, international activities need to be prepared and planned in the home market before SMEs seek information in the EU centres in non-EU markets. However, recent EU programmes have focused attention on the development of centres in foreign markets rather than building up capacity or drawing on networks in the home market. Hence, there appears to be insufficient coordination between the EU’s internationalization efforts and the business community it seeks to serve.

**Low awareness of support mechanisms**

EU initiatives have revealed important weaknesses in raising the SMEs’ awareness about their impact and roles in enhancing internationalization. For example, the recent Eurobarometer Survey on SMEs internationalization in 2015 shows that 92% of the SMEs across 28 EU-countries have no idea about the Enterprise Europe Network (EEN), despite its claim to play an influential role in connecting businesses across Europe. This implies an inactive role of European Commission in publicizing and disseminating the opportunities available as well as the impact produced of provided support measures on promoting SME internationalization. It should be stressed that it is generally not enough to elaborate numerous support networks if no efforts are made to popularize them and make them useful and attractive to SMEs.

**Need of consistent monitoring of the overall progress achieved along provided support schemes**

In examining the performance of EU interventions, it appears that the available monitoring and assessment system of existing EU centres is not sufficiently transparent. There appears to be limited or even no robust data of the progress of interventions that would enable comprehensive analyses and help shape subsequent improvements. For example, there is insufficient available data on the effect and progress of the Asia centres on the SMEs’ internationalization performance, or the interventions themselves. Data on the number of enquiries to the EU business centres in Asia lacks transparency or rigour. There appears to be no records of the number of enquiries to EU business centres in Thailand or India. Hence, the extent to which the EU centres in foreign markets have assisted SMEs in overcoming the barriers to internationalize and the effect of these programmes remains unknown, if not controversial. The absence of an evaluation system that produces publicly available robust data or analyses for permanent improvement is a major flaw in any policy intervention.

6.5 The SMEs perspective on access to markets and internationalization in the EU – summary of the case study in Italy

Italian SMEs export goods mainly across Europe and rarely to third countries. For them, the fact that European standards are not recognized in third countries poses a serious obstruction. They assess the role of the European Single Market and the free movement of goods as positive for the improvement of SMEs access to new markets. Language barriers, lack of specialized human resources and shortage of working capital to finance exports, advertising and participation in fairs are big challenges for SMEs.

Trading within the Single Market is often challenging to SMEs too, mainly due to the very long payback periods. Respondents stress that beyond the EU, it is often possible to negotiate 30% advance payment upon signing the contract and payment of the full amount before shipment, which within the

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EU is almost impossible. Across the EU, payments are usually made within a period of 60 to 90 days or even up to one year after delivery of the goods/services, which is detrimental to small businesses.

In general, Italian SMEs have positive attitude towards the various EU support measures. They tend to blame Italian authorities for further complicating the procedures, and as a result applying for EU funds seems to them very risky. In relation to internationalization, SMEs could be better informed about EU support tools that provide help and information on opportunities to access markets and internationalize. When they need information and assistance, they usually consult local chambers of commerce and associations. The information they receive about internationalization opportunities needs to be more specialized and selected according to their field of work. Therefore, they suggest the establishment of a single trading platform for all European countries as a useful tool for SMEs to reach new markets and partners, as well as for the EU as a whole to expand to the international market. In addition, Italian SMEs say they need support to take part in fairs abroad and advertise their products so as to increase their chances on foreign markets.
7. Facilitating access to finance for SMEs

7.1 Overview of main commitments on EU level for facilitating access to finance

The European Charter for Small Enterprises (2000) acknowledges that “Entrepreneurs need finance to translate ambition into reality”. By endorsing, the Charter Member States pledged themselves to “Improve access to finance throughout the entire lifecycle of an enterprise”. The key actions planned to be the focus of the efforts to facilitate SMEs access to finance in the following years are related to the realization of the project for the establishment of a pan-European capital market and to the implementation of the financial services action plan and the risk capital action plan. The other 2 main directions of intervention proclaimed in the Charter are focused on ensuring appropriate access conditions for SMEs to credit and to venture capital from the banking sector and improving SMEs access to funding opportunities offered by the EU itself along the support provided by the EU Structural Funds and by the European Investment Bank (EIB) which focuses on start-ups and high-technology enterprises, including equity instruments.

The Small Business Act further strengthens the EU commitment to facilitate SMEs access to finance by integrating this task among the core principles of the EU SME policies. The SBA acknowledges that EU institutions together with Member States should do their best to “Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions”. Therefore, the SBA pinpoints important measures particularly focused on the development of funding opportunities related to risk capital, micro-credit and mezzanine finance. Proposed steps in this direction include measures to strengthen European venture capital markets though the introduction of a private placement regime destined to facilitate cross-border investment as well as minimization of obstacles that prevent venture capital funds to invest on equal footing with domestic funds. Other measures are aimed at stimulating Member States to develop financing programmes utilizing instruments combining features of debt and equity, as well as to benefit more actively from the financial resources allocated specifically for SMEs within the EU cohesion policy framework. Furthermore, special attention is paid to the ongoing modernization of EIB that is expected to broaden the scope of EIB instruments and financial support provided with some additional instruments in its portfolio that are specially designed to answer the needs of small companies.

7.2 Key European initiatives in the area of facilitating access to finance

One of the most important issues facing SMEs is their difficulty in accessing finance. In order to give further strength to efforts to support SMEs in this direction and ensure the realization of commitments made under the SBA in December 2011, the European Commission adopted an action plan to improve access to finance for SMEs in which it announced that along measures to improve the regulatory framework for SMEs and coordinate Member States’ actions it would focus on expanding EU

123 Financial services action plan: http://ec.europa.eu/internal_market/finances/docs/actionplan/index/fs_en.pdf
financial measures for SMEs. The document pays specific attention on the need to improve lending for SMEs as well as their access to venture capital and other risk financing. Throughout the evaluated period 2007-2015, the portfolio of EU financial support to SMEs has evolved in 2 main directions based on the type of financial support offered (repayable or non-repayable):

- Non-repayable grants to enterprises for investments provided within the scope of EU cohesion policy throughout the implementation of the European Structural Funds during the programming period 2007-2013 and the current European Structural and Investment Funds (ESIF) for the period 2014-2020 managed on a program-basis through designated national managing authorities in the Member States as well as direct grants from the European Commission or its executive agencies for projects contributing to the implementation of an EU programme or policy (environment, research, training, etc.) and not generating profit for the beneficiary; yet some types of support under ESF and ESIF are provided through financial instruments;

- Repayable EU financing in the form of loans, guarantees, venture capital and other risk financing channelled to enterprises through financial intermediaries such as banks and venture capital organizations that provide funding through financial instruments.

In general, throughout the evaluated period 2007-2015, EU financial support to SMEs has become more and more focused on the utilization of financial instruments as a tool to improve SMEs access to finance. This has been strongly promoted as a main line of EU support by the Juncker Commission in its “Investment Plan for Europe”\(^\text{127}\), adopted in 2014.

The EU financial instruments are designed as risk-sharing schemes. They are backed by EU funds to financial intermediaries who provide lending, lease finance, or co-investments with venture capital funds. Decisions to provide loans, guarantees, or venture capital are made by the local financial institutions which are responsible for judging their financial needs. The exact financing conditions (such as the amount, duration, interest rate, and fees) depend on the financial institution. It should be highlighted that unlike support under ESF and ESIF, which is mainly grant-based, financial instruments are market-driven – there are no country allocations and the availability of funding depends on the interest of local financial institutions taking part in the scheme. It is the financial intermediaries who create individual products suited to the needs of SMEs in their market. Currently the database officially published on the Access to Finance Portal of the European Commission provides information of 1 648 separate products\(^\text{128}\) offered by 1 000 above listed financial intermediaries in all EU Member States. 6 Member States lead the ranking by number of offered products as they provide information about over 100 financial products provided by financial intermediaries to SMEs on their territory – Poland (176 financial products), France (174 financial products), Italy (155 financial products), Germany (135 financial products), Spain (133 financial products) and UK(126 financial products).


The overview of the following main EU financial support measures implemented in the period 2007-2015 reaffirms the dominance of European programmes focusing on the use of financial instruments:

- CIP - Competitiveness and Innovation Framework Programme (2007-2013);
- COSME - Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (2014-2020);
- InnovFin – EU Finance for Innovators under Horizon 2020 Framework Programme for Research and Innovation;
- The SME Initiative;
- Microfinance and Social Entrepreneurship axis under EU Programme for Employment and Social Innovation (EaSI);
- Cultural and Creative Sectors Guarantee Facility (CCS GF) under Creative Europe Programme;
- European Structural and Investment Funds;

7.3 Main results in the area of facilitating access to finance in the period (2007-2016)

7.3.1 Facilitating access to finance for SMEs in the EU – progress in figures (2016)

According to the most recent data reported under the SME Policy Database in 2016, the overall performance at the EU level registered by all 28 Member States in the area of facilitating access to finance has reached an average performance score of 0.561 measured on a scale where 0 stands for “worst” and +1 – “best”. With this performance result “Facilitating access to finance” has neither been the worst nor the best performing principle.

When the compound annual growth registered in the period 2008-2016 is tracked, it shows negative and amounts to -0.56% (calculated on the basis of average values of the indicator taken from 3 years). One possible explanation to this negative growth tendency is the fact that only 3 out of 9 indicators used to track performance along the efforts to facilitate access to finance register a positive development tendency during the last year of their tracking. These indicators are related to venture capital investments, the strength of legal rights index and the depth of credit information index.

In the area of stimulating venture capital, results achieved are far from the desired effect. The scope of venture capital investments is still so small that it doesn’t form any distinctive positive share in the GDP across all Member States (in the year 2015 it’s share was 0.015 of GDP on EU level with a steady negative tendency to diminish each year, the share in 2015 is even lower than the share reached in the aftermath of the economic crisis). At the same time, a small but relatively significant proportion of the total number of SMEs bank loan applications are still being rejected because the conditions are deemed unacceptable. The Greatest progress has been tracked along the index measuring the availability of credit information that has to facilitate the lending decisions. Currently, lending institutions have very good access to such type of information that supports the lending process.

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129 See Appendix A4: Main initiatives of EC to promote SMEs
Despite the introduction of the Late Payment Directive, SMEs are still experiencing quite long delays in receiving payments from their clients. In general, the time required is slightly less than 2 calendar months, which certainly causes substantial problems especially to the micro companies that rely on regular payments and don’t have excessive financial resources with which to compensate for such delays.

In general, above 1/5 of SMEs feel that the conditions related to their access to finance are deteriorating both in relation to banks’ willingness to provide loans and in relation to SMEs access to public financial support. This is an important signal that further efforts on EU level and in the Member States are needed so as to provide real support to SMEs and grant them access to the financial resources they need to develop their business.

**Figure 15. Key results in the area of facilitating access to finance (Source: Interactive SME Database)**

**Access to venture capital and bank loans**
- Share of venture capital investments from GDP: 0.015%
- Share of rejected loan applications and loan offers whose conditions were deemed unacceptable from all SME loan applications: 16.7%
- Depth of credit information available from either a credit bureau or a credit registry, to facilitate lending decisions: 5.9 on a scale of 0-8

**Late payment consequences**
- Total delay to get paid in business (B2B, B2C & public authorities included): 49.6 days
- Bad debt loss as a share of turnover: 4%

**Dynamics in access to finance from SMEs perspective**
- Access to public financial support including guarantees: 21.4% of SMEs indicated deterioration
- Willingness of banks to provide a loan: 21.2% of SMEs indicated deterioration

Data in the SME database is extracted from the following sources:

- **Venture capital**: EVCA, Eurostat, reference date: 2013, link to source: [http://ec.europa.eu/eurostat/tgm/web/_download/Eurostat_Table_tin00141PDFDesc_1901b548-a3ef-48e1-9e5b-cd55372e5a0e.pdf](http://ec.europa.eu/eurostat/tgm/web/_download/Eurostat_Table_tin00141PDFDesc_1901b548-a3ef-48e1-9e5b-cd55372e5a0e.pdf);
- **Depth of credit information index**: World Bank Doing Business, reference date: 2015, link to source: [http://www.doingbusiness.org/](http://www.doingbusiness.org/);
- **Data on late payment indicators**: European Payment Index 2014, White paper, Intrum Justitia, reference date: 2014, link to source: unavailable, data provided by email;
7.3.2 Overview of general tendencies in SMEs access to finance

The Survey on the access to finance of enterprises (SAFE) is the main monitoring tool of the European Commission to track developments in SMEs’ access to finance. SAFE was launched in 2008 and in 2013 became an annual publication. It is conducted based on collaboration between the European Commission and European Central Bank and covers all EU countries. SAFE serves as an important tool to monitor the types of external financing resources for which SMEs applied and received access to and the relevance of these financial resources to SMEs needs. The survey also analyses SMEs perceptions on how the conditions related to SMEs access to external financing are changing over time.

According to the SAFE report for 2016, access to finance is the most important concern of 9% EU SMEs. The situation in this area considerably improved over the evaluated period (2007-2015), as this concern went down from 16% in 2009 and 13% in 2014. However, the results differ across countries and the highest proportion of SMEs specifying access to finance as the most important issue is in Greece and Cyprus (24% each). The problem with financing is also reported by the smallest companies (12% of micro companies), relatively young companies (13% of established within 2-5 years) and young high-growth companies (14% of gazelles).

This diversity of existing models for channelling financing to companies is reflected in the relative importance of various funding sources used by companies as well as the level of development of various types of financial institutions, e.g. banks, investment funds, insurance and pension funds; and segments of financial markets such as stock exchange, bond market or securitisation. In 2016, EU28 SMEs mention credit line or overdraft, leasing and hire purchase, trade credit and bank loans as the most relevant sources of external financing. These same four types of external financing were most relevant in both 2016 and 2015. Regarding the sources of finance actually used, EU28 SMEs most often report using credit line or overdraft, leasing or hire-purchase, trade credit and bank loans. The use of these types has been relatively stable between 2015 and 2016. 5% of the enterprises considered other sources, for example from family and friends, a related enterprise or shareholders, relevant to their enterprise. Equity, factoring, other sources and debt securities are mentioned as relevant by less than 20% of the SMEs. Even if not substantial in total size compared to other financing sources, equity financing has a great potential for growth and employment especially for innovative, high-growth companies and start-ups. In 2016, 85% of SMEs in EU28 consider at least one type of debt financing to be relevant.

Regarding the sources of finance actually used, credit line or overdraft (37% of all EU SMEs in 2016 and 2015), leasing or hire-purchase (23%), trade credit (19%) and bank loans (18%) were reported most often. With the exception of bank loans, which slightly decreased, the use of these types has increased between 2015 and 2016. SMEs in industry most often used credit line and overdraft as well as bank loans and SMEs in services use these types of financing least often. The proportion of enterprises that used credit line or overdraft and bank loans increases with enterprise size. The use of these financial sources is most prevalent among large enterprises (with at least 250 employees) and

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131 The SAFE Survey defines gazelles as companies younger the 5 years and growing on average 20% per year over the last three-year period.
smallest among micro enterprises (1 to 9 employees). The use of these sources occurs the least among
gazelles.

In 2016, 31% of EU28 SMEs (30% in 2015) applied for credit line, bank overdraft or credit line
overdraft. Of these applications, 78% were successful in the sense that these SMEs obtained at least
75% of the amount applied for. More precisely, 71% of SMEs (66% in 2015) were fully successful
with their applications being granted in full and another 7% (7% in 2015) were granted most of the
amount applied for. In 2015, the rejection rate for credit line or overdraft applications was 6% (7% in
2015). Most SMEs that did not apply for an overdraft or credit line mentioned the availability of
sufficient internal funds cited as the most important reason for not doing so (39% in 2016 and 38% in
2015). Comparable results were obtained for bank loans and trade credit. Of the EU28 SMEs, 27%
applied for a bank loan in 2016, and for 75% of these applications at least 75% of the amount required
was actually obtained. Amongst EU28 SMEs, 35% applied for trade credit, and for 80% of these
applications at least 75% of the amount required was obtained. Regarding other forms of external
financing, 16% of the EU28 applied for these, of which the vast majority obtained at least 75% of
what they requested. In general, the proportion of enterprises that applied for the above-mentioned
most common debt products and reported complete success increases with the size of the enterprise
with micro enterprises being almost always least successful compared to larger enterprises. Regarding
the principal reasons behind loan application, fixed investment, inventory, and working capital were
mentioned most often by EU28 SMEs.

External financing obtained by SMEs usually concerns amounts under 100,000 euro. In 2016, in total,
39% of EU28 SMEs report that the last loan they have obtained was below 100,000 euro. 24% of EU
SMEs report that their last external financing obtained ranges between 25,000 euro and 100,000 euro,
while 13% of SMEs report the last loan obtained amounts to less than 25,000 euro. These proportions
have remained rather stable since 2013. The amount of the most recently obtained loan varies strongly
with enterprise size, where the largest amounts obtained were in enterprises with over 250 employees.
For instance, 70% of the enterprises with less than 10 employees report that the last loan obtained is
less than 100,000 euro, whereas for SMEs as a whole this proportion amounts to 39%. Conversely, for
enterprises with more than 250 employees 76% of loans obtained are at least EUR 1 million euro.

SMEs reported a decrease in interest rates with the level for bank overdraft and credit line of SMEs
being 6% in 2014 and having decreased to 4.4% in 2015 and in 2016 to 2.2%. Micro enterprises are
charged a higher interest rate (2.8%) than the EU28 average for SMEs. The highest interest rates were
reported in Greece, Malta, Germany, Croatia and Denmark (5% in 2016) and lowest in Belgium,
Latvia and Finland (1.1%). Even though interest rates in general decreased more often than they
increased, the other non-interest costs of financing increased. These costs include such items as
charges, fees and commissions charged to SMEs when acquiring bank financing. In 2016, 33%
reported an increased level versus a decrease by 10% of SMEs. The resultant net change equalled a
23% increase.

Perceptions regarding the development of the general economic outlook faced by the EU28 SMEs
was positive in 2016, which constitutes a decline compared to 2015. In 2016, 17% of SMEs indicated
that the general economic outlook had improved, while another 22% reported a deterioration. This
results in a net deterioration of 5%. In preceding survey years (with the exception of 2015), this net
change has always been negative, even equalling a 55% net deterioration in 2009. In this year, the
Euro area experienced a strong 4.3% decline in GDP. Improvements in SMEs’ perception of the general economic outlook have been modest and lagging a bit. In 2016, 31% of EU28 SMEs reported an improvement in their own outlook with respect to sales, profitability and their business plan. Another 17% indicated a deterioration, resulting in a net improvement for 13%.

In 2016, SMEs in the EU28 were generally positive about changes in the availability of different types of financing. Regarding the availability of bank loans, trade credit, equity, credit line and overdraft, leasing or hire-purchase, and other types of loans, the proportion of SMEs that report an improvement was higher than the proportion of SMEs reporting deterioration. Only along the availability of debt securities did SMEs perceive a deterioration (net -1%).

The proportion of EU28 SMEs which reported that their needs had increased was slightly higher than the proportion of SMEs reporting a decrease in their needs for bank loans, trade credit, equity, debt securities issued, leasing or hire-purchase, or other types of loans.

7.3.3 Specific results under the key European initiatives in the area of facilitating access to finance for SMEs

The provision of a coherent overview of specific results achieved along the above-listed key European initiatives designed to facilitate SMEs access to finance turns out to be an extremely difficult task, as information on the produced results in terms of financial support specifically provided to SMEs and how it impacted SMEs performance is largely fragmented or even lacking. Therefore, to try to highlight the most important results discussed in the available literature the current section of the report focuses on:

- Results achieved throughout the already concluded programming period 2007-2013 both along the provision of non-repayable grants and repayable loans, guarantees, equity financing for SMEs under the European Structural Funds, including the financial instruments implemented under them as well as the financial instruments elaborated and implemented centrally on EU-level by the Commission in collaboration with EIF;
- Available data on financial resources committed and progress achieved along the EU measures facilitating access to finance currently implemented in the period 2014-2020.

7.3.4 Results in facilitating access to finance for SMEs in 2007-2013

❖ Support under European Structural Funds (2007-2013)

In practice, ERDF is the largest source of financing to SMEs both in the period 2007-2013 and in the current programming period 2014-2020. ERDF support to SMEs during 2007-2013 amounted to approximately EUR 47.5 billion. This represents 76.5% of total ERDF for business support and 16% of total ERDF allocation during the period 2007-2013.

According to a recent Ex-post evaluation of Cohesion Policy programmes 2007-2013 focusing on ESF contribution to SMEs, which is based on a sample of 50 OPs representing 65% of the expenditure addressed to SMEs, around 246,000 beneficiary SMEs were identified as direct

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beneficiaries of ERDF support. This figure should be regarded with caution as indirect beneficiaries are usually not recorded in the monitoring systems. In the majority of cases the support offered was the direct provision of funds in different forms (i.e. repayable, non-repayable, combined), with a rather limited use of indirect forms of support (i.e. consulting services, provision of infrastructure, information campaigns, etc.). However, in some cases indirect and direct support were combined in mixed instruments, although with a prevalence of the direct support component. Despite the fact that this figure might be an underestimation as it refers to about 60% of all ERDF policy instruments identified, still, it shows that only a small share of EU SMEs was reached. It is about 2% out of a total of 15.7 million SMEs counted throughout the countries and regions subject to the reported evaluation exercise.

An analysis of the main features, i.e. size, sector and technological intensity of beneficiary SMEs (where this information was available), revealed that:

- microenterprises represented the large majority (54%), often being the unique beneficiaries, of policy instruments, while 30% were small enterprises and 16% medium enterprises;
- almost half of beneficiary SMEs were in the manufacturing sector (44% as against to 16% in retail and wholesale trade); beneficiary SMEs within the manufacturing sector were concentrated in the sub-sectors ‘C25 Manufacture of fabricated metal products, except machinery and equipment’;
- more than half of beneficiary SMEs belonged to sectors classified as low-tech (56%), i.e. where the share of R&D expenditure over the value added was particularly low.

Simple grants represented almost half of the policy instruments identified, i.e. a public contribution of more than EUR 12 billion already paid. These forms of delivery are commonly considered to be traditional and less innovative than financial instruments. It is estimated that the average volume of ERDF funds directly allocated to each SME was approximately EUR 115,000.

In general, the main achievement of the ERDF over the 2007-2013 programming period is that it helped SMEs withstand the crisis in particular in those regions most severely affected. As a result, the prevalent pattern of intervention consisted in implementing generic policy instruments aimed at reaching the widest possible number of beneficiaries, with little indication of the target beneficiaries or the specific objectives the instrument was expected to achieve. The budget allocation for this type of policy instrument was sizeable, but the individual projects funded were generally small.

Use of financial instruments in the period 2007-2013

According to the Review of the role of EIB Group in European Cohesion Policy 133, financial instruments have gained prominence in Cohesion Policy programmes over successive programme periods, increasing from EUR 570 million under ERDF in 1994-99 to EUR 1.3 billion in 2000-2006 and EUR 17 billion in OP commitments 2007-2013. The justification of using such instruments is that they address market imperfections in the availability of capital, either because of information asymmetries (lack of track record leads private sector not to fund projects) or because commercial assessments do not necessarily capture all positive externalities or wider social benefits. It is also

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argued that FIs generate better-quality projects (because funds have to be repaid and commercial expertise can enhance project selection) and that they are a more cost-effective way of using public funds (because they recycle funds and private sector lending is leveraged). The main rationale for establishing financial instruments is their potentially revolving nature and the ability to attract additional capital from financial institutions.

Although it is widely-known that the use of financial instruments has increased significantly in successive Cohesion policy planning periods, a clear assessment of their scale in 2007-13 was initially hampered by the lack of systematic reporting. At the start of the 2007-13 planning period, reporting on financial instruments was not obligatory; the Commission only began to require data collection and reporting annually part way through the 2007-13 programmes. Successive reports have progressively improved the quality and completeness of reporting, though gaps and inconsistencies remain and the exact number of financial instruments is difficult to establish. According to data in the 2014 annual summary report of the Commission, by the end of 2013 a total of 941 financial instruments (69 holding funds and 872 specific funds) were established in 25 Member States (only Ireland, Luxembourg and Croatia were not recorded as using financial instruments), which benefited from 17.1 billion euro of committed funds from 164 ERDF and 19 ESF Operational Programmes. The number of financial instruments ranged between one (Finland) or two (Austria, Malta) to 170 (Hungary) and 248 (Poland). Around 92% of funds dispersed to final recipients were for enterprise support, 5% for urban development and 2% for energy efficiency and renewables.

The research paper “Financial instruments in 2014-20: learning from 2007-13 and adapting to the new environment”, 2014, provides important analysis and insight on the results from the usage of financial instruments in the period 2007-2013 at the EU level. In general, financial instruments principally take the form of loans and guarantees with a small proportion in the form of equity finance. In terms of number of transactions, around 48% take the form of guarantees, but in terms of amounts disbursed to final recipients, over 51% take the form of loans (and just 21% in the form of guarantees). Of the around 17 billion euro committed to financial instruments under the implemented operational programmes in the period 2007-2013, over 14 billion euro had been paid into holding funds or specific funds by end 2013, although less than 6.7 billion euro had actually reached final recipients – meaning that only just over one-third of the sums committed had actually reached their intended target by the end of 2013. Most of the funding committed actually remained with holding funds or specific funds (though a substantial proportion had not been paid to funds either). The data should be treated with some caution and the Commission notes that some of the entries are implausible; also, many entries are incomplete, so the final picture may be more positive. However, in some countries (AT, DK, FI, EL, NL, PT, RO, SK) less than 30% of commitments had reached final recipients, with the figure for Slovakia especially noteworthy since just 0.85 million euro from a commitment of over 110 million euro seems to have actually been invested by the end of 2013. At the

opposite end of the spectrum Sweden, Slovenia, France and Estonia appear to have achieved a utilization rate exceeding 70% of OP commitments.

Aside the financial instruments implemented through commitments by the operational programmes co-financed by ESF in the period 2007-2013 the European Commission implemented additional EU-level financial instruments specially focusing on SMEs. These were mainly related to the CIP Framework Programme. Reported results about the implementation of CIP financial instruments for SMEs\textsuperscript{137} show that since 2007, a total of 373,103 SMEs have benefited from a guaranteed loan or lease through the SMEG facility. The 569 million euro commitments and the 72 signed partnerships with banks or guarantee schemes have resulted in almost 20 billion euro in loans to the final recipients of financial support. In addition, the GIF instrument has provided more than 3 billion euro of venture capital to 467 high growth and innovative SME companies on the basis of 560 million euro initial EU commitments and 43 established partnerships with venture capital funds.

7.3.5 Progress in ongoing financial support measures in the period 2014-2020

It is difficult to assess the effectiveness of financial measures for SMEs launched for the period 2014-2020, as the EU programmes are at an early stage of development. A Substantial part of the available information on the implementation of available financial instruments for SMEs covers data reported by EIF\textsuperscript{138} on the agreements concluded with financial intermediaries that are to provide debt and equity products to SMEs backed by EU guarantees and other instruments. Data on the extent to which the committed resources on EU level have reached SMEs through these recently appointed financial intermediaries is scarce bearing in mind the early stage of development of these instruments.

- **Progress under COSME**

According to collected data about the current stage of implementation of the COSME programme, the list of approved projects entitled to receive non-repayable grants for the implementation of activities focused on strengthening SME potential amount to 167\textsuperscript{139}. Along the launched COSME financial instruments for SMEs, EIF signed 24 LGF agreements in 16 countries, representing a total volume of 232 million euro in 2015. In addition, 5 investments under the EFG facility were signed and resulted in 55.6 million euro of aggregate commitments. Recent EESC opinion on Promoting innovative and high growth firms\textsuperscript{140} reaffirms the need of further expansion of equity financing in order to support start-ups in their development phase.

- **Progress under InnovFin**

EIF concluded 28 signatures under InnovFin SMEG in 2015, totalling in 1.6 billion euro.

- **Progress under SME Initiative**

In 2015, Spain was the first country to take advantage of the new programme. EIF made a contribution of 800 million euro through signing the first guarantee transactions with six Spanish banks. They started offering the product to SMEs in the market in October 2015. In Malta, the SME

\textsuperscript{137} EU support for businesses - CIP results (June 2015): [http://ec.europa.eu/DocsRoom/documents/13510/attachments/1/translations](http://ec.europa.eu/DocsRoom/documents/13510/attachments/1/translations)

\textsuperscript{138} EIF Annual report, 2015


\textsuperscript{140} ECO/403 Promoting innovative and high growth firms
Initiative was launched in July 2015 and guarantee agreements are expected to be signed in the first quarter of 2016.

**Progress under EaSI instruments**
By the end of 2015, EIF had signed 11 transactions – of which 10 microfinance deals and one social entrepreneurship agreement – totalling in 27.2 million euro with financial intermediaries in Italy, Ireland, France, the Netherlands, Poland, Romania, Spain and the United Kingdom.

**Progress under ESIF financial instruments**
Based on the indications given so far, managing authorities have planned to deploy around 20 billion euro of ERDF and Cohesion Fund (CF) through financial instruments. The largest share of funding through such instruments is assigned to support to SMEs under thematic area 3 - 985.72 million euro. Up to the end of 2015, managing authorities in 21 Member States reported information concerning the progress in setting up financial instruments covering 64 operational programmes. 65 financial instruments have received commitments from managing authorities and at least 12 of these instruments have made investments in final recipients. Based on the information provided so far, it is reported that financial instruments under ESIF have supported around 6,881 final recipients. Out of those supported, SMEs are the largest group with 6,381, of which 140 qualify as micro-enterprises.

**Progress under the SME instrument**
According to most recent data announced on the EASME website about the implementation of the Horizon 2020 SME Instrument141, 870.96 million euro are provided in the form of non-repayable grants for the implementation of 2171 projects. The total number of EU SMEs that are granted financial aid under the instrument is 2275. Statistics show that among EU Member States, Spain has been most active in acquiring financial resources under the SME Instrument – Spanish projects receive around 17.6% of the total amount of granted financial aid so far.

In total by the end of 2015, EIF reported that throughout its debt and equity activities related to the provision of financial instruments for SMEs, financial support was provided respectively to 90,000 enterprises that have received access to loans and other debt products backed by EIF guarantees and 1,873 enterprises that have received access to equity investments at every stage of their development. In addition, through the EaSI instruments, it has supported 13,000 microenterprises. Yet, the number of reached SMEs which hardly amounts to more than 100,000 individual enterprises seems quite insufficient in comparison to the large amount of committed financial resources that amount to around 3.6 billion euro based on the information provided by EIF of signed agreements with financial intermediaries and the information about the contracted budget under the SME Instrument.

7.4 **Key challenges and problematic areas in relation to EU support mechanisms to facilitate SME access to finance**
The analysis of the identified data on the progress achieved in the area of facilitating SME access to finance provides evidence on some positive developments. They are mainly related to improved standard mechanisms of lending to SMEs (credit line or overdraft and bank loans) and decreases in interest rates, as a result of which currently access to finance is not regarded by SMEs as their most

pressing concern. Yet, the general improvement identified in the area of access to finance cannot neutralize concerns about certain challenges that are associated with the 2 main types of EU financial support measures (non-repayable grants & repayable loans, guarantees, equity investments provided through the use of financial instruments) to SMEs and are evident through the results of their implementation so far. The challenges to the 2 main models of channelling finance to SMEs are the following:

- **Challenges in relation to grant-based support for facilitating access to finance**

In spite of the great focus directed towards supporting R&D and innovation activities, as acknowledged at a strategic level, policy instruments were generally oriented to increasing and strengthening the main production factors, or inputs, of enterprises, such as capital, labour and technological level, which determines the total factor productivity. This reflects the fact that the most EU SMEs have put more efforts toward survival then toward innovation and development – a trend which should be further analysed and deserves designing proper measures to be reversed. The analysis of actual beneficiary SMEs revealed that instruments providing generic access to finance were associated with a higher average number of beneficiaries. While targeting a large population of firms, these instruments provided small amounts of aid for a wide range of possible investment options. This is the reflection of a toolbox approach involving a catch-all rather than a selective targeting strategy. The disadvantage of this approach is that there is no in-depth analysis on either the aid reached the companies that needed it the most, or reached the most active SMEs. It also suggests that, in developing the full intervention logic, there was insufficient consideration of the relative effectiveness of the different instruments, i.e. what can be expected to work best to achieve the desired objective. Policy instruments generally did not explicitly target specific types of SMEs through formal selection criteria: only 7% of the sums engaged by the identified policy instruments were addressed to SMEs in specific sectors.

The breaking of the global economic crisis soon after the beginning of the programming period was to some extent the main reason that forced many Managing Authorities to adapt their strategies and use ERDF support to ensure SMEs’ survival. This explains the general downscaling of the expected impact of ERDF programmes, observed both in terms of reach and of nature. From the available evidence on beneficiary SMEs, it appears that in most cases ERDF instruments de facto focused on SMEs in low-tech sectors, contributing to catching up or survival of SMEs in traditional sectors rather than fostering existing growth and innovation poles.

Usually, grants were offered to all SMEs without any specification or without any focus on specific SME subgroups based on size class, sector, etc. To serve their purpose grants should be better fine-tuned to reflect SMEs’ real needs.

Evidence from the case studies shows that SMEs are poorly equipped to manage the vast quantity of documents necessary to successfully take advantage of grant-based support provided by ESF and currently by ESIF and engage in all the activities foreseen in order to fulfil the long list of requirements. Taken together, these different obligations might prove to be intolerable, especially when they offer no apparent advantage from the SMEs’ perspective (e.g. establishing a monitoring system with indicators and targets that are not necessarily pertinent or useful from the SMEs’ point of view). Enterprises usually fall short in their capacity to overcome the numerous administrative
requirements needed so as to demonstrate that the implemented project has fulfilled its purpose and has contributed to the policy objectives.

**Challenges in relation to the use of financial instruments to improve SMEs access to finance**

The 2014-2020 period has faced a general shift in EU funding approaches away from one-off grant finance towards the greater use of innovative financial instruments. As previously mentioned, the objective is to strengthen the longer-term availability of finance for SMEs by maximizing the sustainability of EU funds.

Notwithstanding the potential benefits outlined above, relevant research on financial instruments in the period 2007-2013 indicates that their implementation has hitherto proved to be challenging. While there is a range of examples of FIs improving access to finance, the evidence base for their impact on economic development is limited as yet - particularly in terms of success in reaching final recipients, leverage of private finance, sustainability, and effects on productivity and employment – and is crucially dependent on implementation capacity. 142

One of the major challenges observed in the application of financial instruments in the period 2007-2013 is a misbalance between the amount of committed financial resources at the EU-level and the amount of resources that actually reached their final recipients. Across all countries operating co-financial instruments, by end 2013, less than 40% 143 of the funds committed to financial instruments under the different operational programmes had actually reached their final recipients (i.e. individual firms or urban development projects, for example) and most of the funding committed actually remained with holding funds or specific funds (though a substantial proportion had not been paid to funds either).

Part of the reasons for this misbalance can be attributed to the general mismatch between supply and demand on the financial markets as noted in WEF Report “Breaking the Logjam of Capital Allocation”. The world is awash in financial capital and yet, it is not finding its way to SMEs, upstart entrepreneurs and underbanked individuals, where the opportunities for sustainable economic growth are perhaps the greatest. There is an acute mismatch between the suppliers of capital (who are mostly very large) and the demanders of capital (who are mostly very small).

Among the economic and political factors that create this cycle of stagnancy in financial markets, the WEF report outlines the burden of regulatory compliance to lie at the heart of the observed problem.

Compliance raises the fixed cost of investment. This, in turn, raises the minimum efficient scale at which a capital provider can deploy capital. Because compliance costs are so high, it is impossible for large capital providers to write small checks. Yet, the small end of the investment sector is where the greatest social and economic good can be created. Compliance costs encourage perverse economic behaviour. This is because compliance costs are measured in dollars, pounds or euros, while investment returns are measured in percentages. An investor who faces high-fixed investment costs

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142 Review of the role of the EIB Group in European cohesion policy:

and is choosing between a small, high-return project and a large, low-return project has an incentive to choose the project with the lower return because the return is being earned on a larger base, and is therefore more likely to satisfy the fixed investment cost.

In the case of financial instruments implemented under the cohesion policy in the period 2007-2013, the reason for the unspent resources stems partly from the vicious practice among managing authorities of allocating of resources to FIs in order to circumvent the automatic de-commitment rule. Yet, the problematic disbursement of resources to final recipients signals more deep challenges related to insufficient understanding of the market and the specific needs of different SME groups as well as poor collaboration with relevant stakeholders such as SMEs organizations and associations in the process of designing financial instruments. In many cases, the funds allocated to FI and the design of instruments often drew on the experience of existing financial institutions and their perceptions of market needs. Close coordination of the various actors is crucial from the outset. In this context, policy makers have pointed to the importance of understanding of the market, as implied by an ex ante analysis, but also the motivations of different actors in the field and the need to ensure that interests and incentives are aligned. For example, funding agreements need to be made sufficiently attractive to fund managers, but they also need to be enforceable to ensure that the policy objectives are met. The strategy underpinning the use of the FI (and associated support) needs to be communicated effectively to potential recipients largely and to take into consideration their voice in relation to most pressing needs in the area of access to finance.

Another major concern in relation to financial instruments is related to the often poor leverage effect that they produce. Encouraging additional co-investment from the private sector (thereby increasing the sums available for investment in programme priorities) is cited as one of the key benefits of using financial instruments in Structural Funds programmes in place of grants. Yet in many cases, it has been difficult to engage the private sector as participants in co-funded financial instruments in 2007-2013. Reported data proves that overall the proportion of co-financing provided by the private sector is the very low (zero in most countries). The European Court of Auditors noted the poor capacity of Structural Fund programmes to leverage in private investment in comparison with other EU SME programmes, an outcome which they attributed to a lack of fit between the Structural Fund regulations and the specific features of financial instruments as well as weaknesses in the gap analyses carried out.

Additional concern as to the usage of financial instruments to support SME access to finance is that usually, EU support is linked to policy objectives and aims to produce desired effects in the economy. To some extent, this is contradictory with the nature of financial instruments that are profit-driven. This may be seen for example in relation to attitudes towards risky or innovative start-ups, which are typically in the light of EU SME policies seeking to support innovative projects and private fund managers seeing this as potentially undermining profit. While the development of innovative SMEs is a core objective for the EU, it is merely an incidental by-product to a profit-driven private investor. Therefore, it is important to stress the relevance of providing mentoring, training and business advice as a precursor to the provision of finance through financial instruments to all parties involved in the process – from the institutions making financial commitments through the financial intermediaries and the final recipients so as to ensure that all of them are well-acquainted with the opportunities
provided by financial instruments to address the existing financing needs of SMEs in such a way as to generate profit for all players along the value chain.

Last but not least at the start of the 2007-13 planning period, reporting on financial instruments was not obligatory, which initially hampered the clear assessment of the financial instruments scale. Therefore, it is necessary the quality and completeness of reporting to be improved.

Still weak development of non-lending financing channels

Data on the usage of other non-lending financing routes among SMEs, as well as EIF data\textsuperscript{144} on the general development of such instruments on the European market, demonstrate that the existing portfolio is still underdeveloped and needs further expansion so as to provide options to SMEs to diversify their sources of external financing. Private equity and venture capital, corporate bonds and securitisation, microfinance, business angels and crowdfunding are important tool to strengthen SMEs options for accessing finance. Yet, most of them currently remain insufficiently developed or nor well-calibrated and addressed by EU SME policies. Following the severe downturn of European private equity activity in 2008/2009, investments and fundraising have continued to recover. The venture capital segment which is of particular importance for the financing of young innovative companies improved, but nonetheless, activity levels were still far below their pre-crisis highs. Some of the remaining gaps were filled by business angels, thanks to their proximity to the market. Government agencies remained the largest investors in venture capital funds and so continued to support the recovery of the market. SME securitisation can be a source of funding or regulatory capital relief, thus enhancing the ability of banks to lend to SMEs but the European securitisation market is still well below its pre-crisis levels with the total volume of new issuances remaining weak in 2015. The European microfinance market is still young and heterogeneous, especially with regard to the diversity of lending approaches. Difficulties in access to finance were particularly acute for micro-enterprises and other microfinance target groups. According to the SAFE Survey in 2015, micro-enterprises cited access to finance as their most important problem more often than their larger peers. Microfinance can fill this financing gap, thereby serving both economic and social objectives and benefiting a wide range of target groups. Business angels are becoming increasingly important in providing risk capital, as well as contributing to economic growth and technological advances. Crowdfunding is an emerging source of financing and is developing rapidly in some EU countries. It is estimated that 4.2 billion euro were successfully raised through crowdfunding platforms in 2015 across the EU. The Commission study identified 510 live platforms as active in the EU at the end of 2014\textsuperscript{145}.

7.5 The SMEs perspective on access to finance in the EU – summary of the case study in Hungary

The access of SMEs operating in Hungary to credit has significantly tightened since the emergence of the financial and economic crisis, in addition to the greater difficulties they usually experience in finding alternative sources of financing in comparison to larger enterprises. The problems in financing are rooted either in the relatively young age of SMEs or the lack of adequate coverage of loans.

\textsuperscript{144} EIF Annual report, 2015:

According to Hungarian SMEs, the state system is supportive and the Hungarian government has taken series of national measures in order to facilitate the access to finance for SMEs through bank loans at low interest rates and simplified procedures. As a result, over the entire period since 2008, financing conditions for SMEs in the country have improved.

The main financing needs of Hungarian SMEs are current account crediting and working capital crediting. Currently, the main source of financing for Hungarian SMEs is the bank loan. Private equity and venture capital funding are very rare and others methods of financing are almost unknown. However, bank requirements to SMEs seem similar to those to large companies. Yet, SMEs cannot comply so well with the same demands, especially in terms of complex procedures like business planning, risk assessments, etc. Many of them have difficulties fulfilling administrative obligations. Although banks are generally more willing to provide loans but their service fees increased and this poses additional burdens for SMEs. Furthermore, it is still common financial institutions to consider providing loans to SMEs as much more labour-intensive and risky for them compared to large companies and loans.

Generally, very few specialized or skilled technology companies know the EU financing programmes facilitating access to finance. As the most popular and recognizable, the Széchenyi Card Programme stands out, but what should be noted is that this is a local additional support tool. Hungarian SMEs are vaguely familiar with COSME, Horizon 2020, the European Structural and Investment Funds. Yet, the majority of them perceive EU financial programmes only as investment instruments and they do not recognize a need of such investment in their particular business. In addition, procedures and documentation seem too complicated for them. That’s why they prefer to contact external consultancy companies instead of trying to read, understand and apply themselves for EU funding programmes.

To ease SMEs’ access to finance, local governments should focus on the provision of favourable conditions for the application of alternative finance instruments. Procedures for accessing funding should be simplified for SMEs and the period of evaluation shortened. Hungarian SMEs recommend the launching of programs and dedicated support packages for the provision of training and education of the top and mid-management of SMEs on the business, finance, and entrepreneurship knowledge and project management. Also, it would be useful to consider the establishment of a common platform that provides information on all different kinds of financial instruments available to SMEs on EU level.
8. Supporting SMEs competitiveness and innovation

8.1 Overview of main commitments on EU level to support SMEs competitiveness and innovation

The European Charter for Small Enterprises (2000)\(^{146}\) acknowledges among its core principles the dynamic capacities of small enterprises in answering to new market needs and in providing jobs and stresses their importance in fostering social and regional development. By endorsing the Charter, Member States pledged themselves to “Facilitate access to the best research and technology”. The key actions planned to be the focus of EU support in the area of competitiveness and innovation are aimed at fostering the establishment of inter-firm clusters and networks that promote technology cooperation and sharing among different company sizes. The other main direction of intervention proclaimed in the Charter is focused on the strengthening of existing programmes for technology dissemination towards SMEs that could help SMES identify, select and adapt technologies to their business needs as well as the elaboration of more effective research programmes focused on the commercial application of knowledge and technology.

The Small Business Act\(^{147}\) acknowledges that the EU should “promote all forms of innovation”. Therefore, the SBA stipulates commitments to encourage investment in research by SMEs and their participation in R&D support programmes, transnational research, clustering and active intellectual property management by SMEs. Proposed steps in this direction include measures to optimize SME-participation in the RTD Framework Programmes implemented on EU level as well as ensuring specific focus on SME’s access to innovation in the designed programmes to be funded by the European Structural and Investment Funds in the framework of the cohesion policy. Furthermore, The European Commission in cooperation with Member States engages to develop a cluster strategy including initiatives to encourage transnational cluster cooperation, facilitating clusters’ access to new markets and taking measures to encourage greater participation of SMEs in innovative clusters.

8.2 Key European initiatives in the area of supporting SME competitiveness and innovation

Innovation has become a central focus of the Europe 2020 Strategy that puts forward three mutually reinforcing priorities for the EU future development – smart, sustainable and inclusive growth. The Smart Growth priority aims at developing an economy based on knowledge and innovation. In order to secure the realization of the smart and sustainable priorities the EU launches 3 flagship initiatives:

- "Innovation Union" to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs.
- "A digital agenda for Europe" to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms.


"An industrial policy for the globalization era" to improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally.

In view of SMEs’ indisputable contribution to the EU economy, enhancing their competitiveness is essential in order to foster the competitiveness of the EU economy as a whole. And since the competitiveness of European SMEs in the global arena largely depends on their ability to innovate, unlocking the innovation potential of SMEs becomes pivotal to fostering growth and jobs in Europe.

8.2.1 Horizon 2020 Framework Programme and the SME Instrument within its pillars

In line with the Commission Communication 'For a European Industrial Renaissance' in 2014 that stresses the need to implement instruments to support innovation, skills, and entrepreneurship, the EU has launched the Horizon 2020 Framework Programme in 2014 as the main tool for ensuring innovation growth in the EU as a whole throughout the period 2014-2020 and in particular for SMEs that can benefit from the specially designed SME Instrument under Horizon 2020.

8.2.2 EUREKA/Eurostars Joint Programme Initiative (2014-2020)

The second EUREKA/Eurostars Joint Programme Initiative (2014-2020) is an additional tool that provides funding for market-oriented transnational collaborative R&D projects, spearheaded by R&D performing SMEs. The programme is based on the collaboration between EUREKA and the European Commission, co-funded from the national budgets of 36 Eurostars participating states and Partner Countries and by the European Union through Horizon 2020. In the 2014-2020 period it has a total public budget of 1.14 billion euro.

8.3 Main results in the area of supporting SME competitiveness and innovation in the period (2007-2015)

8.3.1 Supporting SME competitiveness and innovation – progress in figures (2016)

According to the most recent data reported under the SME Policy Database in 2016, the overall performance at the EU level registered by all 28 Member States in the area of supporting SME competitiveness and innovation has reached an average performance score of 0.464 measured on a scale where 0 stands for “worst” and +1 – “best”. This performance result places “Skills & innovation” principle among the worst-performing policy areas in which the EU SME policies have produced the least significant effect.

The negative performance picture is confirmed when the compound annual growth registered in the period 2008-2015 is tracked. It is also negative and amounts to -0.6% (calculated on the basis of average values of the indicator taken from 3 years). In fact, this negative result places this priority area on the lowest place in the ranking of policy priority areas by value of registered compound

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annual growth. Only the actions along the “Access to finance” principle register such a low compound annual growth score.

The introduction of innovative practices in business is not a common practice for the majority of SMEs. Only slightly above ¼ of SMEs have introduced any new or significantly improved products or production processes which are not developed by other firms. SMEs seem to experience greater difficulties in the elaboration of new product/processes rather than in introducing innovations in the area of marketing techniques and organizational development where they register a more proactive stand (slightly above 1/3 of SMEs make marketing or organizational innovations). Yet, production and its realization on the market is the key to business success no matter the size of the company, so greater efforts are needed to stimulate SMEs follow innovative approaches in their production cycle. As a result of the slow pace of innovative practices in general the share of sales of new to firm/new to market innovations in the general turnover of all enterprises is hardly above 1/10.

Low-activity levels are registered when SMEs positions in e-commerce are measured. A very small proportion of SMEs “dare” to sell their production online while participation level rises when it comes to purchasing anything online.

Figure 16. Key results in the area of supporting competitiveness & innovation (Source: Interactive SME Database)

![SMEs performance in innovation](image1)

- SMEs innovating in house: 28.7%
- SMEs introducing product or process innovations: 30.6%
- SMEs introducing marketing or organisational innovations: 36.2%
- Sales of new to market and new to firm innovations: 12.4% of the turnover of all enterprises
- Innovative SMEs collaborating with others: 10.3%

![SMEs participation in e-commerce](image2)

- SMEs purchasing online: 22%
- SMEs selling online: 14.6%
- Turnover from e-commerce: 15.1% of total turnover

Data in the SME database is extracted from the following sources:

- SMEs performance in innovation: Community innovation survey, Eurostat, reference date: 2012, data provided by DG GROW by e-mail;
- SMEs participation in e-commerce: Eurostat, Community survey on ICT usage and eCommerce in enterprises, reference date: 2013.
Overview of general tendencies in SMEs competitiveness and innovation

EU innovation performance has been increasing at an average annual rate of 1.0% between 2007 and 2014, but growth has not been equally strong across all dimensions and indicators. Most progress in innovation performance made by EU countries between 2007 and 2014 is the result of an increase in the openness and attractiveness of the EU research system (3.9% growth), the improvement in human resources (2.2%) and the growth in intellectual assets (2.1%). Yet in general the current EU performance in innovation reported by the Innovation Union Scoreboard 2015 demonstrates relative weaknesses in indicators measuring progress in firm investments (in particular due to a weak performance in non-R&D innovation expenditures) and developed linkages & entrepreneurship (most notably due to a low share of innovative SMEs collaborating with others). Negative growth is also observed in Innovators (-1.5%) due to declining performance in SMEs that introduced product or process innovations and SMEs that introduced marketing or organizational innovations. Furthermore, growth in the area of finance and support provided for innovation has been very negative (-3.1%) due to a strong decline in Venture capital investments (-7.9%).

The negative change in innovation performance compared to 2014 is largely associated with the problematic inclusion of SMEs in innovation activities. In particular, the negative tendencies in SME innovation are observed along the major decrease in the share of SMEs introducing marketing/organizational innovations (-3.3% compared to 2014), followed by more moderate but still important declines in the proportion of SMEs introducing a product or process innovation (-1.7% compared to 2014) and SMEs innovating in-house (-0.8%).

Most indicators along which performance declined for the majority of Member States, and on average and for the EU, are related to SMEs. 17 Member States register decrease in the share of SMEs innovating in-house, while for 18 Member States there is a decrease in the share of innovative SMEs collaborating with others. For 21 Member States, the share of SMEs that introduced a product or process innovation has declined, and for 20 Member States the share of SMEs that introduced a marketing or organisational innovation has declined. These results should be treated with caution as they might be the result of the change in the methodology used (a decrease in innovation activities measured by the Community Innovation Survey was introduced). However, they might also be the result of a delayed effect of the economic crisis on business activities. Decreasing shares of enterprises with innovation activities, a reduced activity in public-private interactions as measured by public-private co-publications and declining venture capital investments all signal a possible negative effect of the economic crisis on business activities.

When looking at performance of innovation systems in a global context, South Korea, the US and Japan all have a performance lead over the EU. South Korea outperforms the EU by 24%, the Unites States has a lead of 22% and Japan has a lead of 14%. The United States and Japan have been consistently more innovative than the EU, but the performance lead is steadily decreasing – by 11 and 16 percentage points respectively since 2007. While the gap between the EU and both the US and Japan is decreasing, it widens with South Korea (increase of 19 percentage points since 2007). The top innovation leaders US, Japan and South Korea are particularly dominating the EU in indicators

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capturing business activity as measured by R&D expenditures in the business sector, public-private co-publications and PCT patents but also in educational attainment as measured by the share of population having completed tertiary education. For example, US businesses spend about 51% more on R&D (1.95% of GDP in 2012 compared to 1.29% in the EU). The US is also more successful in commercializing new technologies with 51% more License and patent revenues compared to the EU.

As compared with other key international partners, the EU continues to have a performance lead over Australia and Canada that score at 66% and 75% of the EU level, respectively. The performance lead is even larger compared to the BRICS countries (Brazil, Russia, India, China and South Africa). This lead is stable or even increasing for almost all BRICS countries, except for China. Even though its current innovation performance is at 49% of the EU level, China continues to reduce the gap by growing faster than the EU.

The 2015 Innobarometer on the Innovation trends of EU enterprises\textsuperscript{153} provides important insight to the dynamics of innovation activities within the different SME sub-groups as well as a comparison to the innovation performance of large companies. Although since 2014, the share of innovative companies among all companies increased and currently almost three quarters of companies have introduced at least one innovation since January 2012 (72%) this result is largely based on the innovation activities of large companies. The larger the company, the more likely it is to have implemented at least one innovation: 95% of companies with 250+ employees have done so, compared to 70% of those with 1-9 employees.

The same pattern is observed in relation to the areas in which companies innovate. The larger the company the more likely it is to have introduced new or significantly improved goods, services or processes. For example, 41% of companies with 1-9 employees have introduced new goods, compared to 72% of those with 250+ employees. Moreover it is quite rare for microenterprises to have introduced new or significantly improved processes as only 29% of the report having done so vs. 75% of large companies. Medium enterprises are the most likely to have introduced new or significantly improved marketing strategies (50% vs. 34%-40%).

In terms of the proportion of the annual turnover generated as a result of introduced innovations, it should be highlighted that SMEs assess more positively the contribution of innovation to their financial performance than large enterprises. While only 4% among the latter reported that 26% or more of their turnover came from innovative goods or services the same proportion was reported by 15-19% of the representatives of SME sub-groups.

Companies’ readiness to make some investment in innovation also varies with their size. Microenterprises are the least inclined to invest in research and development – only 29% of them have invested some part of their annual turnover in research and development, compared to 67% of those with 250+ employees. Furthermore, the share of microenterprises that report to have made investments in any of the enlisted innovation activities (acquisition of machines, equipment, software or licenses; training; company reputation, branding, including web design; organization or business process improvement; design of products/services; software development; R&D) is always below the

average share of all enterprises on EU level. In the case of all other SME sub-groups and large companies the proportion of enterprises that make investments in such innovation activities is above the EU average levels. This observation demonstrates that for the smallest SME companies innovation is still quite difficult and it is still hard to find its deserved place in the business logic and developmental strategies of these companies.

The lack of financial resources is more frequently mentioned by microenterprises that have introduced innovations as a barrier towards the commercialization of their innovative goods or services: 62% of companies with 1-9 employees say this, compared to 40% of those with 250+. At the same time, the maintenance of intellectual property rights is considered problematic by more companies with 50-249 employees in comparison to companies of other size classes (33% vs 14%-21%).

Almost one third of the companies that have introduced innovative goods or services (30%) consider support for training staff in how to market and promote innovative goods or services as the type of public support that would have the most positive impact for the commercialisation of their innovations. This attitude is strongest among the group of microenterprises and small enterprises that are the most likely to say that training staff how to promote and market innovative goods or services would have the most positive impact (38%-43% vs. 28%-29%). In addition, microenterprises are the most likely to distinguish support to accessing or reinforcing online selling as an adequate type of public support that could help the commercialize their innovative products (24% vs. 16-18% among small and medium-sized enterprises).

Investing in innovation is still not a popular activity among companies and seems not to be part of their plan for business development. Among all companies that had introduced at least one innovation since January 2012, 36% of them have invested between one and five percent of their 2014 turnover in innovation activities. Yet, another 22% of these companies have not invested anything followed by 18% that report to have invested less than 1%. Data by size class demonstrate that this weak orientation towards investing in innovation is more common among the smallest enterprises than in larger ones. Companies with 1-9 employees are the most likely to say they invested none of their 2014 turnover in innovation activities (24% vs. 5%-14%). Furthermore, companies established after 2014 are the most likely to report the same (29% vs. 22% among companies created before 2014).

Investment in innovation seems not to be part of SMEs future agenda too. Companies with less than 50 employees that have introduced at least 1 innovation since January 2012 are the most likely to say they are not planning to invest in innovation in the next 12 months (12%-17% vs. 5%-7%).

The above data on the tendencies in enterprises’ innovation confirm the conclusions from the Innovation Union Scoreboard 2015, that the negative results in EU innovation performance are largely associated with the decline of SMEs participation in innovation activities. It appears that the smaller the company the greater the difficulties it experiences with its business development. There are numerous pressing problems confronting microenterprises and they are the least inclined to involve in innovation activities.
8.3.3 Specific achievements under identified EU programmes supporting SME innovation

- **Horizon 2020**
  
  Due to the launch of Horizon 2020 in 2014 it is not possible to discuss the impact on SMEs at this early stage of development of the new framework programme. Yet, some quantitative data on the progress of implementation are available and provide valuable insight as to the level of SMEs active inclusion in the programme.

  Horizon 2020’s first 100 calls attracted a total of 36,732 eligible proposals (Under FP7: 135,514 eligible proposals were received). These can be broken down as follows: 29,794 full proposals in single-stage calls; 5,617 outline proposals in the first stage of the two-stage calls followed by 1,321 full proposals in the second stage of the two-stage calls. Most applications were submitted by the UK, Germany, Italy, Spain, France, and the Netherlands, with very few projects coming from the new Member States. This is largely in line with FP7. Just over half of EU Member States have increased applications submitted compared to FP7 and this trend needs to be analysed and addressed further.

  A total of 4,315 proposals were accepted for funding. The overall success rate of eligible full proposals under the first 100 calls is around 14%, compared with around 20% for the whole of FP7. The EC explains the lower success rate to be due to the fact that there was comparatively less funding available in 2014 as compared to 2013 (i.e. the last year of FP7). The EC also suggests that, as a new framework programme, Horizon 2020’s first calls attracted increased interest from applicants, as there is a marked increase in newcomers - 38% of successful applicants were newcomers (compared to 13% in 2013, the last year of FP7), of which 1,100 were SMEs. In total 3,236 grant agreements were signed by the end of April 2015 (compared with 25,164 grant agreements over the seven years of FP7) and were awarded a total EU contribution of €5.5 billion towards total eligible costs of €6.5 billion.

  Through the implementation of the SME Instrument the share of SME participations under Horizon 2020 has increased compared to FP7 from approximately 16.5% to 20% (in terms of Share of EU financial contribution). The statistics reported based on the first 100 calls shows that the original goal of a 20% budget share for SMEs under Horizon 2020 has already been exceeded.

- **EUREKA/Eurostars Joint Programme Initiative**

  Currently under the Second EUREKA/Eurostars Joint Programme Initiative there are ongoing 1,183 projects focused on innovation. No information is available on the current beneficiaries’ profile and the level of SME participation in project consortia established for the conduct of these projects. Yet, some data on the results from the first EUREKA/Eurostars Joint Programme Initiative implemented in the period 2007-2013 deserve to be shared. According to the Final evaluation of the first programme, Eurostar managed to reach its target group of R&D performing SMEs. The overwhelming majority of funds were allocated to SMEs. 65% of participants were R&D performing SMEs and another 5% were other SMEs. A significant part of participants were young R&D performing SMEs as well as R&D micro-firms. Research performing SMEs received about 75% of

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the money spent by Eurostars. The results pointed to some long-lasting impacts of the programme, as about 90% of the firms intended to continue the initiated partnerships with other R&D-performing SMEs in Europe whether the consortium was funded or not. Yet it should be stressed that the final evaluation of the programme identified that most participating SMEs had already had experience in national and international funding programmes and pre-existing international links. Therefore, any general effect on raising SMEs capacity for innovation could hardly be attributed to the implementation of this programme.

8.4 Key challenges and problematic areas in relation to EU support to SMEs competitiveness and innovation

The unsatisfactory EU innovation performance presented in p. 8.3.2 that is largely the result of the little progress achieved in strengthening and developing SMEs innovation capacity draws the attention to several important challenges still pertinent in the EU support mechanisms elaborated to promote innovation among SMEs such as Horizon 2020.

As highlighted in a recent paper of the Centre for European Policy Studies, at first glance, the results of the first 100 calls under Horizon 2020 exceeded the expectations for the amount of support provided to SMEs. In particular, 23% of the financial contribution allocated under the LEIT and the “Societal challenges” pillar have been absorbed by SMEs, thus exceeding the initial minimum target (20%). However, it is too early to take these preliminary results with enthusiasm. In fact, the share of SMEs among total applicants, funded applicants and granted funds were all higher in the previous Framework Programme (FP7) than in the Horizon 2020 calls completed in 2014. Preliminary results including more recent Horizon 2020 calls are in line with figures registered in 2014.

Furthermore, the new target set by the Commission for SME involvement (€8.5 billion) is only €1 billion higher than the total amount allocated to SMEs under the FP7, which seems hardly sufficient, especially when considering that the overall Horizon 2020 budget almost doubled the total EU financial contribution compared to the previous programme. Finally, Horizon 2020 aims at financing, in addition to research and development, innovation and close-to-market activities that tend to generate a faster return on investment: accordingly, this programme should in principle be far more attractive to SMEs than its predecessors, even in the absence of any specific target or preferential instrument. In fact, SMEs have a tendency to be more market-driven than research-driven and, due to financial constraints, generally prefer shorter payback periods.

Possible explanations of the limited involvement of SMEs in Horizon 2020 can be found in some barriers still impinging on their participation. In this respect, some members of the CEPS paper points out that SMEs: i) are often unaware of the (complex system of) existing support schemes; ii) face substantial obstacles in drafting convincing proposals due to limited time and resources and inadequate access to skills and knowledge (including linguistic skills); iii) have considerable difficulties in finding partners and in building and managing international consortia; iv) have limited access to finance to complement EU funds when required (e.g. in Innovation Actions and SME Instrument).
Therefore, as stressed by the Horizon 2020 dedicated Expert Advisory Group on Innovation in SMEs in 2014\textsuperscript{156}, removing the funding obstacle alone is not sufficient by simply granting more financial support under programmes such as Horizon 2020 specially for SMEs. This cannot produce the desired effect to strengthen their innovation capacity. Access to risk finance is a vital ingredient issue underpinning the whole innovation in SMEs agenda and it remains a crucial bottleneck, even for many of the most innovative SMEs. In general, a grant can reduce the total cost of an innovation, but it does not solve the short-term liquidity problem for an SME. Despite pre-payments, grant conditions often put liquidity pressure on SMEs. Substantial costs have to be paid upfront and it can be many months before these are reimbursed. For large companies and public funded research institutions ‘cost reduction’ is the most important benefit from a grant; liquidity is of limited concern. For a SME, cost reduction is nice but the liquidity challenge remains a stumbling block.

In addition, the administrative rules and programme requirements under Horizon 2020, although simplified in comparison to FP7, still seem not properly adapted to SME needs. For example, CEPS paper stresses that the selection criterion related to the operational capacity requires that applicants have the professional competencies and qualifications needed to complete the proposed action or work programme. In view of the identified high needs of training among SMEs in relation to their innovation potential as reported in p. 8.3.2, this requirement may represent another obstacle for SMEs, especially for newcomers that are not able to invest in large teams or infrastructure before getting funded.

Another possible distortion highlighted by the CEPS paper is related to the new SME instrument under which financial resources are earmarked exclusively for SMEs and there is an opportunity for single entities to participate with applications (as opposed to consortia). So far, this has led to the situation that the largest share of applications has been submitted by single entities\textsuperscript{157}. According to some stakeholders, however, the ‘SME instrument’ might end up discouraging cooperation since it does not allow the submission and/or implementation of two or more projects at the same time by the same applicant. In other words, SMEs are less willing to join consortia as ‘minority’ partners under this instrument, since they would then risk losing the opportunity to submit their ‘own’ project in the future. This, in turn, might negatively affect the quality of participation. Insofar as teamwork and international cooperation in research and innovation consortia can result in larger benefits for participants and the society as a whole. Thus, despite its virtues, the ‘SME instrument’ appears hardly sufficient to achieve a more effective involvement of SMEs in Horizon 2020.

Participation of SMEs in consortia can in its turn appear problematic as there could be cases in which SMEs are included in such consortia only formally with the idea of complying with programme requirements. It is extremely important to assess carefully the expected contribution of SMEs in Horizon 2020 consortia and reflect on the quality of their involvement so as to ensure that such companies play a salient role in funded projects.

\textsuperscript{156} Consultation on the EU Strategic Programme 2016-2017, Final report 2014:
http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetailDoc&id=23042&no=1

\textsuperscript{157} In 2014, almost 90% of the “SME Instrument” proposal were submitted by single entities, this share was higher than 90% within Phase 1 calls and around 75% in Phase 2 calls (Framework Programmes Reporting, eCORDA – External Common Research Data Warehouse on 16 December 2015).
To sum up, while Horizon 2020 correctly tried to couple research with innovation and successfully met the quantitative target for funding SMEs, more ambitious steps must be undertaken so as to tackle the range of obstacles SMEs encounter in their participation in such EU support programmes so as to strengthen their innovation potential. The failure to enable the highest-quality participation by SMEs remains the most problematic issue of the current system. Further research is needed on how to motivate more effective SME participation in future research and innovation programmes, how to maximize the impact of grants on SMEs’ capacity to innovate and compete at a global level and how to devise new targets and indicators to monitor such achievements.

8.5 The SMEs perspective on the support to competitiveness and innovation in the EU – summary of the case study in Austria

Austrian SMEs consider the political and economic environment stable. According to them, local authorities continuously improve the environment for start-ups, promote innovations, support access to finance and strengthen entrepreneurship in the country.

To be able to raise their competitiveness and make more investments in innovation, Austrian SMEs need the support of partners. As private industry players are very conservative in Austria, there is a lack of venture capital market. Austrian SMEs in general are facing a lack of own financial resources for innovation and difficulties in accessing finance for innovation projects as well as labour shortages. This leads to limited opportunities for successful participation in the processes of public procurement, or applying for programs funded by the EU.

Another important obstacle to innovation is the complexity of patent legislation, in which numerous regulative frameworks are applied in parallel such as the Patent Cooperation Treaty (an international patent law treaty), European patent and national patents in different languages and countries. According to Austrian SMEs, it takes too much time and effort for companies to find the right path to defend their innovative products through the application of intellectual property rights. Furthermore, access to IPRs usually requires companies to invest large amounts of money to pay for consultants and lawyers that could provide specialized support in the area of patent law. Moreover, under the current legislative provisions patents are not included as an asset in the balance sheet of companies, which reduces the capital of innovative companies and makes them uncompetitive against companies from third countries.

In general, Austrian SMEs are familiar with the EU programmes supporting competitiveness and innovation, but according to them, the application process is very complex, unnecessarily long and the criteria for project evaluation are unclear. This is the main reason why Austrian SMEs often use the services of consultancy firms or other external professional assistance in order to apply for EU funding. This represents an additional cost for companies.

According to Austrian SMEs, their innovation performance can be improved through simplification of patent laws, ensuring access to finance for investments in innovation and reduction of the administrative burden. Furthermore, viable business incubators may be created, in which innovative ideas, knowledge, managerial experience and investors can operate.
9. Provision of key support networks to SMEs

9.1 Overview of main commitments on EU level for the provision of key support networks for SMEs

The European Charter for Small Enterprises (2000)\(^{158}\) acknowledges among its core principles the provision of “*top class small business support*”. The key actions planned to be the focus of this kind of support in the following years are related to the creation of information and business support systems, networks and services which are easy to access and understand, and relevant to the needs of business. The Member States and EU institutions pledged themselves to ensure EU-wide access for SMEs to guidance and support from mentors and business angels, including through websites, and to exploit the mechanisms to track and report SMEs economic performance (the European Observatory on SMEs /1992-2007/ and the SME Performance Review that substituted it and is currently in use).

The Small Business Act\(^{159}\) adopted in 2008 doesn’t provide such explicit focus on the development of key support networks for exchange of information and best practices among SMEs. In fact, this kind of support is not integrated in a separate principle that will guide EU SMEs policies. The provision of support networks is included to some extent within the framework of commitments and planned actions under the 7\(^{th}\) guiding principle devoted to helping SMEs benefit more from the opportunities offered by the Single Market. Under this guiding principle the SBA acknowledges that “*SMEs can also strongly benefit from public support in the form of advisory or networking services, including assistance for SMEs to defend themselves against unfair commercial practices*”. The document highlights as an important support tool the Enterprise Europe Network which assists SMEs by providing information and advice regarding the opportunities offered by the Single Market.

Among the key measures planned both on EU and Member States’ level are:

- Utilization of the Enterprise Europe Network;
- Creation of “SME Helpdesks” by the European standards bodies in coordination with representatives of SME associations.

The review of the basic documents setting the framework of EU SME policies leads to the conclusion that the provision of key support networks for SMEs is somewhat underestimated and downgraded as a specific focus of EU support initiatives. It might be that the more challenging goals related to burden reduction, access to finance and other SME-sensitive issues have distracted the EU from acknowledging explicitly the necessity to provide adequate information and advice to SMEs across the EU. To some extent, this has prevented the EU from ensuring a coherent and well-focused approach to the establishment of such support networks in the period 2007-2015. As a result, several EU support networks with focus on different aspect of SMEs activities have been created. Their design and functionalities differ widely which can hardly be beneficial to regular SMEs and their easy, fast and clear access to the information needed. Detailed profiles and assessment of the support services offered by the key support networks existing on EU level is provided in the next section of the report.

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9.2 Key support networks on EU level for SMEs

To provide support and information to SMEs seeking to boost their business, the Commission sponsors several support networks as follows:

- The Enterprise Europe Network
- Your Europe Business
- The European Small Business Portal
- Single Portal on Access to Finance
- The SME Internationalization Portal
- Intellectual property rights helpdesks
- The European IPR Helpdesk\(^{160}\)
- 4 specialized helpdesks supporting European SMEs in India\(^{161}\), China, South-East Asia and Latin America\(^{162}\)
- CEN-CENELEC SME Helpdesk

9.3 Main results in the area of provision of key EU support networks for SMEs

Throughout the researched period, 2007-2015, the growing focus of the EU on SMEs and the strive to create a business-friendly environment for them to operate and contribute to the growth of EU economy led to the flourishing of many EU support networks devoted to the provision of useful information, guidance and advice to SMEs, as well as training and exchange of best practices. The desk research exercise identified 7 key support networks in total. EEN occupies a leading position among these networks and serves as a kind of umbrella to all of them mainly as a result of the vast network of national experts operating in all national contact points established across Europe. EEN design based on the approach to unify resources of active business-support providers on national level has led to the formation of the largest pan-European network of service providers to SMEs with a potential to ensure an up-to-date highly-professional and country-specific expertise to SMEs how to deal with their pressing business issues in their local context.

Results achieved so far in relation to the practical value of support provided by the identified support networks cannot be measured as there is extremely scarce information on the satisfaction of users from the services accessed. The support networks usually don’t provide data from surveys carried among networks’ users designed to measure their satisfaction levels although some of the obviously collect such kind of feedback from participants in their events (e.g. feedback is collected by the European IPR Helpdesk). No research studies were identified that investigate the effectiveness of the provided support networks on EU level.

Some data on users’ satisfaction is partially available on EEN website but it is self-reported and declarative without being backed by official results and supporting survey data. According to EEN reported data, more than 85 % of SME users are satisfied with its advice. EEN organizes 70,000 international business meetings every year, but no information is provided on the results achieved from these events in terms of practical support provided to SMEs. Yet, the idea of effectiveness

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\(^{160}\) The European IPR Helpdesk: [https://www.iprhelpdesk.eu/](https://www.iprhelpdesk.eu/)


\(^{162}\) China, South-East Asia and Latin America IPR Helpdesks: [http://www.ipr-hub.eu/](http://www.ipr-hub.eu/)
should be questioned in the light of the data from a recent Flash Eurobarometer Survey on Internationalization of SMEs\(^\text{163}\) according to which only less than one in ten EU SMEs has heard of the Enterprise Europe Network - 8% of companies say they are aware of the Enterprise Europe Network, while 92% say they are not.

A brief quality assessment of the information provided on the researched networks outlines that in terms of usefulness of the information provided, Your Europe Business Portal seems of high value to SMEs mainly because it provides a coherent overview of the main issues of interest to European SMEs and what the relevant regulations and opportunities are in relation to them. In terms of user-friendly design and clarity of information provided, the European IPR Helpdesk seems most relevant to SMEs needs. Considering the availability of information on all EU languages only EEN, the Your Europe Business Portal provide most of their information on all languages.

As previously noted in p. 6.1, the provision of key support networks is somewhat underestimated as an important part of the actions the EU has to undertake to support SMEs properly. Another proof of this conclusion is that the interactive SME database doesn’t collect any data on the usability and satisfaction of the existing key support networks. In general, available information is insufficient so as to make a valid conclusion on the effectiveness of the key support networks provided on EU level and their contribution for the improvement of business conditions for SMEs.

9.4 Key challenges & problematic areas in relation to the provision of key support networks to SMEs

The analysis of the gathered data about the design, content and support offered through the key support networks established on EU level for SMEs provides evidence on the following challenges and problematic areas that should be further addressed in EU SMEs policies with greater care so as to ensure that these networks are providing really useful and practical guidance to SMEs:

- **User-friendly design**

  Having been established as part of the broad website of the European Commission most of the provided networks have followed its design and structure. Yet it should be taken into account that the institutional website of the Commission is predominantly oriented to a specific audience, mainly experts and government officials that have vast experience in the bureaucratic area. Therefore, the way information is structured as well as the numerous redirections inside the subdirectories of the networks through hyperlinks can hardly be described as adapted to the need of regular SMEs. In most cases, ordinary SME representatives may feel lost in the numerous links and sub-directories and usually they don’t have sufficient time to scroll all over the given network in search of what they need. Time is always pressing companies and their managers desire easy, clear and fast access to necessary information.

- **Clear and easy to read content**

  Based on the same reasons as described above, the content of most networks is not quite well adapted to the needs of SMEs and the type of communication they practice in their day-to-day routine. Most

of the networks provide plenty of text material and sometimes it is too bureaucratic to be understandable to ordinary people. It should be noted that most of the enterprises are lacking the necessary administrative culture and practice to cope with the information provided.

There are cases when actually, the relevant network hardly provides any specific information on the issues that interest SMEs the most. This is, for example, the case with the largest network – EEN which subdirectories all advice users to get in touch with the local contact points in their country. While it is certainly essential to be able to provide on the spot help in the enterprise’s own language, it seems important to ensure the availability of relevant content on the network website itself so that SMEs can first gather relevant information and turn to the local contact points for details and practical support.

**Availability of information on all EU languages**

The language barrier in front of the majority of SMEs wanting to access information about business opportunities at the EU level is still a major impediment to them that prevents them from getting information on and experiencing many of the opportunities offered at the EU level. Most of the existing support networks offer their guidance and advice in English, while most SMEs lack the necessary resources to operate in English due to lack of qualified personnel with relevant fluency in English. Currently, there are only 2 support networks that are basically translated in all EU languages – EEN and Your Europe Business Portal. The existing language barrier certainly prevents SMEs from improving their awareness on many EU-level support mechanisms especially in the area of access to finance and to new markets.

**Number of networks and lack of a single one-stop-shop network for SMEs**

Throughout the researched period 2007-2015, the development of EU SME policies has faced a growing number of support networks available to EU SMEs in order to improve their level of awareness and knowledge on the existing regulations and provided support mechanisms in terms of finance and access to new markets. This abundance though seemingly positive can in many times turn out to be an impediment in front of SMEs when they want to get a clear and concise picture of available opportunities across and beyond the EU for doing business. The potential for ensuring the gradual unification of existing support networks in one single one-stop-shop network for EU SMEs should be carefully considered by the European Commission. The SBA and all other relevant policy documents on EU level promote the idea of guaranteeing SMEs easy and fast access to services through the establishment of on-stop-shops for SMEs. Support actions in the area of provision of information and guidance should be in compliance with this idea so as to ensure direct access of SMEs to all relevant information for their business. Certainly, this presents a real technical challenge to ensure a design and network architecture that is in the same time user-friendly and informative but this shouldn’t be a barrier to undertaking future steps in this direction for the benefit of SMEs.
9.5 The SMEs perspective on the provision of key support networks in the EU – summary of the case study in Bulgaria

Bulgarian SMEs generally use external consultant services in order to receive relevant EU-related information. They declare to be in need of structured advice and simplified access to clear information on EU policies and funds available. Generally, they are not familiar with the existing EU support networks for SMEs as they do not recognize themselves as potential partners and/or beneficiaries.

According to respondents, the information provided by these sources is too scattered, there are too many references and links to other sites, which make them difficult to use. The level of education of users, the lack of management capacity, combined with very bureaucratic and incomprehensible language used in those portals is another problem for the users. Therefore, the information should be adjusted to a language more comprehensible to consumers.

In-depth interviews indicated that only a small part of the enterprises are familiar with some national or EU support networks for SMEs. In general, they are not popularized effectively. According to those familiar with some of the networks they do not fulfil their original purpose and are not useful for small and medium business.

\[164\] For detailed case study see Appendix A3.
10. Conclusions and recommendations for an improved EU SME policy

10.1 Conclusions

Since 2008, EU SMEs have become one of the main focuses of EU development policies. They have been proclaimed to be the most valuable segment of EU economy and are expected to be the main driver of EU recovery from the global economic crisis and of growth under the Europe 2020 Strategy. Under the "think small first" principle, the EU has launched the SBA as a decisive step towards improving competitiveness and the conditions for doing business for 23 million SMEs in Europe through the implementation of an ambitious programme focused on burden reduction/simplification of regulations, promotion of entrepreneurship by developing entrepreneurial skills and providing favourable start-up conditions and second chance options, improving access to markets and internationalization, facilitating access to finance, supporting SME competitiveness and innovation, provision of key support networks and information for SMEs. As the proposal for revised SBA seems to be postponed, EC should be more devoted to implement in a consistent and timely manner its plans regarding the SMEs promotion. This Study provides a comprehensive overview of the key initiatives implemented on EU level along all the above-mentioned priority areas addressed by SBA in the period 2007-2015. The results of the Study provide evidence that to date a great deal of work has been done especially in relation to the establishment and provision of numerous support tools, platforms, networks on EU level designed to strengthen SMEs capacity to do business.

Yet, in the current development of the global economy, SMEs are being confronted with increasingly serious challenges and the business environment is becoming ever more competitive. The ability to manoeuvre in a fast-changing world, to endure the constantly intensifying competition and globalizing markets and to adapt to the new business models rising as a result of the widespread digitalization presents a major challenge for SMEs. In assessing the effectiveness of the EU SME policies in the period 2007-2015, the Study identified evidence that the current EU initiatives fall short in their ability to reflect these dynamic conditions in which EU SMEs have to operate. On the general level of analysis of EU SME policies as a whole the most major mismatches identified can be summarized as follows:

- So far, EU SME policies tend to treat the large population of SMEs in Europe as a homogenous group and do little to try to distinguish between the different needs of the numerous sub-groups of enterprises falling under the definition of SME. As a result, the majority of EU support mechanisms established in the period 2007-2015 address SMEs as a whole without paying the necessary attention whether this support is fit for its purpose and matches the needs of different SMEs. For example, current EU policies contain quite rare examples of tailor-made support mechanisms focusing on a specific SME sub-group (i.e. the financial instruments for microenterprises, social industries and enterprises in the cultural and creative sectors described in Annex 4). The collected data through the desk research exercise and conducted case studies highlight the heterogeneity and huge diversity of SMEs in Europe. Thus, developing EU SME policies along the principle "one size fits all" proves to be a crucial problem that prevents policies from achieving their desired effect on SMEs.

- Another major mismatch is related to the fact that EU SME policies rely on the application of regular policy instruments in an effort to produce a positive impact on the business development
of SMEs. In doing so, most of the elaborated support mechanisms are regulated through a complex system of rules and procedures which in the view of EU SMEs creates unbearable administrative burden. The collected data through the desk research exercise and all conducted case studies stress that EU SME policies suffer from the dominance of the bureaucratic approach. As a result, as confirmed by all participants in the case studies, most EU support instruments seem too complex and largely not fit for their purpose to provide help to SMEs. There is a strong sense among EU SMEs that the authorities responsible for the provision of such support mechanisms to the business have no idea how the business actually functions. It is a universally acknowledged truth that business is marked by great dynamics in which SMEs have to operate fast and usually under constant time constraints. In such conditions, the majority of support mechanisms elaborated at the EU level seem inept to respond to SMEs pressing needs in a fast, clear and effective way. Most SMEs are demotivated and don’t even try to access the support offered as they don’t have the time and skills to read long guidelines and procedures.

- Furthermore, there appears to exist a huge communication gap between EU SME support mechanisms and their final addressees – SMEs. In the period 2007-2015, the EU established multiple support tools and mechanisms, including a vast number of information networks and platforms with the aim to address SMEs pressing needs in the areas of access to markets, finance and innovation. Yet, the results from the desk research exercise and all case studies prove that most SMEs are practically unaware of these support instruments. Strong evidence to this are the results of a recent Flash Eurobarometer Survey on Internationalization of SMEs according to which 92% of EU SMEs say they are not aware of the Enterprise Europe Network. With regard to these results, it should be emphasized that effective policy making that can produce the desired changes in the business conditions for SMEs requires not only the establishment of a portfolio of mechanisms but also its active promotion among the final addressees of such mechanisms. To this end of its development, EU SME policy has allocated a large amount of financial resources to put at place a complex network of support mechanisms. Yet, most of them do not succeed in reaching their big target audience of SMEs. The reasons for this are complex and are related to poor popularization efforts, weak collaboration with key local intermediaries on national level specialized in working with SMEs (chambers of commerce and SME associations), lack of user-friendly and adapted to business needs approach in providing support as most tools offered are too complex, unclear and bureaucratic in design and content to meet the needs of SMEs. As a result of these discrepancies of the portfolio of support mechanism offered, SMEs are usually left demotivated and prefer to avoid them.

- Last but not least, the Study provides sufficient evidence that so far the development of EU SME policies is not monitored effectively which prevents to a large extent the potential of the Study to provide a comprehensive assessment of their effectiveness. For most policy priorities the available information is very fragmented and focuses on different policy elements without paying sufficient attention to the broad picture of EU-level intervention. The annual SME performance review is focused on the evolution of SMEs tracking their performance along important economic criteria measuring SME impact to value added and employment but falls short in shedding light on the impact of EU support measures to SMEs and to what extent changes in SMEs development are result of their implementation. Particularly striking weaknesses in the monitoring of EU SME policies are observed in relation to the efforts in regulatory burden reduction where there is no
sound proof how adopted simplification of rules actually affect SMEs as quite few Member States provide any feedback. The same is observed with the results of the operation of the abundant key support networks that exist on EU level to provide information to SMEs and raise their awareness on EU support mechanisms.

Unlike SMEs in other parts of the world, European SMEs have to conduct their business activities in compliance with both the regulations of their national governments and those elaborated within the European Union. This certainly increases substantially the efforts required to do business and bearing in mind the limited human and technical resources that are usually at the disposal of SMEs efforts seem even greater.

Apart from the above-mentioned general conclusions the Study provides important insight on the key challenges experienced in all main priority areas along which EU SME policies try to improve conditions for SMEs:

- **Burden reduction/simplification**

  Despite the launched initiatives to minimize the regulatory burden for SMEs, the scope of these actions within the Better Regulation Agenda and the REFIT Programme seems quite limited in the light of the adopted 17 exemptions as compared to the over 1500 legislative acts that contain provisions related to SMEs. Although the REFIT Programme has managed to address most of the regulations outlined as the most burdensome in the TOP10 consultation among SMEs, the volume of relevant EU legislation in scope makes it necessary to undertake more active actions in relation to burden reduction. Moreover, the monitoring of the impact on SMEs as a result of adopted exemptions and simplifications is very weak. Practically, very few Member States provide any feedback on cost savings and there is no real evidence on behalf of SMEs gathered through cross-European surveys on the effect of the burden reduction measures. In addition, the REFIT Programme should provide smart regulation that ensures balance in the business environment and protects both the interests of SMEs and the interests of employees and the environment.

  More importantly, the burden reduction measures fall short in addressing the most pressing legislative issue related to the outdated nature of the SME definition. Against the new economic developments of widespread digitalization and globalizing markets, framing policies based only on the size of the supported companies seems old-fashioned and not capable of taking into account the different needs of SMEs. SMEs differ in their size, field of activity, objectives, financing, management, geography and legal status. Policymakers therefore need to take into account these variations and try to reflect them in the most appropriate way so as to ensure better matching of the support instruments to the needs of SMEs.

  The application of the SME test as an integral part of the impact assessments of future legislative proposals cannot guarantee that SMEs interest will be guarded effectively throughout the elaboration of new legislation as the tool is not obligatory to Member States and as a result is not implemented equally by them. The tool itself needs fine-tuning as currently the impact of new legislation on SMEs is measured for SMEs as a whole without taking strong consideration of their heterogeneity.

  Last but not least, SME access to the ongoing public consultations on new legislative proposals and existing legislative acts announced on the Commission’s website is hampered by the difficult comprehensibility impact assessments and roadmaps to SME representatives as they are not
accustomed to the bureaucratic institutional language of the EU as well as of language barriers as these documents are largely available only in English despite the fact that the EU acknowledges the equality and diversity of EU languages. The small number of SMEs and business organizations that have so far accessed platforms such as "Lighten the Load – Have Your Say" feature on the Commission's better regulation website demonstrate that SMEs are not aware of the public consultations channels and perhaps other ways of getting their positions should be put at place such as stronger collaboration with SME associations and business organizations representing SMEs interests.

**Promotion of entrepreneurship**

It is a universally acknowledged truth that cultural changes related to changing people’s behaviour need plenty of time to evolve. Desk research data demonstrates that the strive to develop a strong entrepreneurial culture in EU society is the task in which the EU is confronted with the greatest difficulties in comparison to the results achieved along the other SBA principles. Although many initiatives were launched with the aim to support entrepreneurship through training, exchange of best practices, establishment of information networks, etc. most of these measures though successful within their specific goals (e.g. Erasmus for Young Entrepreneurs Programme and the projects in relation to entrepreneurship education implemented on EU level as reported in p. 5.2.1) have in general limited effect because they encompass limited number of people. Therefore, developing entrepreneurship as a skill is the most problematic dimension of EU SME policies related to promotion of entrepreneurship. So far, entrepreneurship education is increasingly recognised as a cross-curricular objective in primary education, but is most commonly taught in upper secondary education through a variety of approaches exist. No coherent practice is identified among Member States as education is not regulated on EU level. Progress is most needed in two areas – steady integration of entrepreneurship in the education systems across all Member States as an optional subject and teacher education.

Although some progress has been evident in initiatives such as Erasmus for Young Entrepreneurs Programme and the European SME Week, entrepreneurs within Europe still do not receive adequate recognition and there are still insufficient numbers of people seriously considering becoming entrepreneurs. So far, the implementation of Erasmus for Young Entrepreneurs Programme highlights the need to keep such programmes more focused on their initial objective of development of entrepreneurial skills because current data points out most positive effects are mainly related to improved personal skills (self-confidence, determination) and language skills, rather than to entrepreneurial skills development. Promotional events and campaigns like the European SME Week should pay more attention to making organized events more focused on stimulating attendees to seriously consider becoming an entrepreneur as a career option and to take concrete steps towards becoming such. Currently, the European SME Week has produced little real impact on attendees in this direction. Furthermore, a limited number of SMEs and SME organisations are able to attend this event, and the participant list shows a great majority of state administration. The initiative and can be further developed in the future with the aim of attracting more speakers from the real business – owners and managers of SMEs.

The Least progress is achieved along the actions designed to promote entrepreneurship among specific target groups. So far, efforts have been focused mainly on the promotion of entrepreneurship among women and only in the last 2-3 years has specific attention been paid to migrants in view of
the tightening migration crisis in Europe. A coherent policy framework at the EU level towards people practicing liberal professions is still lacking although the EESC has encouraged the Commission to develop the idea of adopting a "European Charter for the liberal professions" similar to the "European Charter for Small Enterprises".

Relatively more positive results are tracked in the area of ensuring favourable conditions for companies to overcome the most crucial phases in their development such as the start-up phase, cases of transferring business and, last but not least, insolvency cases. The major positive changes are related to the nearly completed benchmark 3-day period required to set up a business and the slight decrease in the costs to start a business. Yet the benchmark of 100 euro cost for the start-up procedure is 3 times lower than the current average cost across the EU. There is still much to be desired in relation to establishing clear and simple conditions for business transfers and liquidations (both insolvency and voluntary winding-up), which in many countries as confirmed in the Belgian case study is difficult from a purely procedural perspective.

**Improving access to markets and internationalization**

The EU is still experiencing great challenges in ensuring the proper functioning of the Single Market and guaranteeing equal access of all market players to the 4 freedoms of movement. The current EU performance in the area of Single Market governance demonstrates certain weaknesses in view of the high number of pending infringement procedures (732 as of December, 2015) and the fact that only 13 Member States, or less than half of all Member States, have met the 0.5% compliance target proposed by the Commission in the 2011 Single Market Act. Usually, the problems of the Single Market are rooted in the Member States’ approach to the application of the Single Market principles. Quite often, Member States apply these principles incorrectly or impose additional requirements to those adopted on EU level (the practice of gold-plating) or deviate from their obligations to apply them. No matter what the exact case is this causes additional administrative burdens to enterprises. The costs and administrative burdens have particularly severe effects on SMEs, which are much less able than larger companies to counteract requirements from Member State authorities which are not in accordance with the Single Market principles, and SMEs are thus much more likely to simply comply with requirements or abstain from entering the market. Available survey results on SMEs internationalization give further proof of this observation as both exporting and importing SMEs highlight complicated administrative procedures and the high delivery costs as the main barrier to their successful internationalization activities. These attitudes are even stronger among SMEs importing and exporting from outside the EU.

Many European support schemes seem to be falling short of SMEs’ diverse needs in relation to size, growth-orientation and behaviour specificities. Most support mechanisms are found open to all SMEs engaging in internationalisation. This approach tends to ignore the heterogeneity of the SME population and their various pathways and needs to internationalisation. There is a lack of tailor-made programmes that address specific business concerns of different SMEs and their phases of internationalisation. For example, there is evidence that SMEs support mechanisms largely focus on the most active players among SMEs while not taking into account SMEs with more moderate growth results that still contribute substantially to EU economy and deserve being supported. Thus, support mechanisms have not been able to offer tailor-made support to ‘growth-inclined’ and ‘growth-ambivalent’ SMEs to enhance their internationalisation performance. In addition, recent EU
programmes have focused attention on the development of centres in foreign markets rather than building up capacity or drawing on networks in the home market. Hence, there appears to be insufficient coordination between the EU’s internationalization efforts and the business community it seeks to serve.

EU actions to promote standards and IPRs among SMEs seem scattered, not well-coordinated and largely based on the provision of support networks that are not recognized by SMEs themselves as a useful tool. SMEs are in general unaware of such support networks and are even not interested in receiving such kind of information. As reported in p. 6.3.4.2, most SMEs do not protect their innovation through IPRs because they do not see any benefit in protecting innovations, they lack the necessary knowledge or the cost of procedures is too high for them. The most common difficulties when they try to register IPRs are related to the cost and length of procedure. Therefore, simplification and shortening of IPR procedures are regarded as the most adequate tools of support. Though information on SMEs application of standards is even scarcer than on IPRs an SBS analysis on norms prices confirms that there exist major differences among prices of standards across EU countries. A unified approach across Europe is lacking. Usually, the cost of purchasing standards has been identified as an important barrier to their use, especially by SMEs. The cost that SMEs must incur to buy the standards is proportionately much higher than in comparison to big companies’ turnovers.

**Facilitating access to finance**

Currently, access to finance is not regarded by SMEs as their most pressing concern mainly because of improved standard mechanisms of lending to SMEs (credit line or overdraft and bank loans) and decrease in interest rates. The results in this area differ across countries. The problem with financing is also reported by the smallest companies, relatively young and young high-growth companies. Yet, the general improvement identified in this area cannot neutralize concerns about certain challenges that are associated with the 2 main types of EU financial support measures to SMEs (non-repayable grants & repayable loans, guarantees, equity investments provided through the use of financial instruments).

As demonstrated by the ESF experience in the period 2007-2013, grants can hardly produce any substantial effect in relation to SMEs if they are based on a unified “one size fits all” approach. Usually, grants were offered to all SMEs without any specification or without any focus on specific SME subgroups based on size class, sector, etc. The grant-based model of facilitating SMEs access to finance is strongly dependent on the capacity of national managing authorities to build sound theories of change for SMEs based on profound knowledge and understanding of SMEs needs and the specific needs of different SME sub-groups. For this to happen in practice, the collaboration with SMEs representative associations and organizations is decisive but usually the dialogue between authorities and such organizations is poor.

As the provision of grants is not market driven and is based on the potential contribution of a project to serve some policy objectives enterprises are sometimes inclined to develop projects that can guarantee them access to finance but are hardly based on any strategic vision for the business development of the company itself. Therefore, good knowledge of SMEs needs as well as the provision of tailor-made grants oriented to support specific target groups of SMEs is decisive in order
Evidence from the case studies shows that SMEs are poorly equipped to manage the vast quantity of documents necessary to successfully take advantage of grant-based support provided by ESF and engage in all the activities foreseen in order to fulfil the long list of requirements. Moreover, grants are largely aimed at supporting investments in assets and in most cases as confirmed by the Hungarian case study SMEs are in need of working capital to cover their immediate needs. Thus, the focus of grants as well as the fact that they require a long and complex application process with frequent delays in the final provision of the financial aid usually doesn’t coincide with the logic of doing business.

The 2014-2020 period has faced a general shift in EU funding approaches away from one-off grant finance towards the greater use of innovative financial instruments. Basically, their market-driven nature and their potential to generate leverage on EU funds by attracting additional national public and private investment/co-financing is considered to be more relevant to address enterprises needs of working capital than the grant-based approach to facilitating access to finance. However, the application of financial instruments in the period 2007-2013 indicates that they prove to be challenging too. One of the major challenges observed is the misbalance between the amount of committed financial resources at the EU-level and the amount of resources that actually reached their final recipients (below 40% in the period 2007-2013). As observed in a recent WEF Report, the world is awash in financial capital and yet, it is not finding its way to SMEs, upstart entrepreneurs and underbanked individuals, where the opportunities for sustainable economic growth are perhaps the greatest. The reason for this acute mismatch between the suppliers of capital (who are mostly very large) and the demanders of capital (who are mostly very small) might be attributed to the very high compliance costs that make it impossible for large capital providers to write small checks.

However, in the case of EU support to SMEs, the problematic disbursement of resources to final recipients signals more deep challenges related to insufficient understanding of the market and the specific needs of different SME groups as well as poor collaboration with relevant stakeholders such as SMEs organizations and associations in the process of designing financial instruments. In many cases, the funds allocated to financial instruments and the design of instruments often drew on the experience of existing financial institutions and their perceptions of market needs. Close coordination of the various actors is crucial from the outset. In this context, policymakers have pointed to the importance of understanding of the market, as implied by an ex ante analysis, but also the motivations of different actors in the field and the need to ensure that interests and incentives are aligned. For example, funding agreements need to be made sufficiently attractive to fund managers, but they also need to be enforceable to ensure that the policy objectives are met. The strategy underpinning the use of the FI (and associated support) needs to be communicated effectively to potential recipients largely and to take into consideration their voice in relation to most pressing needs in the area of access to finance.

Usually, EU support is linked to policy objectives and aims to produce desired effects in the economy. To some extent this is contradictory towards the nature of financial instruments that are profit-driven. Therefore, in order to motivate better the provision of financial support through dedicated instruments, it is important to stress the relevance of providing mentoring, training and business
advice to all parties involved in the process – from the institutions making financial commitments through the financial intermediaries and the final recipients. This will allow to make it sure that all of them are well-acquainted with the opportunities provided by financial instruments to address the existing financing needs of SMEs in such a way as to generate profit for all players along the value chain.

Aside from the challenges of the most frequently applied EU support mechanisms to facilitate access to finance, the existing portfolio of non-lending financing tools for SMEs is still underdeveloped and needs further expansion so as to provide options to SMEs to diversify their sources of external financing. Private equity and venture capital, corporate bonds and securitisation, microfinance, business angels and crowdfunding are important tool to strengthen SMEs options for accessing finance. Despite of all the efforts to further develop and promote the use of such tools, most of them still remain insufficiently developed or not well-calibrated to effectively address the needs of the SMEs.

**Supporting competitiveness and innovation**

Horizon 2020 correctly tried to couple research with innovation and provided a specially designed tool for SMEs via the establishment of the SME Instrument. Although in its first year of implementation, Horizon 2020 successfully met the quantitative 20% target for funding SMEs, some aspects of the current implementation of the programme signal that SMEs still encounter a range of obstacles in participating effectively in it.

To improve the SME access to funding does not mean simply to grant more financial support. As argued in research papers, to strengthen their innovation capacity more coordinated and focused efforts are required. Access to risk finance is a vitally important issue underpinning the whole innovation in SMEs agenda and it remains a crucial bottleneck, even for many of the most innovative SMEs. In general, a grant can reduce the total cost of an innovation, but it does not solve the short-term liquidity problem for an SME. Despite pre-payments, grant conditions often put liquidity pressure on SMEs. Substantial costs have to be paid upfront and it can be many months before these are reimbursed. For large companies and public funded research institutions ‘cost reduction’ is the most important benefit from a grant; liquidity is of limited concern. For a SME, cost reduction is appreciated, but the liquidity challenge remains a stumbling block.

Possible explanations to the observed limited involvement of SMEs in the early stage of Horizon 2020 can be found in some barriers still impinging on their participation:

- SMEs are often unaware of the (complex system of) existing support schemes;
- They face substantial obstacles in drafting convincing proposals due to limited time and resources and inadequate access to skills and knowledge (including linguistic skills);
- SME have considerable difficulties in finding partners and in building and managing international consortia;
- They have limited access to finance to complement EU funds when required.

Last but not least, the administrative rules and programme requirements under Horizon 2020, although simplified in comparison to FP7, still do not seem properly adapted to SME needs. Requirements that applicants possess the professional competencies and qualifications needed to
complete the proposed action or work programme seem to create an unbearable burden to SMEs in view of the identified high needs of innovation training among SMEs as reported in p. 8.3.2.

It is extremely important to carefully consider the quality of SMEs involvement in Horizon 2020 so as to ensure that such companies play a salient role in funded projects.

Provision of key support networks
Throughout the researched period 2007-2015, the development of EU SME policies has faced a growing number of support networks available to EU SMEs in order to improve their level of awareness and knowledge on the existing regulations and provided support mechanisms in terms of finance and access to new markets. This abundance, though seemingly positive, can sometimes impede SMEs from getting a fast, clear and concise picture of available opportunities across and beyond the EU for doing business.

Most key support networks exist within the framework of the Commission’s web site and as such. Their design and content are sometimes complicated and confusing for SMEs. A large quantity of information is provided in a bureaucratic manner with numerous redirections inside the subdirectories of the networks through hyperlinks that might be suitable for government officials experienced in the administrative sphere. In most cases, ordinary SME representatives may feel lost in the numerous links and sub-directories and usually they don’t have sufficient time to scroll all over the given network in search of what they need. Aside from time constraints, it should be noted that most of the enterprises are lacking the necessary administrative culture and practice to cope with the information provided.

The language barrier remains a major impediment for majority of SMEs. Most of the existing support networks still offer their guidance and advice only in English while most SMEs lack the necessary resources to operate in English due to lack of qualified personnel with relevant fluency in English.

10.2 Recommendations
The main findings of the current Study on the effectiveness of EU support mechanisms for SMEs are aimed at ensuring a reinforced horizontal EU SME policy and reinvigorating the SBA:

- EU SME policies should acknowledge the heterogeneity and diversity of European SMEs. All initiatives to improve SMEs conditions for doing business should be designed by taking into account this diversity and be based on profound knowledge and understanding of the different needs of SME various sub-groups. This requires needs assessment, that should go deeper down to discover the specific needs of microenterprises, family businesses, social enterprises, the liberal professions and all other specific sub-groups that have quite varying legal forms and models of operation from "traditional" businesses. Only by addressing, in full, the heterogeneity of SMEs can EU SME policies provide a complete portfolio of diverse and innovative measures to effectively reach this diverse group of actors taking into account their specific features.

- With regard to the need to respond adequately to SMEs heterogeneity some SMEs feel that the definition should be assessed in the light of the new economic situation. It is crucial that the EC examines the possibility of revising the definition of SMEs and trying to better adapt it to the existing reality to ensure consideration of SMEs specific features and diversity. If the definition succeeds in grasping and reflecting effectively SMEs diversity this will ensure that the support
mechanisms under the EU SME policies that are targeted to SMEs and are applied based on the SME definition could be more tailor-made and focused to specific SME target groups providing for a more-focused support to SMEs.

- In order to make an adequate response to the identified over complexity of the majority of support mechanisms that the EU SME policies currently provide, it is important to substantially strengthen the active dialogue and cooperation with SME organizations both at the EU and Member States’ level. EU SME policies should speak the language of business is such a way as to provide simple, fast adequate solutions to SME problems. The elaboration of EU policies is a complex supra-national process which can hardly be simplified. However, EU SME policies and especially the support tools designed within their framework should be translated to the language of business in order to be fit for their purpose to promote growth and employment.

- In order to address the existing communication gap and low awareness level among regular SMEs of the provided EU support, EU SME policies should invest more effort in informing SMEs and especially the most vulnerable sub-groups among them such as microenterprises. The EU should continue to maintain support networks and information for SMEs (along the lines of the Your Europe Business Portal, Enterprise Europe Network, SME Internationalization Portal and the portal on Access to Finance) but future efforts should be focused not on the creation of new networks but on popularizing them and making them fit for their purpose to support SMEs and more user-friendly and comprehensive to them. The potential for ensuring the gradual unification of existing support networks in a single one-stop-shop network for EU SMEs should be carefully considered by the European Commission. The SBA promotes the idea of guaranteeing SMEs easy and fast access to services through the establishment of on-stop-shops for SMEs. Certainly, this presents a real technical challenge to ensure a design and network architecture that is in the same time user-friendly and informative but this shouldn’t be a barrier to undertaking future steps in this direction for the benefit of SMEs. Moreover, it is important to launch information projects/campaigns for SMEs to promote all existing support mechanisms and stimulate them make use of them.

- For ensuring higher effectiveness of EU SME policies, it is crucial to establish a strong multi-stakeholder partnership with social partners and public and private stakeholders engaged with SME problems. Currently. EU SME policies seem to fall short in their collaboration with SME organizations at national and regional level that stand closest to SMEs needs. Strengthening the interaction with such organizations is vital not only for overcoming the communication gap existing between SMEs and SME-relevant EU support mechanisms but also has the potential to provide a new and effective channel of reaching to SMEs by using local chambers of commerce and SME associations as key intermediaries in popularization and provision of existing support tools.

- In order to strengthen implementation along the key priority areas of EU SME policies and maximize effectiveness the following specific recommendations appear to be essential:
  - **Burden reduction/simplification:** consider the option of making the SME test obligatory for new legislative proposals at least in certain SME-sensitive policy areas; ensure more effective inclusion of SMEs and their organizations in impact assessments of new legislation via simplification of their format and content as well as guaranteeing availability of information in
all EU languages; consider the option of making complete fitness check of EU legislation on EU policies on regular basis; include SME organization as partners in the inter-institutional debate on new legislation relevant to SMEs; ensure effective monitoring of results under REFIT Programme in lessening the burden for SMEs; elaborate a common measurement system through which the cost savings can be measured in a uniform way from all Member States; consultations with stakeholders should be widely advertised so that they can respond in good time;

Promotion of entrepreneurship: enrich the existing tools to support strengthening the entrepreneurship mind-set among young people and ensure existing and new programmes stay focused on the development of key managerial and entrepreneurial skills; with regard to entrepreneurship education consider the option of making entrepreneurship part of the curriculum as an optional subject based on dialogue with Member States on most appropriate ways to coordinate actions on national level and align national educational systems; incorporate entrepreneurship as an essential ingredient of education schemes at all levels of the educational system through the elaboration of specific business-related modules as well as the development of appropriate training schemes for managers in small enterprises; with regard to the creation of favourable conditions for entrepreneurship better coordination with Member States is necessary so as to further optimize the costs of start-up procedures and motivate more people to develop their entrepreneurial endeavours, complement start-up procedure simplification with viable mechanisms for promoting business start-ups through easier access to finance at a moderate risk; substantially more efforts are needed to provide simple and easy business transfer and liquidation procedures as well as second chance options; envisage measures in order to ensure favourable environment that is supportive to entrepreneurship initiative; publication of guidelines/materials/tools to help teachers in effectively teaching entrepreneurship and implementation of EU funded projects focused on training educators in teaching entrepreneurship are needed in order to support education and training for teachers.

Improving access to markets and internationalization: optimize the functioning of the Single Market so as to prevent gold-plating, non-application and other Member States’ practices that distort competitiveness and affect SMEs the most due to their weak capacity to defend their rights; strengthen the visibility of existing internationalization support networks through better collaboration with SME organizations that could disseminate internationalization options among their members; provide tools to help SMEs take part in fairs abroad, which will increase their opportunities to access new markets; create regional and national sectoral clusters with producers of products/service with a certificate of guaranteed quality; invest additional efforts in lessening costs of standards and IPRs for SMEs and promoting their benefits to increase competitiveness.

Facilitating access to finance: optimize existing mechanisms to facilitate SMEs’ access to finance by: 1/designing grant-based programmes on the basis of careful needs assessment of SMEs most pressing financial needs so as to avoid the vicious practice of implementing projects only for the sake of acquiring non-repayable finance and without any business development strategy; 2/ strengthening the collaboration among EIF, financial intermediaries and SMEs organizations with the aim to design highly effective financial instruments that respond to SMEs needs for working capital, loans and guarantees; 3/ diversifying all support
measures both grant-based and financial instruments in order to establish a full portfolio of diverse and innovative measures to effectively reach the heterogeneous group of SMEs; enrich traditional lending by exploring ways to strengthen innovative non-lending financing channels such as private equity, business angels and crowd funding.

- **Supporting competitiveness and innovation**: pay special attention to the provision of tools improving SMEs access to venture capital for the introduction of innovations; create viable business incubators in which innovative ideas, knowledge, managerial experience and investors can operate; support cooperation between SMEs and research institutions creating favourable conditions for building strong and viable consortia in which SMEs and their market-driven innovative ideas play central role;

- **Provision of key support networks**: enrich content, optimize structure by limiting redirections and improving language in terms of comprehensibility and availability in all EU languages; consider the option of creating a single portal for all SME support initiatives with clear and user-friendly design.
Appendixes

A1. Case studies

Case study on “Promotion of entrepreneurship” in Belgium

1. Key findings in a nutshell

Belgian SMEs are forced to pay extremely high taxes and fees, which is a barrier for their
development. The provision of clear information about the available support from EU instruments is
an essential prerequisite so as entrepreneurs to be able to get the support they need. Belgian SMEs
believe that the EU needs to change its socio-economic policy significantly in order to be able to
address adequately the specificities of the business sector which consists largely of micro and small
enterprises. Also, there is a need for simple and clear procedures for liquidations.

2. Business profile of Belgian SMEs included in the case study

The following two SMEs in Belgium165 participated in the case study on “Promotion of
entrepreneurship”. Figure 1 provides a brief profile of the selected SMEs, followed by an overview of
their characteristics. The companies are presented in alphabetical order.

Figure 1. Factsheet of Belgian SMEs included in the case study

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of employees (Year)</th>
<th>Year of foundation</th>
<th>Class size &amp; Economic sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>10</td>
<td>1980</td>
<td>Micro Advertising</td>
</tr>
<tr>
<td>Company 2</td>
<td>2</td>
<td>2012</td>
<td>Micro Consulting</td>
</tr>
</tbody>
</table>

COMPANY 1 is a sister company of advertising company and was founded in 2008. COMPANY 1
can be considered as its B2C section. Unlike the advertising company, where the focus is on B2B
communication, COMPANY 1 is focused on the sale of advertising space in favour of print and
online media professionals and is oriented to end users/ consumers. Both companies carry the same
mission and are based on an identical work structure, independently of each other.

COMPANY 2 is a consultancy company and was established in 2012. The company supports
companies to create a vision that takes into account advanced knowledge of future trends, and then
align their strategy and people to gain quick business results. The company offers specialized
assistance to other companies that wish to work in a way that is socially and environmentally
conscious. COMPANY 2 focuses on the provision of 3 main types of services – consulting, coaching
(strongly correlated with the first) and wise products (the import/export branch of the company). The
company is a fully society-integrated organization that seeks to bring positive impact in its own way
by bringing products with true added-value on the market and helping managers transform their
companies into enjoyable, purposeful and sustainable ecosystems.

165 The planned number of 3 interviews with Belgian SMEs was not reached till the completion of fieldwork in relation to interviewing. Despite the efforts in establishing contacts with relevant companies, response rate was extremely low. EESC was duly informed for the experienced substantial challenges with the conduct of interviews in Belgium.
### 3. Background

#### 3.1. SMEs in Belgium – basic facts and latest tendencies in SBA implementation

Figure 2. SMEs — basic figures

<table>
<thead>
<tr>
<th></th>
<th>Number of enterprises</th>
<th>Number of persons employed by enterprises</th>
<th>Value added by enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Belgium</td>
<td>EU 28</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number</td>
<td>Share</td>
</tr>
<tr>
<td>Micro</td>
<td>531 754</td>
<td>94.2 %</td>
<td>92.7 %</td>
</tr>
<tr>
<td>Small</td>
<td>27 578</td>
<td>4.9 %</td>
<td>6.1 %</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>4 120</td>
<td>0.7 %</td>
<td>1.0 %</td>
</tr>
<tr>
<td>SMEs</td>
<td>563 452</td>
<td>99.8 %</td>
<td>99.8 %</td>
</tr>
<tr>
<td>Large</td>
<td>870</td>
<td>0.2 %</td>
<td>0.2 %</td>
</tr>
<tr>
<td>Total</td>
<td>564 322</td>
<td>100.0 %</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

The Belgian business economy is still recovering from the effects of the economic and financial crisis of 2008. Over 2009-2014, SMEs have grown more rapidly than large enterprises. SME value added increased annually by 3.4%. Over the same period, SME employment increased by 12%. In particular, micro enterprises performed even better, with a rise of 18% in employment and 28% in value added. Around 70% of employment and over 62% of added value are generated by SMEs. The construction sector has also recovered from its crisis low of 2009. Newly registered firms increased by 4.8% in 2014, and bankruptcies fell by 8.2% in 2013. The outlook for growth is promising as in 2014-2016, SMEs are forecasted to create around 42 600 jobs. Micro enterprises are expected to contribute most to this growth.

Belgium performs well in most SBA areas and its SBA profile is well in line with the EU average. The country has implemented policy measures in all SBA areas and to date is performing best in the areas “Skills & Innovation” where it ranks fourth in the EU and “Second chance”. There is an improvement on the “Single market” and in this area Belgium ranks within the top 10 of EU. However, the performance in the areas of “State aid & public procurement” and “Responsive administration” is below average and needs improvement. “Entrepreneurship” remains the weakest SBA area with least progress made.

#### 3.2. Belgian performance on Promotion of entrepreneurship

Flanders Innovation & Entrepreneurship[^166] is a government agency responsible for the implementation of the economic, innovation and enterprise policy in Flanders, the Dutch speaking northern part of Belgium. The agency helps companies with the start-up phase of their activities, supports their growth but also provides assistance with the search for the right location to set up a business, information on permits, financing, investments in innovation and ecological technologies.

The Walloon agency for business transfer launched an online platform aimed at facilitating business transfers. It consists of an online platform to connect potential sellers and buyers of very small enterprises in Wallonia. Another platform dedicated to larger SMEs already exists.

Other measures at regional level have addressed education, mentoring, coaching programmes, business plan contests, support for stakeholder platforms, support for young people, female and immigrant entrepreneurs, business transfer, etc. in order to support start-ups.

Despite the numerous initiatives and measures the governments have introduced entrepreneurship remains a challenging area for Belgium. The rate of established business ownership has fallen from 5.9% last year and 2% fewer people than last year see entrepreneurship as a desirable career choice. Since 2008, many measures at federal and regional level have been introduced in promoting entrepreneurship. In order to improve the financial requirements for new companies the private limited liability company statute (SPRL-S / S-BVBA) was reformed and the limit of five years to transform the starter company into a regular Ltd company was removed. The tax code now allows small companies to constitute a ‘liquidation reserve’ in distinct liability accounts. Also, they benefit from more favourable tax conditions if they are liquidated.

4. **General assessment of the business environment and EU support instruments to SMEs**

According to respondents, the financial crisis of 2008 creates enormous difficulties for Belgian SMEs. Since 2010, the economy has slowly started to revive but still has not reached the level of 2008. Main difficulties of SMEs in Belgium are related to high taxes, access to finance to support the business activity and administrative burdens. Maintenance of personnel is expensive.

Respondents consider that the local authorities have adopted a number of measures, but so far micro and small enterprises encounter many difficulties since they do not have a lot of opportunities. Belgian SMEs consider that the successful examples of the large and powerful companies lead to increased expectations towards them: job creation, secure employment, better remuneration for the personnel, etc. The problem however is that in comparison to large enterprises, the capabilities of SMEs are limited.

In Belgium, it seems that the existing legislation is inefficient and does not comply with demands of the employers, personnel, consumers and the environment. Therefore, substantial modifications to the legislative framework are needed so as to make it fit for its purpose and more adequate to the economic reality in the country. According to respondents in the recent years EC is making efforts in this direction, but there is no real improvement. The focus and priorities of support instruments do not always match the needs and priorities of SMEs.
5. Promotion of entrepreneurship

5.1. Favourable business environment for entrepreneurship

The conducted interviews highlight the need for establishing appropriate conditions for increasing the share of start-ups. For Belgian SMEs, it is difficult to survive and succeed at the early stage of development, so they need strong support to grow more quickly and more effectively. Belgian companies are forced to pay extremely high taxes, which is very demotivating for them. Employer social security contributions are considered as very high too. Furthermore, start-ups have to pay high fees for notary services rather than investing these funds to ensure smooth start of their activities.

What are the barriers that you face in your business?

So you have to spend already 2000 euros just in starting cost and it's going to take you some time to just open the business. So that's 2000 euros you can't use for marketing or anything else.

(Interview with representative of COMPANY 2)

Another obstacle for Belgian business is the fact that there are three official languages in Belgium: Dutch; French; and German. It is particularly important to note that all communication and marketing should be presented in the language of the community concerned.

Second difficulty in Belgium is that we have three languages. So if you want to do business in Flanders you have to have all your marketing and communication in Dutch and you need that in French if you want to do it on the French speaking side.

(Interview with representative of COMPANY 2)

In Belgium, there is a need for accelerating winding-up procedures when businesses fail as they impose difficulties from a procedural perspective. Respondents consider that in Europe, the stigma of failure does not give a second chance for entrepreneurs.

5.2. Challenges and needs in relation to ensuring an environment conducive to entrepreneurial spirit

- Belgian companies are forced to pay extremely high taxes and fees which is a barrier for their development;
- Lowering costs and improving existing measures are needed;
- There is a need of simple and clear procedure for liquidation;
- Clear information on EU support instruments should be available to SMEs so as to allow entrepreneurs to get the support they need.

5.3. Experience with national and EU initiatives promoting entrepreneurship

In fact, a small part of Belgian SMEs have used EU support for their activities. Most of them are not familiar with any national or EU initiatives that promote entrepreneurship and support start-ups and entrepreneurship education and the reasons are that they are not sufficiently informed about the possibilities or do not need such kind of support. Belgian entrepreneurs usually find the information they need alone. Their work schedule is quite hectic and they do not have plenty of time in order to delve into large amounts of information. Moreover, some respondents conclude that the authorities that are supposed to support the business have no idea how the business actually functions.
Certain micro enterprises find the EU funds irrelevant as they consider them suitable only for large enterprises and investments. This is also an evidence of the lack of comprehensive information.

**Are you familiar with any national or EU initiatives?**

*I really can’t say what kind of businesses are supported by EU funds, except for research and development and all the Hi-Tech.*

*(Interview with representative of COMPANY 2)*

6. **Recommendations/suggestions regarding initiatives promoting entrepreneurship**

Belgian SMEs point out that the EU should change its socio-economic policy significantly in order to address properly the specific needs of the EU business sector which is dominated by micro and small enterprises.

7. **Sources used**


Sources and references used include desk research plus the following:

**Interviews as follows:**

- Representative of COMPANY 1, date: 28.11.2016, via telephone;

**Websites of COMPANY 1 and COMPANY 2**
1. Key findings in a nutshell

Italian SMEs mainly export goods across Europe, rarely in third countries due to differences in standards. The information they receive about internationalization opportunities needs to be more specialized and selected according to their field of work. Language barriers, lack of specialized human resources and shortage of working capital to finance exports, advertising and participation in fairs are big challenges for SMEs. They need support to take part in fairs abroad in order to increase their opportunities to access new markets. Also, Italian SMEs need support for access to third countries’ markets outside the confines of the Single Market.

2. Business profile of Italian SMEs included in the case study

The following three SMEs in Italy took part in the case study on “Improving access to markets and internationalization”. Figure 1 provides a brief profile of the selected SMEs, followed by an overview of their characteristics. The companies are presented in alphabetical order.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Number of employees (Year)</th>
<th>Year of foundation</th>
<th>Class size &amp; Economic sector</th>
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</thead>
<tbody>
<tr>
<td>COMPANY 1</td>
<td>34</td>
<td>1989</td>
<td>Small Precision mechanics</td>
</tr>
<tr>
<td>COMPANY 2</td>
<td>7</td>
<td>1966</td>
<td>Micro Carpentry</td>
</tr>
<tr>
<td>COMPANY 3</td>
<td>36</td>
<td>1961</td>
<td>Medium Garments</td>
</tr>
</tbody>
</table>

COMPANY 1 has a long experience in precision mechanics. This third generation family-owned company has grown significantly thanks to its continuous search for bright solutions enabling it to supply high quality precision mechanical parts and ensure accurate lead times. The production range includes prototypes / special equipment, small to medium batch runs of mechanical parts and assemblies. The latest generation CNC machinery is used to perform all machining operations, thus ensuring quality, flexibility and high productivity. Accurate management of the whole manufacturing process is guaranteed by a software system which controls all the operations involved in the process thus ensuring full traceability and continuous monitoring of the manufacturing process. The quality management system is in full compliance with the requirements of the UNI EN ISO 9001:2008 standard and is certified by BUREAU VERITAS, a certification authority for business quality management systems.

COMPANY 2 was founded in 1966, is specialized in the production of windows and doors and is a family business. Currently, the company is managed by the two sons of the founder who continue the inherited tradition. COMPANY 2 manufactures almost any type of special construction for interior or exterior made of wood or wood-aluminium. Production is concentrated exclusively on individual customer orders and it can be said that every product of the company is unique. The company produces both the most common types of arches and classic or vintage doors, arched windows and other design solutions.
With a head office based in Parma, COMPANY 3 is an Italian company in the sphere of clothing with traditions dating back to 1960. Currently, the company offers high-quality clothing collections that are distinctive for their strong sense of identity, personal style and quality, which actually identify the core values of the brand. The company offers accurate selection when it comes to materials and textiles, each knitwear and sartorial piece has to be precious, follow avant-garde technologies in its making and be cared for with an extreme attention to detail during each step of its creation. COMPANY 3’s business concept relies on finding the perfect balance between research, innovation and tradition, to always be on the lookout for new designs and experiment with new trends. Garments must represent both creativity and quality as undeniable focal points of company’s style. Currently, the company has showrooms in 6 countries - Germany, Belgium, Russia, Japan, the USA and Australia, thus expanding to 3 continents outside Europe.

3. **Background**

3.1. **SMEs in Italy – basic facts and latest tendencies in SBA implementation**

<table>
<thead>
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</tr>
<tr>
<td>Micro</td>
<td>3,503,624</td>
<td>94.9%</td>
<td>92.7%</td>
</tr>
<tr>
<td>Small</td>
<td>167,248</td>
<td>4.5%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>18,669</td>
<td>0.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>SMEs</td>
<td>3,689,541</td>
<td>99.9%</td>
<td>99.8%</td>
</tr>
<tr>
<td>Large</td>
<td>3,056</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Total</td>
<td>3,692,597</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

SMEs play a more significant role in Italy than in most other EU countries as they generate almost 67% of value added and 80% of all jobs in the country. However, their productivity, measured as value added per capita, is approximately 10% below the EU average. Micro firms produce 30% of value added, which is a larger percentage than in other EU countries. The non-financial business economy has not yet recovered from the crisis as SME value added in 2014 was still about 10% lower than in 2008. The number of SMEs has fallen by almost 4% and SME employment has dropped by 9%. The outlook for Italian SMEs is not positive as their value added is expected to fall by 2% in 2014-2016 and by 2016 SME employment is expected to drop by another 4% compared with 2014.

Regarding the implementation of SBA, Italy’s performance remains weak. The country performs below the EU average in seven out of nine SBA areas. The performance is above average in the areas of “Skills & Innovation” and “Internationalization”. “Access to finance” and “State aid & Public procurement” remain the most critical areas and give rise to greatest concerns. All other areas remain stable. The Italian government has adopted a national strategy to implement the SBA, so it appears that there is enough political will to bring it forward.
3.2. Italian performance on improving access to markets and internationalization

In the context of SBA, in the area “Sills & Internationalization”, Italian performance is in line with the EU average. However, slow administration and lengthy procedures hamper the competitiveness of Italian companies. In order to strengthen the internationalization of Italian enterprises and to attract foreign investments, the Italian government has developed an extraordinary Plan for “Made in Italy” Products and to Attract Investment (2015-2017)\(^{167}\). The main objective of the Plan is to increase the number of exporting companies, boost the value of the Italian share in international trade and appraise “Made in Italy” label throughout the world. It aims to expand the presence of Italian firms in markets with higher potential, to increase the number of regularly exporting firms and to enhance the economic system’s ability to attract investments from abroad. The total budget for the period 2015-2017 amounts to EUR 232 million. The Plan is being implemented by the Italian Trade Agency (ICE) as its purpose is to stimulate and support Italian enterprises (especially SMEs) in their market expansion beyond national borders and above all towards BRIC countries\(^{168}\). ICE provides information, support and advice to Italian and foreign companies and operates worldwide throughout a large network of Trade Promotion Offices linked to Italian embassies and consulates that work closely with local authorities and businesses. The Ministry for Economic Development in agreement with the Ministry of Foreign Affairs and International Cooperation and the Ministry of Agriculture prepared a diversified series of initiatives to be implemented by ICE within the framework of the Plan. The financial coverage of these initiatives is granted through the adoption of the Stability Law 2015 that allocated a total budget of 220 million euro for the period 2015-2017 to the ICE Authority for the promotion of Made in Italy. A quota equal to 30 million euros is allocated to grant a tax credit in favour of micro enterprises which hire professionals for a period not longer than 36 months. A Fund for policies of appreciation, promotion and protection for enterprises, agricultural and agro-food products in Italy and abroad is established under the auspices of the Ministry of Agricultural, Food and Forestry Policies with an initial endowment of 6 million euros for the years 2015 and 2016.

The Milan Expo is another example of an initiative designed to boost the development of Italian international trade fairs. Expo Milano 2015 was the Universal Exhibition that Milan was hosting from May 1 to October 31, 2015. Over this six-month period, Milan became a global showcase where more than 140 participating countries demonstrated their best products offering healthy, safe and sufficient food for everyone, while respecting the Planet and its equilibrium. In addition to the exhibitor nations, the Expo also involved international organizations and welcomed over 20 million visitors to its 1.1 million square meter exhibition area. A platform for the exchange of ideas and shared solutions in the area of food and promotion of innovation, Expo Milano 2015 gave everyone the opportunity to uncover and taste the world’s best dishes, while discovering the best of the agri-food and gastronomic traditions of each of the exhibitor countries\(^{169}\).

4. General assessment of the business environment and EU support instruments to SMEs

The Italian business environment suffers from cumbersome and lengthy procedures. The country is also characterized by a slow judiciary system, low transparency and corruption in public

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\(^{167}\) [http://www.italtrade.com/](http://www.italtrade.com/)

\(^{168}\) Brazil, Russia, India and China

administration. Respondents consider that the Italian government does not actively support business. Heavy bureaucracy and high administrative burden on business as well as high costs and complex tax legislation hamper the growth of business.

Bank loans and overdrafts are the most common sources of finance by Italian entrepreneurs, however in the last years they have preferred to use their own funds as after the financial crisis Italian SMEs suffer from deteriorated credit worthiness. Furthermore, credit conditions tightened significantly in the years after the crisis and remain much tighter for SMEs than for large enterprises.

In general, respondents expressed a positive attitude towards the various EU support measures. According to them, difficulties arise from the fact that these measures are implemented by the Italian authorities, which further complicate the procedures. Respondents consider the Italian rules as very complicated and as a result applying for EU funds seems to them very risky.

One of the main challenges for Italian SMEs remains the shortage of human resources with the necessary skills and professional qualifications. However, according to answers of the respondents, it can be concluded, that the economy has started to recover from the recession.

5. **Improving access to markets and internationalization of SMEs**

5.1. **Experience of the companies on foreign markets**

Italian SMEs export goods mainly across Europe and rarely to third countries. For them, the fact that European standards are not recognized in third countries poses a serious obstruction. Respondents assess the role of the European Single Market and the free movement of goods as positive for the improvement of SMEs’ access to new markets. The main difficulties mentioned are the lack of specialized human resources and shortage of working capital to finance overseas operations. Moreover, even if micro enterprises offer high quality products and possess the necessary skills, they experience serious difficulties to enter new markets because they lack sufficient resources to advertise their products.

According to respondents, there is also a lack of information on fairs and initiatives aboard. Actually, a huge amount of information is flooding SMEs, however it is often considered as SPAM because it is not focused on the concrete needs of the recipients. Most SMEs inform themselves through a limited network of suppliers, trade associations and consultants. International associations with offices in Brussels have better access to relevant information on access to markets, however they share it selectively. Therefore, for Italian SMEs, it would be very useful if the provided information is better suited to their needs and field of work. The language barrier is also a big challenge for them, so it is necessary the information provided to be in their native language.

Participation in fairs abroad is very important to Italian SMEs because they have the chance to establish new business contacts and to promote their production to potential customers and partners via the information the organisers publish and disseminate on their websites.

Often, in financial terms, trading within the EU is harder than outside the EU. Beyond the EU, it is often possible to negotiate 30% advance payment upon signing the contract and payment of the full amount before shipment, which within the EU is almost impossible. Across the EU, payments are usually made within a period of 60 to 90 days, or even up to one year after delivery of the goods/services, which is detrimental to small businesses.
5.2. Challenges & needs in relation to access to markets and internationalization for SMEs

- Provision of tools helping SMEs to take part in fairs abroad is needed in order to increase their opportunities to access new markets;
- Shortage of working capital to finance exports, advertising and participation in fairs abroad is a big challenge for SMEs;
- Lack of managerial time, skills and knowledge impede access to foreign markets;
- The lack of knowledge of foreign languages is a barrier for Italian SMEs that prevents them from having normal communication with potential overseas customers;
- The information gap in relation to existing internationalization opportunities is still a serious problem for Italian SMEs;
- There is a need to provide new services in supporting Italian SMEs’ internationalization, in particular for access to third countries’ markets;
- High taxation hampers investment and competitiveness of Italian SMEs;
- Usually, long payment terms in the Single Market are particularly burdensome for SMEs as they are more dependent on the regular payments from their customers to guarantee their smooth day-to-day operations;
- Reducing administrative burden for business and increase of the effectiveness and quality of public services is needed.

5.3. Experience with national and EU support services in relation to access to markets and internationalization

Generally, Italian SMEs could be better informed about EU support tools that provide help and information on opportunities to access markets and internationalize. When they need information and assistance they usually consult local chambers of commerce and associations, instead of supplying that information on their own.

How do you access information about opportunities for SMEs to access new markets and internationalize?

This is a little bit problematic... I have done these activities alone, normally. I go abroad to exhibitions or I look on the internet some information to expand my market... Only in Italy I have a good relation with Chamber of Commerce... Some information reaches me but not directly from the EU. But for example from the Chambers of Commerce or from my Association of Entrepreneurs in Italy (I receive information directly, editor’s note).

(Interview with representative of EDDI BRESSAN)
6. **Recommendations/ suggestions regarding support to SMEs access to markets and internationalization**

The establishment of a single trading platform for all European countries is suggested as a useful tool to enable the sharing of information in one place in the various languages of the EU. Through this platform, SMEs can reach new markets and partners, as well as the EU as a whole, and will be able to expand to the international market better than each country to be represented individually. Thus, companies would save money, and also would get the opportunity for a stronger link to international markets and better partnerships.

7. **Sources used**

- Italy in the world economy Report 2015-2016 – summary, working group of the ICE’s Office for Strategic Planning and Management Control
- [http://www.italtrade.com/](http://www.italtrade.com/)

Sources and references used include desk research plus the following:

**Interviews as follows:**

- Representative of COMPANY 1, date: 02.12.2016, via telephone;
- Representative of COMPANY 2, date: 07.12.2016, via telephone;
- Representative of COMPANY 3, date: 02.12.2016, via telephone.

**Websites of COMPANY 1, COMPANY 2 and COMPANY 3**
1. Key findings in a nutshell

In Hungary, there is a supportive state system in place which makes efforts to facilitate access to finance for SMEs. The vast majority of Hungarian SMEs perceive EU financial programmes only as investment instruments and they do not recognize the need for such investment in their particular business. Their main financing needs are current account crediting and working capital crediting. Procedures for accessing funding should be simplified for SMEs and the period of evaluation shortened. Also, it would be useful to consider the establishment of a common platform that provides information on all different kinds of financial instruments available to SMEs at the EU level.

2. Business profile of Hungarian SMEs included in the case study

The following four SMEs in Hungary participated in the case study on “Facilitating access to finance”. Figure 1 provides a brief profile of the selected SMEs, followed by an overview of their characteristics. The companies are presented in alphabetical order.

Figure 2. Factsheet of Hungarian SMEs included in the case study

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Number of employees (Year)</th>
<th>Year of foundation</th>
<th>Class size &amp; Economic sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPANY 1</td>
<td>6</td>
<td>2011</td>
<td>Medium Business advisory services</td>
</tr>
<tr>
<td>COMPANY 2</td>
<td>70</td>
<td>1990</td>
<td>Medium IT/ data security</td>
</tr>
<tr>
<td>COMPANY 3</td>
<td>1</td>
<td>2006</td>
<td>Micro Consulting</td>
</tr>
<tr>
<td>COMPANY 4</td>
<td>3</td>
<td>2001</td>
<td>Micro Travel industry</td>
</tr>
</tbody>
</table>

COMPANY 1 was founded in 1994 by Hungarian and Dutch local governments and development agencies in the city of Maastricht. It also operates as a cluster management company. COMPANY 1 was the first Hungarian company of regional interest which worked in the field of economic and business development and was established to operate outside the Hungarian borders. The organization supported the Hungarian investments of Dutch firms with guidance and services. COMPANY 1’s goal is to assist companies in domestic and regional expansion while helping them optimize their operations. The Group’s own venture capital fund is managed by its Investment Venture Capital Fund Management Company. The main task of the venture capital fund is to provide capital to finance activities promoting the dynamic growth of enterprises. The most frequently supported activities involve research and development, product development or financing the entrance into international markets.

170 As the research team encountered high participatory response on behalf of Hungarian SMEs the opportunity was used to carry more interviews than originally planned under the study methodology in an attempt to compensate for lower response rates under the Austrian and Belgian case studies.
COMPANY 2 was founded in 1990. The company created a game changing digital money marking and tracking technology that enables the creation of a new generation of anti-money laundering tools. This new system is designed to bridge the gap and further strengthen cooperation between law enforcement agencies and financial institutions. COMPANY 2 created an Anti-Money Laundering process where following digital money from the source to the “end-users”, and detecting and identifying various parts of the money in real time, become possible. COMPANY 2 marks the digital money with a coded string of characters that contains all important details and keeps it readable and expandable through dozens of transactions managed by the system. The marker is of the money through transactions and can be used to reconstruct the entire history of transactions from their origin. The process can be compared to the marking and tracking of physical cash but with the significant advantage that not only the source is identifiable but more importantly, the full trail of the money can be reconstructed and physically identified.

COMPANY 3 has been active on the Hungarian management consulting market since 2006. The single employee and managing director is one of the two shareholders. The main profile of the company is top management consulting.

COMPANY 4 was founded in 2001. The company has three employees (the owner, a part-time employee and a student) and generates 1.28 mln. euro annual turnover. In addition to standard tourist services, the company seeks to also offer other extra services in order to attract new clients and to maintain its existing customers.

3. Background

3.1. SMEs in Hungary – basic facts and latest tendencies in SBA implementation

The submitted in 2015 SBA Fact Sheet data leads to the conclusion that at the national level, Hungary’s SME sector does not show clear signs of a sustained recovery. Value added rose by 12% between 2009 and 2014, while employment fell by 2% in the same period. There has been little pickup in the number of SMEs since the crisis began in 2008. SMEs’ value added is predicted to grow annually by 0.3% until 2016, while the number of employees is expected to fall further by 30 000 between 2014 and 2016.
Regarding SBA performance, Hungary lags behind the EU average in the majority of SBA areas. There are only two SBA areas where Hungary performs above the EU average – “State aid & public procurement” and “Access to finance”. Most concerning is the implementation in “Environment”, “Second chance”, “Responsive administration” as well as “Skills & Innovation” areas. While a number of recent measures are expected to become fully effective in the future some reforms only partially addressed the problems or even led to an increase in bureaucratic burden on SMEs.

3.2. Hungarian performance on Access to finance and main sources of funding for SMEs

Over the entire period since 2008, financing conditions for SMEs in Hungary have improved and to date, “Access to finance” is one of two SBA areas where Hungary performs above the EU average. The legal framework as well as the access to public financial support instruments are main strengths of the country in this area. While banks are generally more willing to provide loans their credit conditions have become more stringent. The main problem area remains access to private lending and to equity capital.

The major share of the available financial resources for Hungarian SMEs comes under the Economic Development and Innovation Operational Programme 2014-2020, where approximately 8.8 billion euros is provided. The programme aims to stimulate the economies of the less developed regions in Hungary. Its most important priorities are the competitiveness of SMEs, research and innovation and employment. The programme also aims to develop the tourism industry, enterprises’ energy efficiency, and information and communication technologies. Moreover, it will stimulate the use of financial instruments to cover other objectives, like increasing renewable energy production and improving the energy efficiency of households and public buildings.

In the 2007-2013 planning cycle, Hungary was among the first Member States that introduced financial engineering instruments. These schemes, as well as the financial programmes of JEREMIE, support competitiveness, innovation and regional economic development. The JEREMIE programme includes schemes supporting investments and financing current assets.

In June 2013, the Hungarian National Bank (MNB) launched the ‘Funding for Growth Scheme’ (FGS) as a new, targeted element of its monetary policy toolkit, and to date it has proved to be a milestone. This measure grants loans at preferential interest rates to commercial banks, which transfer these loans to the SMEs. The first two pillars of this three-pillar scheme are intended to facilitate access for SMEs to forint loans and to strengthen their financial stability. Under the FGS, the central bank provides HUF-denominated refinancing loans to credit institutions at a 0% interest rate, which they lend on to SMEs with a maximum term of 10 years and an interest rate margin capped at 2.5%. SMEs benefit from the predictability of the long-term, fixed interest rate level, which ensures smoother operations and allows the enterprises to expand their business and implement postponed and new investment, thus improving their competitiveness. The central bank’s targeted lending scheme significantly boosted the credit demand of enterprises, while also directing the attention of credit institutions to the SME sector, and competition for obtaining and retaining customers intensified. Thanks to the FGS, SME credit volumes stabilised last year after a fall of 6-8 % in previous years. Based on this positive performance, the scheme has been updated in the current programming period

as in March 2015, the MNB launched the FGS+ scheme, also forming part of the monetary policy toolkit, for which the Monetary Council allocated HUF 500 billion. Under the FGS+, the MNB will assume 50% of credit losses from credit institutions, but only up to a five-year period and maximum annually 2.5% of the loans outstanding of the individual credit institutions under the scheme. The FGS+ will primarily reduce the interest rates of loans taken out by enterprises with medium risk.

Important national measures in improving the access to finance of Hungarian SMEs are also the provision of overdrafts, working capital loans and investment loans under the Széchenyi Card Programme. The Széchenyi Fund for Capital Investments (SZTA) was founded in 2010, as its primary objective was to support Hungarian SMEs by providing accessibility to venture capital. In this scheme, capital investments are induced into market sectors that are facing unfavourable economic situation. SZTA invests into micro, small and medium-sized companies which have been operating at least for two years, by providing capital for technological developments, and the expansion of their business activities serving as a base for growth in turn for share acquisition. The maximum investment value is a HUF amount equivalent to EUR 750,000 to which shareholder’s loan can be linked.

Difficulty in accessing private credit and equity finance is still an issue for many Hungarian SMEs. Apart from improving the existing instruments, there is a need to develop better enabling conditions for alternative finance instruments.

4. General assessment of the business environment and EU support instruments to SMEs

In Hungary, the growth and development potential of the SME sector shows significant territorial disparities. In terms of regional development, the SMEs of Central Hungary and Central and Western Transdanubia are in the best position. Hungary also has a limited internal market and at the same time a very open, and strongly export-oriented economy. Several attempts to reduce the competitive disadvantage of SME sector have been carried out, but big disparities between these companies and the large enterprises still exist.

Respondents consider that following the economic crisis of 2008, a crucial challenge for Hungarian SMEs is the access to new markets as SMEs do not have a wide client base, and the crisis affected them more. Other serious problems are low capitalization, under-funding and lack of entrepreneurship skills. However, according to them the business environment in the country is changing, mainly due to the grants provided under the operational programmes co-financed by ESIF. Some respondents are concerned that Hungarian SMEs often apply with project proposals only in an attempt to obtain non-repayable money without any clear vision for sustainable results and growth.

5. Facilitating access to finance for SMEs

5.1. Access to finance and main sources of funding for SMEs

The access of SMEs operating in Hungary to credit has significantly tightened since the emergence of the financial and economic crisis, in addition to the greater difficulties they usually experience in

172 Széchenyi Card is a credit facility on state supported preferential terms. Its aim is to provide SMEs with a minimum business history of one year with unrestricted-use credit managing liquidity risks.
173 http://www.szta.hu/introduction
finding alternative sources of financing in comparison to larger enterprises. The problems in financing are rooted either in the relatively young age of SMEs or the lack of adequate coverage of loans. In this regard Hungarian government has taken series of measures in order to facilitate the access to finance for SMEs and over the entire period since 2008, financing conditions for SMEs in the country have improved.

According to respondents, the Hungarian state system is supportive to SMEs and makes efforts to improve SMEs access to funds needed through bank loans at low interest rates and simplified procedures. Actually, the main source of financing for Hungarian SMEs is the bank loan.

**M: What are your main sources of funding? How do you asses the willingness of bank institutions in your country to provide loans to SMEs?**

**R:** I have an account loan now. It is about 5% and you have to pay only for the money you have used. So if you use only 5,000 euros then you have to pay only for the 5,000 euros the interest. Not for the whole amount what you applied for, so, I applied let’s say for about 40,000 euros and when I use only 5,000 euros I have to pay only for the 5,000 euros. That’s much easier…

(Interview with representative of COMPANY 4)

Interviewed SMEs are surviving mainly on payments from customers against services provided, thus it is crucial for them to be competitive which is sometimes harder when they have to compete with locally operating large multinational enterprises registered in low-tax countries. Private equity and venture capital funding are very rare and other methods of financing are almost unknown. However, bank requirements to SMEs seem similar to those to large companies. Yet, SMEs cannot comply so well with the same demands, especially in terms of complex procedures like business planning, risk assessments, etc. Many of them have difficulties to fulfil administrative obligations.

**M: How do you see the role of the national government and the EU to support small companies? When it comes to approaching external funds what do you think are the biggest concerns and problems of the small companies?**

**R:** I think the Hungarian government was always supportive. It is not depending on which party is in the government, so I saw that always they try to help for these smaller companies. And now we have reduced tax but on the other side – they collect from other part money. Like bank transaction fees which are quite high so it compensates somehow. But I think it is quite supportive. I think maybe from EU it needs more paper work and you have to prove more things – that your company has to write again a business plan and that’s why I never tried to get (such kind of financial support, editor’s notes).

(Interview with representative of COMPANY 4)

5.2. Challenges & needs in relation to access to finance for SMEs

- In terms of planning, the assessment and announcement of EU programme grants takes a long time and requires a large amount of documentation which is problematic for SMEs;
- According to respondents, financial institutions consider providing loans to SMEs as much more labour-intensive and risky for them compared to large companies and loans;
- There is a need to develop better enabling conditions for alternative finance instruments;
There is a lack of financial, managerial and entrepreneurial skills in part of the entrepreneurs, and a lack of capacity to undertake obligations;

Though banks are generally more willing to provide loans, their service fees increased and this poses additional burdens for SMEs;

Transaction costs are a huge burden on SMEs and in some cases can significantly hamper their work;

There is a need of harmonization of taxation policy within the EU;

Quick exhaustion of most popular grant schemes is also a challenge.

5.3. Experience with national and EU financial instruments/programmes facilitating access to finance for SMEs

Generally, very few specialized or skilled technology companies know the EU financing programmes facilitating access to finance. As the most popular and recognizable Széchenyi Card Programme stands out, but what should be noted is that this is a local additional support tool. Respondents in the interviews conducted declare also that they are vaguely familiar with COSME, Horizon 2020, European Structural and Investment Funds. However, those programmes/funds are not considered as an opportunity for building sustainability.

Some SMEs identify EU financial programmes as investment instruments only and thus do not have any intention to use them as they do not recognize a need of such investment in their particular business. In general, they are not very familiar with EU financial instruments/programmes facilitating access to finance and often use the services of consultancy firms or other external professional assistance in order to apply for different types of subsidies. They prefer to contact external consultancy companies instead of trying to read, understand and apply themselves for EU funding programmes as procedures and documentation seem too complicated for them.

Certain micro enterprises find the EU financial instruments irrelevant and this is the reason why they prefer to address banks when seeking funds. Their main financing needs are current account crediting and working capital crediting.

M: Are you familiar with the EU financial instruments/programmes?
R: Yeah. I tried to check but, first of all, I don’t have time to check and go deeply, to check deeply how it works as I saw they are only for investment. So, they give you money only for investments. And in a travel agency there are no big investments – computers and that’s all... We don’t really need money for investments, but maybe others can use these investment loans.

(Interview with representative of COMPANY 4)

6. Recommendations/suggestions regarding support provided to facilitate SMEs access to finance

- According to respondents, the information and communication on the available supporting tools should be further enriched;
- Respondents consider that programs and dedicated support packages should be launched for providing training and education of the top and mid-management of SMEs on the business, finance, entrepreneurship knowledge and project management;
• Coherent additional local tools should be used in order to reinforce and facilitate the advantages of EU-support;
• Local governments should focus on tools further facilitating the access of SMEs to EU financial instruments;
• Procedures for accessing funding should be simplified for SMEs and the period of evaluation shortened;
• It would be useful to create a common platform that provides information on all different kinds of financial instruments.

7. Sources used

• Website of European Commission: http://ec.europa.eu/growth/smes
• Website of Széchenyi Fund for Capital Investments http://www.szta.hu/introduction

Sources and references used include desk research plus the following:

Interviews as follows:

• Representative of COMPANY 1, date: 17.11.2016, via telephone;
• Representative of COMPANY 2, date: 07.12.2016, via telephone;
• Representative of COMPANY 3, date: 23.11.2016, provision of written responses to the questions;
• Representative of COMPANY 4, date: 17.11.2016, via telephone.

Websites of COMPANY 1, COMPANY 2, COMPANY 3 and COMPANY 4
Case study on “Supporting SME competitiveness and innovation” in Austria

1. Key findings in a nutshell

Austrian SMEs are familiar with the EU programmes supporting competitiveness and innovation but complex, lengthy and rigid procedures for applying need to be simplified. Respondents consider the VAT system in Europe as a big challenge along with patent law. Therefore, SMEs would be very relieved if legislation in these areas was harmonized across Europe.

2. Business profile of Austrian SMEs included in the case study

The following two SMEs in Austria participated in the case study on “Supporting SME competitiveness and innovation”. Figure 1 provides a brief profile of the selected SMEs, followed by an overview of their characteristics. The companies are presented in alphabetical order.

Figure 1. Factsheet of Austrian SMEs included in the case study

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Number of employees (Year)</th>
<th>Year of foundation</th>
<th>Class size &amp; Economic sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPANY 1</td>
<td>23</td>
<td>2009</td>
<td>Micro R&amp;D</td>
</tr>
<tr>
<td>COMPANY 2</td>
<td>20</td>
<td>2015</td>
<td>Medium Online panel for public opinion surveys</td>
</tr>
</tbody>
</table>

COMPANY 1 is a smart-tech company, founded in 2009, with its head office in Vienna, Austria. The company develops, produces and markets its technology - a lightweight pneumatic solar concentrator for industrial- and utility-scale solar thermal applications. Its global network expands over all continents with partnerships with governmental and international organizations, renowned corporations, confident investors, and renowned research facilities. The company, together with its partners are fostering use of solar thermal power in various applications including – but not limited to – industrial heat, solar cooling, water treatment, enhanced oil recovery as well as the generation of electricity. COMPANY 1 aims at strengthening local markets and wishes to bring know how, local content, and jobs to the countries.

COMPANY 2 was founded in 2015 when they legally split with their sister company. COMPANY 2 manages a community platform where members get invited to take surveys on everything from lifestyle habits and financial choices to social issues and purchasing preferences. The surveys could be commissioned by media outlets, research agencies or the marketing departments of companies – and depending on the questionnaire, would apply either to the general population or only to a specific target group. Each completed survey is rewarded with a number of points, usually depending on the length and complexity of the questionnaire: the points can then be exchanged for cash, vouchers in online or offline partner retailers, magazine subscriptions or charity donations.

174 The planned number of 3 interviews with Austrian SMEs was not reached till the completion of fieldwork in relation to interviewing. Despite the efforts in establishing contacts with relevant companies, response rate was extremely low. EESC was duly informed for the experienced substantial challenges with the conduct of interviews in Austria.
3. Background

3.1. SMEs in Austria – basic facts and latest tendencies in SBA implementation

Austria is one of a few countries in the EU whose SME sector has expanded since the onset of the crisis in 2008. Since 2009, SME value added in the non-financial business economy has grown by 18%. Employment has increased by 7.5% and the number of SMEs has increased by 9%. SMEs are more important for the Austrian non-financial business economy than the EU average, as they provide more than two thirds of jobs and over 60% of total value added. Expectations for Austrian SMEs are positive. In 2014-2016, SME value added is predicted to increase by 6%. There will be an estimated 2% rise in SME employment. The growth of micro enterprises is projected to be the most dynamic, with value added expected to rise by 7% and the number of persons employed by 3%.

In terms of SBA performance, Austria has a very competitive profile. In the areas “Second chance”, “Single market”, “Skills & innovation”, and “Environment” the country performs above the EU average. In “Environment” it is the EU’s top performing country. ‘Responsive administration’ is the only area where Austria is ranked below the EU average. Access to finance and skills & innovation pose the biggest challenges for the future, as in both areas the conditions for SMEs have worsened since 2008. However, Austria has made good progress in implementing the SBA and has improved its conditions in almost all areas.

3.2. Austrian performance on Supporting SME competitiveness and innovation

Austria registers an increase in only one out of the five indicators that measure Austrian SMEs’ innovative performance. This is related to the proportion of SMEs inventing marketing or organisational innovations which increased from 42% to almost 45% in 2012. However, Austria did not lose ground against most EU Member States. Since 2008, Austria has put in place a large number of measures in order to support SMEs. Successful ones include:
The national programme Competence Centres for Excellent Technologies\(^{175}\) (COMET) was established in 2007. The programme aims to intensify and concentrate cooperation between science and industry. By establishing and exploiting joint research expertise, Austrian companies are able to expand and secure their technological leadership, strengthening Austria as a research location. The programme’s most ambitious task is to support research programmes of international excellence and to encourage the involvement of companies and scientists operating worldwide.

The project Vouchers In Creative Industries\(^{176}\) (VINCI) aims to promote innovation processes in existing SMEs by simplifying their access to creative industry services. Austrian SMEs have the opportunity to apply for €5000 of funding for implementing innovation projects with creative industries. This is expected to strengthen and professionalise SMEs and create new relationships between creative services providers on a national and European level.

The Flexible immigration scheme (Red-White-Red Card\(^{177}\)) aims to facilitate the immigration of highly-qualified third-country workers and their families with a view to permanent settlement in Austria, based on personal and labour-market related criteria. The Red-White-Red Card is issued for a period of twelve months and entitles the holder to fixed-term settlement and employment by a specified employer. Eligible for this scheme are particularly third-country university graduates in mathematics, informatics, natural sciences or technology.

These measures are part of an ambitious strategy to turn Austria from an innovation follower into an innovation leader.

4. General assessment of the business environment and EU support instruments to SMEs

Austria is still recovering from the effects of the economic and financial crisis, but seems to have bottomed out. Local authorities continuously improve the environment for start-ups, promote innovations, support access to finance and strengthen entrepreneurship in the country. However, the administrative burden needs to be reduced. Moreover framework conditions for start-ups and innovation performance need to be further improved.

Respondents consider the political and economic environment stable and the public authorities functioning. In order to ensure that enterprises make more investments, they have to be supported by partners in enhancing their competitiveness. As private industry players are very conservative in Austria, there is a lack of venture capital market.

For Austrian SMEs, the maintenance of personnel is expensive and generally, there is shortage of human resources although the vast majority are qualified employees.

Austrian SMEs surveyed say they are aware of the EU support instruments to SMEs, but they prefer not to use them – not because they do not fall within their scope, but because procedures seems to them too complicated to get financing.


5. Supporting SME competitiveness and innovation

5.1. Competitiveness and innovation potential of companies

Austrian SMEs in general are facing a lack of their own financial resources for innovation and difficulties in accessing finance for innovation projects as well as labour shortages. This leads to limited opportunities for successful participation in the processes of public procurement, or applying for programs funded by the EU.

According to the representative of COMPANY 1, a big issue for SMEs is the VAT system in Europe, which is extremely complicated. For example, the company attempted to build a test facility in Spain and some of the materials were delivered from Germany. Once all the payments were made, the company has been waiting for the reimbursement of VAT for 4 years.

The situation with the existing legislation in the area of patents is also very complex. There exist numerous regulative frameworks that are implemented in parallel, such as the Patent Cooperation Treaty (an international patent law treaty), European patent and national patents in different languages and countries. According to respondents, it takes too much time and effort for companies to find the right path how to defend their innovative products through the application of intellectual property rights. Furthermore, access to IPRs usually requires companies to invest large amounts of money to pay for consultants and lawyers that can provide specialized support in the area of patent law.

International experience of SMEs has also highlighted the need for update of the SME definition in order to promote innovation and foster partnerships. Currently, it fails to consider the different needs of SMEs across Europe and to meet the challenges of economic reality in the post-crisis period.

5.2. Challenges & needs in relation to competitiveness and innovation

- The complex, lengthy, and rigid procedures for applying for EU funding need to be simplified;
- The evaluation process needs to be more clear and shortened, as the time it takes at present is too long according to SMEs;
- The VAT system in Europe is a big challenge for the majority of SMEs, especially when they operate on an international level, therefore it needs to be further harmonized across EU countries;
- The European definition of SME needs to be updated in order to improve their consistency and effectiveness, and to limit distortions of competition;
- Under the current legislative provisions, patents are not included as an asset in the balance sheet of companies, which reduces the capital of innovative companies and makes them uncompetitive against companies from third countries;
- Legislative environment needs to be standardized across the EU.

5.3. Experience with national and EU support services in relation to competitiveness and innovation

Austrian SMEs are familiar with the EU programmes supporting competitiveness and innovation, but according to them, the application process is very complex, unnecessarily long and the criteria for project evaluation are unclear. This is the main reason why Austrian SMEs often use the services of
consultancy firms or other external professional assistance in order to apply for EU funding. This represents an additional cost for companies.

**M: In your opinion what are the main impediments that prevent SMEs from accessing national or EU programmes/instruments that provide support to SMEs?**

R: I am absolutely convinced that one cannot succeed with EU application without the help of an experienced consultant. About 5 to 10% of the EU grants are not available to us because we have to pay our consultants. And that’s a general rule. The company really needs a consultant to apply for a grant and for the reporting.

*(Interview with representative of COMPANY 1)*

In general, very few small Austrian companies actually dare to apply for EU grants. Application requires a lot of time and efforts by SMEs. Clumsy application procedures and reporting, as well as all administration of the projects makes companies give up the idea of applying.

**M: You mentioned at the beginning of the conversation the Horizon 2020 that is supporting your work. How did you get to this programme, how did you decide to apply, was it hard for the company?**

R: It was the hardest application we have ever had... The application is not something we would recommend to other people. We applied 3 times and the reason was totally surprising. There was 3 main criteria how the projects were evaluated. In the first application we highly succeeded in criteria 1 and 2, and we slightly missed the flash over criteria number 3. So, the Commission encouraged us to reapply. We did it again. We left the first 2 parts of the application unchanged because they were ranked extremely high, and improved the 3rd part because that’s where we failed. Then we got the evaluation back and imagine what happened – we ranked insufficient in the first 2 criteria and very good in the third... So, we reapplied, we talked to the Commission and at the 3rd time we succeeded. But this is not something that a normal, standard small company can endure. This was really exceptional and we lost a little bit of trust in the standards of this evaluation process. This should not happen.

*(Interview with representative of COMPANY 1)*

6. **Recommendations/ suggestions regarding EU support to SMEs competitiveness and innovation**

- A harmonized European patent law will be beneficial for companies who are engaged in innovations;
- The programs and measures aimed at smaller companies could be administered by local authorities in order to speed up communication between them;
- Viable business incubators may be created, in which innovative ideas, knowledge, managerial experience and investors can operate is needed.
7. Sources used

- Website of European Commission: http://ec.europa.eu/growth/smes
- Website of the national programme COMET https://www.ffg.at/en/comet-competence-centers-excellent-technologies

Sources and references used include desk research plus the following:

Interviews as follows:

- Representative of COMPANY 1 - Chief of Financial Operations, date: 23.11.2016, via telephone;
- Representative of COMPANY 2 – Business Development Manager, date: 24.11.2016, via telephone.

Websites of COMPANY 1 and COMPANY 2
Case study on “Provision of key support networks and information for SMEs” in Bulgaria

1. Key findings in a nutshell

Bulgarian SMEs generally use external consultant services in order to receive relevant EU-related information. They declare to be in need of structured advice and simplified access to clear information on EU policies and funds available. Generally, they are not familiar with the existing EU support networks for SMEs as they do not recognize themselves as potential partners and/or beneficiaries.

2. Business profile of Bulgarian SMEs included in the case study

The following three SMEs in Bulgaria were selected for the conduct of the case study on “Provision of key support networks and information for SMEs”. Figure 1 provides a brief profile of the selected SMEs, followed by an overview of their characteristics. The companies are presented in alphabetical order.

Figure 3. Factsheet of Bulgarian SMEs included in the case study

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Number of employees (Year)</th>
<th>Year of foundation</th>
<th>Industry sector, business activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPANY 1</td>
<td>3</td>
<td>2003</td>
<td>Accounting services</td>
</tr>
<tr>
<td>COMPANY 2</td>
<td>40</td>
<td>2007</td>
<td>Manufacturing – manufacture of machinery and equipment</td>
</tr>
<tr>
<td>COMPANY 3</td>
<td>85</td>
<td>1928</td>
<td>Producer of ventilation and burning equipment</td>
</tr>
</tbody>
</table>

The Accounting company, COMPANY 1, was founded in 2003 and offers a full range of accounting activities and services to its customers. The company serves about 50 companies operating in different spheres of business activities - trade, manufacturing, services and international transport.

COMPANY 2 is a joint-venture company established in 2007 and created from the partnership between a Bulgarian company and a German leader in filling and packing equipment for beverages, food and innutritious goods. The company carries out assembly work for objects of the main contractor, located in the European Union and in third countries. Another main activity of the company is manufacturing segments and parts for tunnel pasteurizers recycling machines running on packaging and filling technology, production of small components used in machinery working in the packaging and filling technology.

COMPANY 3 was established as a production company in 1928 and now it is the major Bulgarian producer of industrial ventilators and burners. After the privatization of the company, the range of products offered to the international markets has widened significantly and nowadays, 50% of the whole income of the company comes from clients in Great Britain. COMPANY 3 also sells to clients in Germany, Egypt, Macedonia, and other countries.
3. Background

3.1. SMEs in Bulgaria – basic facts and latest tendencies in SBA implementation

Figure 2. SMEs — basic figures

<table>
<thead>
<tr>
<th></th>
<th>Number of enterprises</th>
<th>Number of persons employed by enterprises</th>
<th>Value added by enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bulgaria EU 28</td>
<td>Bulgaria EU 28</td>
<td>Bulgaria EU 28</td>
</tr>
<tr>
<td></td>
<td>Number Share Share</td>
<td>Number Share Share</td>
<td>Billion Share Share</td>
</tr>
<tr>
<td>Micro</td>
<td>281 413 91.2% 92.7%</td>
<td>562 961 30.2% 29.2%</td>
<td>4 19.3% 21.1%</td>
</tr>
<tr>
<td>Small</td>
<td>22 200 7.2% 6.1%</td>
<td>442 801 23.8% 20.4%</td>
<td>4 20.6% 18.2%</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>4 194 1.4% 1.0%</td>
<td>410 895 22.1% 17.3%</td>
<td>4 22.1% 18.5%</td>
</tr>
<tr>
<td>SMEs</td>
<td>307 807 99.8% 99.8%</td>
<td>1 416 657 76.1% 66.9%</td>
<td>12 62.0% 57.8%</td>
</tr>
<tr>
<td>Large</td>
<td>634 0.2% 0.2%</td>
<td>445 261 23.9% 33.1%</td>
<td>7 38.0% 42.2%</td>
</tr>
<tr>
<td>Total</td>
<td>308 441 100.0%</td>
<td>1 861 918 100.0%</td>
<td>19 100.0% 100.0%</td>
</tr>
</tbody>
</table>

The 2015 SBA Fact Sheet data leads to the conclusion that, at national level, the performance of Bulgarian SMEs since 2008 has been mixed. The economy has been in slow recovery but this growth has not brought new jobs. In terms of employment and value added, SMEs are more important for Bulgaria’s non-financial business economy than the EU average. SMEs accounted for 76% of total employment by enterprises which is 9% more than the EU average. Their contribution to total value added by enterprises exceeds the EU average by 4%. Employment in SMEs in 2014 stood 7% below the 2008 level and though they have returned to pre-crisis levels of value added in 2014, have not recovered jobs lost during the crisis. Only employment in micro enterprises has grown since 2008, by 6%. SME value added is expected to increase by 5% by the end of 2016.

Also, the implementation of the SBA in Bulgaria shows weak results in four out of ten areas, mainly due to unstable and burdensome business environment. Bulgarian’s SBA profile does not show any area of excellence, and Bulgaria's performance in any SBA area is at best average which means that improvements are needed in all areas. Progress in implementing the SBA is noted since it was launched, mainly in environment, access to finance, state aid and public procurement, entrepreneurship and internationalization.

3.2. Bulgarian performance on provision of key support networks and information for SMEs

In 2004, the Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA) was established under the Ministry of Economy of the Republic of Bulgaria. BSMEPA is a Governmental institution and its main functions are focused on the implementation of the Bulgarian state policy for SMEs. In this respect, the Agency provides to Bulgarian SMEs information and consulting services, organizes training courses and implements promotion activities in supporting the increase of SMEs’ competitiveness and strengthen their international positions. The main BSMEPA functions are realized through the activities of two directorates. BSMEPA is delivering its services in partnership with branch associations, chambers of commerce and industry as well as other local NGOs. BSMEPA maintains close relations with more than 50 foreign business and trade development organizations.
with which the Agency has signed Cooperation Agreement, and is participating in several international networks.

In 2007, 14 Bulgarian organizations defended a project for unification of the two largest information consultancy networks in the European Commission: “European innovation centres”, IRC Network, and Euro Info centres in front of the Competitiveness and Innovations program. The united consultancy network centres of Enterprise Europe Network (EEN) in Bulgaria \(^{178}\), have the goal to support the competitiveness of SMEs through the provision of integrated consultancy in the area of technological transfer, innovations and business. The mission is to support the small and medium business in Bulgaria to benefit from the business opportunities in the common market of the European Union, financing, programs, technology and partners. To date, EEN has a database of 600 participating organizations in more than 54 countries and can thereby offer to SMEs real and reliable foreign business partners who are looking for Bulgarian companies in order to start up a business together. Member organizations in EEN Bulgaria are chambers of commerce and industry, technology centres, research institutes, development agencies and NGOs. Most of them are in contact with local businesses for a long time. They know the strengths and needs of their customers and know the European Union. The European Commission oversees EEN as an important European and national public service provider and key element towards achieving the goals for the development of employment on micro and macro level. EEN is a main instrument of the European Commission for the application of the policies for small and medium enterprises. The functioning of the network does not affect the free competition on the market since all companies have equal possibilities to access and use the services of the network (there are no sectors or territorial limitations or preferences). The services are provided free of charge to the receivers – mainly SMEs.

The Network of 28 regional information centres (RIC) for EU Cohesion policy promotion in Bulgaria has been operational since 2012. RIC collaborates closely with the “Europe Direct” Centres and coordinate on a regular basis with Europe Enterprise, Global Libraries, National Agricultural Network and Network of the Managing Authorities’ information and publicity officers. A Eurobarometer study from December 2013 shows that in the period 2010-2013, the Cohesion policy awareness in Bulgaria increased by 18%, which is the top result among all 27 EU member-states, and at the end of 2013 stands at 62%. This is the period when the RIC network was established and became operational. A study held by the network in 2013 shows it to be among the three major informational channels (along with the Operational Programmes web sites and the Single Information Web Portal on EU Structural funds). In view of the results achieved and in order to maintain and develop the capacity and partnerships already established, in 2014-2020, the network was further developed and its scope was widened to encompass all ESIF-funded programs. In this way all Bulgarian citizens and enterprises can obtain access to user-friendly information on ESIF.

4. **General assessment of the business environment and EU support instruments for SMEs in Bulgaria**

Bulgarian SMEs have difficulties in ensuring funds for investments in tangible and intangible assets and the so-called technology transfer, and as a result of the crisis – even for working capital. The main

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\(^{178}\) [http://enterprise-europe-network.bg/](http://enterprise-europe-network.bg/)
sources of financing of SMEs are mainly funds from the owner, followed by government grants and short-term loans, bank overdrafts and credit lines. Traditionally, banks rarely provide resources for start-ups and credit is available for enterprises with longer financial history rather than younger ones. Bulgarian SMEs also face a number of difficulties associated with a lack of qualified staff. Links between education, research and business at regional level are missing. According to respondents, combining local business development with creating and attracting skilled human resources would stimulate enhanced competitiveness and degree of internationalization of enterprises and support the formation of sustainable competitive advantages, which will render businesses more competitive on the domestic and international market.

The applicants and beneficiaries under the Operational Programmes co-financed under the European Structural and Investment Funds also face a high degree of red tape and complicated administrative procedures. The changing legislation, complex rules and procedures and the large number of documents required upon application, often discourage candidates. Commonly applicants need to use external assistance (in the form of external consultants) which requires additional financial resources, in order to be able to apply with their project proposals.

Respondents considered that in Bulgaria, there are conditions for launching and implementing entrepreneurial initiatives but there is a need for further measures in order to simplify the requirements for developing new ideas and facilitating the access to funding for SMEs and start-ups. Another issue for Bulgarian SMEs is the definition of SME, which they consider outdated and not reflecting the realities of the enlarged EU and the economic challenges in the post-crisis period.

5. **Provision of key support networks and information for SMEs**

5.1. **Access to information on business opportunities and support instruments for SMEs**

In-depth interviews indicated that Bulgarian SMEs have access to numerous sources of information; however, they prefer to use external professional assistance in order to gather the information needed. According to respondents, the information provided by these sources is too scattered, there are too many references and links to other sites, which make them difficult to use. The level of education of users, the lack of management capacity combined with very bureaucratic and incomprehensible language used in those portals is another problem for the users. Therefore, the information should be adjusted to a language more comprehensible to consumers.

Although access to different sources is available, companies have developed their own channels to receive the information they need. SMEs expect networks and national authorities to provide them more practical advice and relevant information on EU policies and funds. They need easy and simplified access to this information, as they do not have the necessary time and capacity.

Complex procedures and numerous documents required when applying with project proposals are forcing Bulgarian companies to turn to external consultants. Clumsy communication with the state administration is an additional difficulty for SMEs. Meetings with the administration are defined as non-productive. Therefore, they often use the services of consultancy firms or other external professional assistance in order to obtain relevant information and support for preparation of their project proposals.
M: In your opinion what are the main problems that SMEs experience in relation to their needs for adequate information and support?

R: When you are deprived of this kind of access to information, you very easily stumble into the networks of consultants, especially, some specialized. For example, there are those who specialize in state fund "Agriculture". Other are specialists in participation in programs under the Ministry of Economy. They go around looking for some "victims" ready to hire them for writing any type of project. Of course, they are strongly interested in the remuneration for consultancy services, because over the years it was treated as an eligible expense within the project.

(Interview with representative of COMPANY 2)

5.2. Challenges & needs in relation to information sources and support networks for SMEs

- Often, the level of education of owners and managers of SMEs is around or below average, which is a precondition for difficult understanding of the information provided through various support networks and information platforms. Therefore, it needs to be simplified and more focused;
- Communication with the administration is complicated and unproductive;
- The definition of SME seems outdated and does not reflect the realities of the enlarged EU and the economic challenges in the post-crisis period. This is a precondition for Bulgarian SMEs to not recognize themselves as potential partners and/or beneficiaries;
- SME owners are very much involved in their business and do not have time to read multiple websites and documentation. They need clear and simple information;
- There is a need for networks to promote SMEs’ interests before national authorities and to provide real advice and information on EU policies.

5.3. Experience with support networks for SMEs

In-depth interviews indicated that only a small part of the enterprises are familiar with some national or EU support networks for SMEs. In general, they are not popularized effectively. According to those familiar with some of the networks, they do not fulfil their original purpose and are not useful for small and medium business. For example, Enterprise Europe Network at the beginning had been very active but now seems to be focused on more strategic visions and deviating from its original purpose.

M: Do you consider that these networks are popularized effectively among SMEs and how useful are they for SMEs?

R: For example, the institutionalization of networks such as here referred Enterprise Europe Network… - such type of networks are formal. A typical classic example of formal networks... The latest calls, I saw there were rather for opening some regional centres, some form of a potential association that suggests collaboration among people with more free time available, not exactly among those who are daily in their business or working in their enterprise... Rather we should try to create such a toolbox of formal networks that will be adequate and that will be able to catch these SMEs. Usually, such networks are active and operational till they receive European funding and when it ceases they die away.

(Interview with representative of COMPANY 2)
Inclusion in such networks does not seem attractive for Bulgarian SMEs. An important precondition for the absence of participation in international networks is the definition of SME which puts the participants from different countries in unequal position. In fact, existing networks are not interesting for Bulgarian SMEs as they do not recognize themselves as potential partners and/or beneficiaries. Bulgarian SMEs are unable to compare with enterprises of the stronger European economies as there is a big gap between them. Furthermore, micro and small businesses prefer to operate within the country because of the scale of their capacity.

M: Are you familiar with any EU support networks for SMEs? Did you have already accessed such networks?

R: They are large for us. So in European terms our company is a micro enterprise and from that perspective we are not interesting. The gap between us and them is very large ... So a company with our people in Germany, say, makes 12 mln. euros revenues. We make 2 million.

(Interview with representative of COMPANY 2)

It should be taken into consideration that Bulgarian SME owners are very much involved in their business and do not have the time and administrative capacity needed in order to track the large flow of information and documents that is available in such pan-European networks. The management capacity, the level of education and other legal barriers to business further complicate the situation for Bulgarian SMEs in using the information provided by these networks.

6. Recommendations/suggestions regarding the provision of key support networks and information for SMEs
   • Provision of adequate and timely information on the practical aspects of the use of EU funds and in particular application procedures, funding opportunities, preparation of project proposals, and any other related issues;
   • Provision of simple, clear and concise information in accessible language, without multiple links to other webpages or documents;
   • Changes in the definition of SMEs so that they can be equal within the EU;
   • Promotion and proper focus of networks.

7. Sources used
   • Website of European Commission: http://ec.europa.eu/growth/smes
   • Website of Ministry of Economy of Republic of Bulgaria: https://www.mi.government.bg
   • Data from the Interactive SME database

Sources and references used include desk research plus the following:

Interviews as follows:
   • Representative of COMPANY 1, date: 25.10.2016, face-to-face;
   • Representative of COMPANY 2, date: 27.10.2016, face-to-face;
   • Representative of COMPANY 3, date: 25.10.2016, via telephone.

Websites of COMPANY 1, COMPANY 2 and COMPANY 3

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A2. Main initiatives of EC to promote SMEs

Burden reduction/ simplification

**Regulatory Fitness and Performance Programme**

The Regulatory Fitness and Performance Programme (REFIT) aims at taking Smart Regulation to the next level and removing not only administrative but any unnecessary regulatory burden within an integrated approach. It also includes a follow-on programme called ABR-Plus which will focus on the implementation in the Member States of the measures adopted at EU level under the ABR Action Programme.

REFIT is incorporated into the preparation of the annual Commission work programmes, each of which include proposals for new initiatives and a quality review of existing EU legislation. Thus, REFIT is in the same time focused to ensure both the elaboration of high-quality less-burdensome new regulations and the revision of the existing ones so as to lighten the bureaucratic load for citizens, companies and other operators. Potential benefits and cost savings of each new proposal are evaluated through impact assessments, impacts of EU laws are checked by retrospective evaluations and stakeholder views are collected through consultations.

Each year, the Commission launches a set of simplification initiatives within its REFIT programme – drawing on input from individuals, businesses, NGOs, national authorities and other stakeholders. Simplification of existing laws can take a number of forms:

- codification: all amendments made to a piece of legislation over the years are incorporated into a single new act, reducing volume and complexity;
- recasting: similar to codification, but in this case, the legislation itself is amended at the same time as previous amendments are incorporated to form 1 consolidated text;
- repeal: unnecessary and irrelevant laws are removed;
- review/sunset clauses: laws are reviewed or automatically removed after a given period;
- revision: laws are modified to keep them up-to-date;
- directives are replaced with regulations so that all EU citizens are subject to the same rules and national governments can't add extra requirements;
- laws still in preparation are withdrawn if they become obsolete due to scientific or technical advances or if they are no longer in line with new policy objectives;
- legally binding laws are replaced with lighter alternatives such as voluntary agreements (self-regulation, co-regulation).

**Better Regulation Agenda (2015)**

The Better Regulation Agenda identifies important measures both in the sphere of consultation of new legislative proposals with relevant stakeholders and in the sphere of keeping the EU legislative body fit for purpose through assessments of existing regulations and making changes where necessary.

The key measures designated to improve the consultation process include:

- roadmaps and inception impact assessments, where the Commission outlines new ideas for policies and legislation to which stakeholders can provide feedback from the very start of work on a new legislative initiative;
• A 12-week public consultation period for new proposals;
• reasoned opinions on subsidiarity of adopted Commission proposals from national parliaments;
• An 8-week public consultation period for feedback of stakeholders on adopted proposals;
• draft texts of delegated acts to be subject to 4-week public consultation;
• improved explanatory memorandum to Commission proposals explaining how better regulation principles have been applied and what the likely environmental, social and economic impacts are, particularly those on competitiveness and small and SMEs.

Among the most important tools designed on EU level to assess the performance of the existing body of EU law and to undertake necessary changes are:

• The REFIT programme that was launched in 2012;
• The REFIT platform\textsuperscript{179}, established in 2015, to collect suggestions and make recommendations on how to simplify laws;
• REFIT scoreboard that provides information about the state of play of REFIT initiatives;
• Evaluations and fitness checks that assess if EU laws, policies and funding programmes are delivering the expected results at minimum cost;
• 12-week public consultation period for “fitness checks” of existing legislation;
• “Lighten the Load – Have Your Say” feature\textsuperscript{180} on the Commission's better regulation website.

The quality of implementation of all measures and the effective cooperation between relevant EU institutions and stakeholders are ensured through the following steps:

• The adoption of new, integrated Guidelines on Better Regulation for the Commission's work;
• The establishment of a Regulatory Scrutiny Board as an independent group of 7 members (4 Commission officials and 3 experts from outside the EU institutions) to take the place of the Impact Assessment Board and to check the quality of all impact assessments, major evaluations and “fitness checks” that inform EU decision-making;
• A new Inter-institutional Agreement between the European Parliament, the Council and European Commission on better law-making that sets out how they should cooperate to ensure the best possible preparation of EU legislation\textsuperscript{181}.

\textit{Public Procurement framework}

Launched under the ABR+ Programme, the new Public Procurement framework includes important measures to ensure lighter regimes for small companies. Specific measures elaborated with care for SMEs include the following:

\textsuperscript{179} The Refit Platform makes recommendations to the Commission, taking into account suggestions made by citizens and interested parties. It consists of 2 groups— a government group composed by 1 representative from each EU country and a stakeholders group – representatives of business, social partners and civil society, European Economic and Social Committee and Committee of the Regions: \url{http://ec.europa.eu/smart-regulation/refit/refit-platform/index_en.htm}

\textsuperscript{180} "Lighten the Load – Have Your Say" feature: \url{http://ec.europa.eu/smart-regulation/refit/simplification/consultation/consultation_en.htm#up}

\textsuperscript{181} Inter-institutional Agreement on better law-making, \url{http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016Q0512(01)&from=EN}
• Bidders for public tenders are required to provide a standardized self-declaration (European Single Procurement Document) rather than original documents or certificates, showing that they meet eligibility criteria. Only the winning bidder would be asked to provide the original documents;
• Breaking tenders down into smaller lots is encouraged;
• Reduction of the limitation of maximum turnover requirements to a maximum twice the contract value;
• Greater use of e-procurement is encouraged.

**Directive 2011/7/EU**

Directive 2011/7/EU on combating late payment in commercial transactions was adopted on 16 February 2011. The main benefits that the Late payment directive introduced, are that:

• Public authorities have to pay for the goods and services that they procure within 30 days or, in very exceptional circumstances, within 60 days;
• Enterprises have to pay their invoices within 60 days, unless they expressly agree otherwise and provided it is not grossly unfair;
• Automatic entitlement to interest for late payment and €40 minimum as compensation for recovery costs;
• Statutory interest of at least 8% above the European Central Bank’s reference rate;
• EU countries may continue maintaining or bringing into force laws and regulations which are more favourable to the creditor than the provisions of the Directive.

**Regulation No 1907/2006**

Regulation No 1907/2006 on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) includes the following measures:

• **Registration:** Enhanced support to SMEs to make it easier and simpler for them to meet the 2018 registration deadline for substances placed on the market in quantities of up to 100 tons/year through:
  o A roadmap for the registration deadline of 2018 for small quantities published by European Chemicals Agency (ECHA)\(^{182}\);
  o Guidance on REACH and other chemicals legislation developed by ECHA for Enterprise Europe Network advisers, with the view to improve communication with SME stakeholders;
  o The Establishment of a Directors Contact Group (informal exchange group composed of ECHA, the Commission and industry representatives) to focus on SMEs and to solve priority issues related to registration;
  o registration fees cut by up to 95% for SMEs;
• **Authorisation:** making the authorisation process under REACH simpler, less costly and more predictable through:

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The Creation of a web-portal on substances of potential concern\textsuperscript{183}, providing information on potential regulatory actions on substances early in the process;

Planned proposal on simplified procedures for substances subject to authorisation that are used in low volumes or for the production of legacy spare parts to decrease costs related to the application for authorisation in those cases;

Increased synergies between REACH and other legislation related to chemicals such as the Persistent Organic Pollutants Regulation and the Restriction of Hazardous Substances Directive;

- **Restriction**: ensuring better consideration of SMEs needs through:
  - More effective public consultations on restriction proposals in order to increase the participation of SMEs and to facilitate their input.

Preparation of tools for Member States to better evaluate the potential impacts of their restriction proposals on SMEs.

\textsuperscript{183} https://echa.europa.eu/addressing-chemicals-of-concern/substances-of-potential-concern
Promotion of entrepreneurship

**European SME Week**

The European SME Week is a pan-European campaign coordinated by the Commission that is focused on the promotion of entrepreneurship in Europe. The key objectives of the campaign are to inform entrepreneurs about support available at the EU, national, regional and local level and encourage more people to become entrepreneurs. It consists of events that go throughout the whole year, but the main event is organized every autumn together with the SME Assembly and the European Enterprise Promotion Awards Ceremony. The events organized under the campaign involve many different stakeholders related to the promotion of entrepreneurship - business organizations and business support providers, public authorities, educational institutions as well as existing and potential entrepreneurs and young people.

The European SME Week provides an open tribune to organizations providing business support services to promote them to entrepreneurs in Europe and to organize and promote events for entrepreneurs all across the 37 participating countries included in the campaign. Organizations can benefit from the branding of the European SME Week and the promotion of their events through a central website located on the Europa website. At the same time, current and potential entrepreneurs from across Europe receive an easy access to information about upcoming entrepreneurship events through which they can receive relevant information and support to their business ideas. The central website of the campaign provides an interactive map of all upcoming events across the 37 participating countries that are planned on international, European, regional or national level. In general, the majority of European and international events take place in Brussels, Belgium.

Among the evaluated components of the European SME Week within the Final report on the Evaluation of the European SME Week 2009-2012, the European SME Week brand turns out to be perhaps the initiative’s most important feature, and has been repeatedly mentioned by stakeholders as the factor that gives the initiative its EU added value. The brand itself brings a European dimension to national campaigns, embodies the political endorsement of the Commission and acts as the common banner that unites in some small way a wide array of national, regional and local events and their organizers.

The central European SME Week website serves both as an event registration tool for organizers and as an information resource about each annual campaign and its affiliated events. Feedback on the website signals that it has been mainly useful to the national coordinators and more than half of them rate it as offering a high EU added value. Yet, the website didn’t seem to have become the main source of information to the attendees themselves as the core audience of the European SME Week initiative. Most event attendees have indicated that they found out about the events through direct contact and only a very small share of them have accessed the central website to identify the events they have subsequently attended. Feedback from stakeholders suggests that the event registration and

186 EU SME Week central website, Events map: http://ec.europa.eu/growth/tools-databases/sme-week/index.cfm?fuseaction=sme.viewmap_osm

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approval process is probably still not as user-friendly as it could be. According to available data, the number of unique visitors to the site is in great decline. In January-October 2009 there were 193 374 unique visitors over a period of 303 days, while in 2012 the unique visitors were only 27 706. Therefore, special attention has to be paid in order to ensure that the website is an informative and useful resource that is expanding its audience rather than losing it.

The majority of national coordinators rate the annual ‘Secret of Success’ brochure, which showcases European entrepreneurs, as a useful additional resource that provides a high EU added value. Yet currently, it is the only promotional publication produced specifically for European SME Week by the Commission. The main issue with the brochure is its late delivery each year, which has meant that many events have run before National Coordinators could distribute it to event organizers, reducing its reach and impact. Furthermore, it is not thought that the brochure is widely used by, or enormously helpful to, existing or prospective entrepreneurs. The brochure recognizes and promotes the achievements of entrepreneurs, rather than providing them with a useful resource to help them with their business ventures. Since 2014, the brochure has been published biennially.

Promoting entrepreneurship among specific target groups
In 2012, the entrepreneurship rate for women (the percentage of women entrepreneurs of the total number of women in the active labour force) was 10.4% for the EU-28. The rates for men were higher - 19%. In the period 2003-2012, the percentage of women entrepreneurs in the active labour force of women (women entrepreneurship rate) in the EU-28, increased insignificantly from 10% to 10.4% (0.4 of a percent point).

In terms of sectorial presence of women entrepreneurs, the period 2008-2012 was marked by a steady tendency a higher proportion of women than men entrepreneurs to be active in the sector groups of human health and social work activities, other services and education. In 2012, at the EU level, the share of women entrepreneurs active in human health and social work activities, other services sector and education were, 60%, 65% and 55%, respectively.

In relation to the other specific target groups in the focus of EU support initiatives to promote entrepreneurship, the desk research exercise did not identify any evidence so as to assess the effectiveness and the progress made in the specific support provided. In fact, initiatives specifically targeting senior entrepreneurs are rare. It was only in the last 2-3 years as a result of the migration crisis caused by the conflict in Syria that actions towards migrants became more focused at the EU level. Quite recently, the Commission adopted a specific Action Plan on the integration of third country nationals in which promoting best practices to support entrepreneurship among migrants is listed among the actions under the key policy priority “Labour market integration”. Yet at this stage, EU initiatives are concentrated only on the collection and promotion of good practices identified on Member States level through the publication of useful papers such as the Study "Examination and


Within this area of support, the Commission's main initiatives are focused on women and aim at reconciling family with business so as to overcome this major barrier to women’s more active participation in entrepreneurial ventures. In order to do this, the EU currently supports mainly networking initiatives among female entrepreneurs, potential female entrepreneurs and support organisations.

3 support networks for female entrepreneurs are currently available to female entrepreneurs and 2 new networks are planned for launching in 2016 as follows:

- **The European network to promote women's entrepreneurship (WES)**[^190] - a policy network uniting representatives of national governments and institutions from 31 European countries (the EU-28, Iceland, Norway, and Turkey) engaged in the promotion of female entrepreneurship at national level through advice, support, information and contacts regarding existing support measures for female entrepreneurs;

- **The European network of female entrepreneurship ambassadors**[^191] - created in 2009, the network unites the efforts of around 270 entrepreneurs from 22 European countries whose aim is to act as ambassadors of female entrepreneurship, raise awareness on successful business models by telling their own success stories and thus encourage entrepreneurship as a career option for women of all ages;

- **The European Network of Mentors for Women Entrepreneurs**[^192] – established in 2011 it unites representatives of 17 European countries (12 EU Member States and Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) to provide advice and support to women entrepreneurs on the start-up, management and growth of their businesses in the early phases (from the second to the fourth year of existence of a new woman-run and owned enterprise);

- **European E-Platform for Women Entrepreneurship** – to be launched in late 2016[^193];

- **European Network of Business Angels for Women Entrepreneurs** - to be created in 2016.

In addition, more attention on successful female entrepreneurs is drawn via initiatives like the EU Prize for Women Innovators[^194]. It is awarded to women who have received EU research and innovation funding at some point in their careers, and recently founded or co-founded a successful company based on their innovative ideas.

[^188]: Study “Examination and Evaluation of Good Practices in the Promotion of Ethnic Minority Entrepreneurs”:

  shfA0216951

[^190]: The desk research didn’t identify a publicly available web site of WES, only a list of WES members containing e-mail contact information: http://ec.europa.eu/DocsRoom/documents/19681/attachments/1/translations/

[^191]: The desk research didn’t identify a publicly available web site of the European network of female entrepreneurship ambassadors, only a List of Ambassadors in the European Network of Female Entrepreneurship containing names of ambassadors and e-mails of national coordinators: http://ec.europa.eu/DocsRoom/documents/17322/attachments/1/translations/

[^192]: The desk research didn’t identify a publicly available web site of The European Network of Mentors for Women Entrepreneurs, only a list of members containing their names, e-mails and in some cases web-sites: http://ec.europa.eu/DocsRoom/documents/10306/attachments/1/translations

[^193]: Contract award notice Creation and running of a European e-platform for women's entrepreneurship — EASME/COSME/2014/026:

[^194]: EU Prize for Women Innovators: http://ec.europa.eu/research/innovation-union/index_en.cfm?section=women-innovators
Women are more frequently addressed in support measures provided under the European Structural and Investment Funds (ESIF) than the other specific target groups, although provided support to female entrepreneurs is far from being sufficient. The list of support actions in relation to some of the other targeted groups (family businesses, liberal professions and seniors) are even less diverse and are mainly presented by the establishment of working groups and exchange of best practices through publication of guidebooks and other materials.

Support to stimulate entrepreneurship among seniors was provided through the organization of 22 European Workshops ("Laboratories") in 2015 for the exchange of good practices. As a result, gathered information on existing practices and success stories was published in the form of a Senior Entrepreneurship Good Practices Manual. The objective of the manual is to present some of the existing initiatives in this field to seniors, intermediaries and policy makers, so that these key actors can better utilize existing resources, create new opportunities for cooperation or identify the gaps in supporting seniors. The manual includes 24 good practice examples, key conclusions and recommendations for further action.

**Erasmus for Young Entrepreneurs**

Erasmus for Young Entrepreneurs was launched in 2009 as a cross-border programme facilitating the exchange of entrepreneurial and management experience. New entrepreneurs gather and exchange knowledge and business ideas with an experienced entrepreneur, with whom they stay and collaborate for a period of 1 to 6 months. The stay, including travel and subsistence costs during the visit, is partly financed by the European Commission. Erasmus for Young Entrepreneurs is implemented through local contact points competent in business support (e.g. Chambers of Commerce, start-up centres, incubators etc.) in all participating countries (all 28 Member States, Albania, Iceland, Serbia and Turkey) selected through annual calls for proposals. Their activities are coordinated at the European level by the Support Office of the Programme.

The Programme aims to boost Europe's entrepreneurial culture and fulfil Commission’s goal to organise 10 000 exchanges by 2020. The Programme reinforces entrepreneurial attitudes by offering skills, knowledge and experience. Thus, it helps to increase the number of start-ups, enables small firms to network, innovate, and go international and last but not least supports the creation of jobs.

The Programme design relies on ensuring a real win-win collaboration between participants (new and host entrepreneurs). On the one hand, new entrepreneurs receive a chance to build their capacity to manage a small company, gain relevant skills and knowledge and get practical experience. On the other hand, the host entrepreneur can also benefit by getting new ideas, fresh perspectives and entrepreneurial attitude from the new entrepreneur as well as obtaining knowledge about another market and culture. On top of personal benefits that can be experienced by all participants, the Programme stimulates international cooperation between entrepreneurs and networking.

Eligible to participate in the Programme are all new entrepreneurs with permanent residence in any of the participating countries that have a credible business plan or have already started their business within the last three years without any limitations in relation to age or industry or sector. Host

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entrepreneurs are required to be permanent residents of any of the participating countries and to be owners/managers of a small or medium enterprise for more than 3 years or to be directly involved in entrepreneurship at SME board level.

**Creation of favourable conditions for the most crucial phases of a business lifecycle**

Setting up a business is just the beginning. Running a successful company requires the right skills, knowledge and access to information. The European Commission seeks to provide adequate advice and information to entrepreneurs who are seeking to start their own business, successfully transfer a company or start again after they went bankrupt. Throughout the last decade, the Commission has come to the common understanding that procedures related to these crucial phases in the business lifecycle should be simplified so as not to impede entrepreneurial endeavours and cause loss of businesses.

The start-up procedure covers the whole procedural cycle for setting up a business required, after which a company is fully operational to develop its economic activities. In order to stimulate simplification of start-up procedures across all EU countries, the Commission explicitly invited Member States to undertake specific actions reduce the administrative burden on businesses in the starting phase. This issue was supported in many key documents on EU level such as the SBA and the Entrepreneurship Action Plan that promotes digital and web start-ups. In addition, a specific expert group of start-up coordinators\(^{196}\) was established to monitor the progress made by EU countries. Start-up procedures are also discussed by National SME Envoys. The May 2011 Competitiveness Council asked EU countries “to reduce the start-up time for new enterprises to 3 days and the cost to EUR 100 by 2012”.

Buying an existing company is an alternative way of starting a business. It is often more advantageous than starting from scratch. However, there are certain barriers to successful business transfers mainly related to good planning and management but also to adequate advisory services and burdensome taxation (especially retirement tax relief, re-investment tax relief, sale to employees' tax relief and double taxation of cross-border inheritances). The European Commission shares the belief that business transfers should be put on equal footing with start-ups and be supported in a more focused way because they are equally important to the EU economy as generators of growth. Therefore, the Commission has addressed the issue of business transfers and making them easier in key documents such as the SBA and the Entrepreneurship 2020 Action Plan. As most of the barriers to successful business transfers exist at the local, regional, and national levels the Commission tries to help EU countries shape their policies and design support measures through tracking remaining barriers and promoting best practices. Yet, more focused actions are still lacking in this area.

The main objective of the Regulation on insolvency proceedings\(^{197}\) is to avoid the transfer of assets or judicial proceedings from one EU country to another, which can improve the legal position of companies or individuals. The regulation does not apply to Denmark.

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\(^{196}\) List of national start-up coordinators containing only names and relevant national institution without contact details:  

Later on, in an effort to support entrepreneurship initiative among EU citizens the Commission reaffirmed the need to ensure opportunities for fresh start/re-start of a business to fair entrepreneurs that have suffered bankruptcy as a result of objective reasons in the key documents setting the framework of SME policies in the EU – the SBA and the Entrepreneurship 2020 Action Plan. The Second Chance was established as a policy priority and one of the principles of the Small Business Act (principle 2) and the Commission regularly monitors the progress of all EU Member States along it. Furthermore, the Competitiveness Council in May 2011 made a recommendation to limit the discharge time and debt settlement for honest entrepreneurs after bankruptcy to a maximum of three years by 2013.

In order to support entrepreneurs in gaining clear and objective views on their performance, the Commission has developed an early warning online tool\textsuperscript{198} that helps SMEs make a preliminary assessment of their performance, identify problems and find tips for improvement. While this tool cannot solve problems, it can help businesses identify potential sources of difficulty in time to seek further information, advice or remedies.

Quite recently, the Commission has launched its Insolvency Initiative\textsuperscript{199} that aims at providing tools which would allow viable businesses in distress to be rescued and honest but bankrupt individuals to be given a second chance. The Commission’s intention is to present a legislative proposal on insolvency by the end of 2016. This initiative provides a logical follow up of the Commission Recommendation of 2014 on a new approach on business failure and insolvency\textsuperscript{200} and is in line with the 2015 Capital Markets Union action plan. The Insolvency Recommendation of 2014 aims at establishing minimum standards for (1) preventive restructuring procedures enabling debtors in financial difficulty to restructure at an early stage with the objective of avoiding their insolvency, and (2) discharge periods for honest bankrupt entrepreneurs, debt discharge being one of the necessary steps in providing them with a second chance. The Insolvency Recommendation suggests that its main principles could also be applied to consumer insolvency. The Member States were invited to implement the Recommendation by 14 March 2015. A few Member States have undertaken reforms following the Recommendation, however, these reforms implement only partially the recommendation of the Commission. Following the evaluation of the implementation of the recommendation, the Commission has engaged in preparing a legislative initiative. A public consultation on the insolvency initiative was carried out for 12 weeks in the period March-June, 2016 in order to collect stakeholders’ views on key insolvency aspects in the EU and how to ensure that national insolvency frameworks work well, in particular in a cross-border context. Future proceedings in this direction are expected.

*Optimization of costs and time of start-up procedure*

In the area of business licensing the overall objective set out during the May 2011 Competitiveness Council envisaged to reduce the time needed to get licenses and permits to take up and perform the specific activity of an enterprise to three months by the end of 2013. Available research data gathered

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\textsuperscript{198} European Commission, Early warning online tool: \url{https://ec.europa.eu/growth/tools-databases/cwt_en}

\textsuperscript{199} European Commission, Insolvency Initiative: Insolvency: \url{http://ec.europa.eu/justice/civil/commercial/insolvency/index_en.htm}

\textsuperscript{200} Commission Insolvency Recommendation, 2014 \url{http://ec.europa.eu/justice/civil/files/insolvency/01_insolvency_recommendation_en.pdf}
in the beginning of 2014 on the basis of a selection of 5 benchmark companies demonstrates that, as expected, there is considerable variation in the number and type of licenses required across the 28 Member States. For most of the five benchmark model companies in most countries, each individual license can usually be obtained in three months or less. The key factors that lead to lengthening of the licensing process are usually related to:

- the need to undertake environmental impact assessments in advance of or as part of the license application process;
- the need to obtain licenses in sequence;
- the requirement to obtain a large number of licenses, even if licenses can be applied for in parallel, since applicants are more likely to submit an incorrect application or lack the resources to submit all applications at once.

In general, the actions taken by Member States both before and since the May 2011 Commitment have tended to reduce the time, cost and burden associated with business licensing.

Based on the conclusions drawn from the 5 benchmark model companies, Member States have mostly reduced the time needed to get licenses and permits to take up and perform the specific activity of an enterprise to three months by the end of 2013. Only a small number of licenses in a few countries tend to take more than 3 months to obtain. Similarly, in only a few cases it takes significantly more than 2 months to gain all licenses for any of the five benchmark model companies. The average time taken to obtain all licenses across all five benchmark model companies and across EU28 is 46 days, i.e. about 1.5 months, which is well within the 3-month target set by the May 2011 Commitment. However, there is considerable variation between the Member States, from less than one week in Estonia to about 3 months or more in Austria, Lithuania, Poland and Spain.

The exceptions to the 3-month target tend mostly to relate either to: i) the construction of business premises rather than to the business activity itself; ii) business activities that pose significant risks to the environment and/or health and safety.

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201 Study on the compliance by Member States on the time needed to get licences and permits to take up and perform the specific activity of an enterprise as from beginning of 2014: [http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8293](http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8293)
The four freedoms and the new Single Market Strategy

The establishment of the internal market as a seamless, single market is a continuous and ongoing process, with the integration of the service industry still containing gaps. Having launched the process with the establishment of the Customs Union in 1958, the European institutions tried to give it a strong restart with the adoption of the Single European Act\(^{202}\) that set a deadline of 31 December 1992 for the completion of a single market. The work of the Delors Commission published a White Paper\(^{203}\) identifying 300 measures to be addressed in order to complete a single market. By 1992, about 90% of the issues had been resolved and in the same year the Maastricht Treaty set about to create an Economic and Monetary Union as the next stage of integration. Work on freedom for services did take longer, and was the last freedom to be implemented, mainly through the Posting of Workers Directive\(^{204}\) (adopted in 1996) and the Directive on services in the internal market\(^{205}\) (adopted in 2006). In the end, the Single Market was launched on 1 January 1993.

The Single Market is based on three basic principles and four freedoms. The 3 principles include: 1/ non-discrimination which prohibits "any discrimination on grounds of nationality", or in other words bans treating imported goods differently to domestic goods is prohibited; 2/ mutual recognition that acknowledges that the legislation of another Member State is equivalent in its effects to domestic legislation and allows a product, which is lawfully produced and marketed in one Member State of the European Community, to be accepted in the other Member States; 3/ community legislation that focuses on guaranteeing the approximation of the laws of Member States to the extent required for the functioning of the common market.

The four freedoms - free movement of goods, persons, services and capital, represent the abolition of national barriers in different areas leading to the completion of the Internal Market.

The free movement of goods within the EU is guaranteed through the implementation of the Customs Union and the application of the non-discrimination principle. This means that the EU manages imports from non-member states, duties, quantitative restrictions on imports and all measures having equivalent effect between Member States are prohibited, and imports circulate freely. Furthermore, domestic and foreign products produced in other Member States are placed on equal footing in relation to taxation imposed to them. The community legislation in the area of ensuring the high protection to consumers, public health and the environment along the free movement of goods is ongoing. Most products on the EU market are subject to harmonized rules that protect consumers, public health and the environment. They provide a common legal framework for businesses on how to demonstrate compliance with the requirements so as to be able to sell their product all across the EU freely. In the majority of sectors (e.g. electronic and electric equipment, machinery, lifts, medical devices), manufacturers may voluntarily use standards or other technical specifications. In other sectors (e.g. automotive, chemicals), certain types of products are obliged to have the same technical specifications. In addition, the free movement of hazardous substances in electrical and electronic

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equipment is subject to specific rules bearing in mind the hazardous nature of products in question. The Directorate-General for Environment is in charge to ensure the free movement of such type of goods. Some sectors are still non-harmonized and are governed by national provisions. The principle of free movement of non-harmonized goods is ensured through the principal of mutual recognition and the 2015/1535 notification procedure introduced through the Directive (EU) 2015/1535 that allows the European Commission and EU countries to examine and provide their opinion on any new technical regulations for products and Information Society services (online services including e-commerce) that other EU countries intend to introduce. The idea of this mechanism is to try to prevent the creation of new technical barriers to the trade of non-harmonized goods on the level of national legislation that are not compliant to the Internal Market principles. The proper application of the free movement of goods is monitored by the Commission. If EU countries fail to comply with EU law, the Commission may initiate infringement proceedings. The procedure ensures that internal market rules are respected and applied correctly. The EU Single Market accounts for 500 million consumers.

The free movement of capital established through the Treaty on the European Union prohibited all restrictions on the movement of capital between Member States and between Member States and third countries. Now, capital within the EU may be transferred in any amount from one country to another (except that Greece currently has capital controls restricting outflows, and Cyprus imposed capital controls between 2013 and April 2015). All intra-EU transfers in euro are considered as domestic payments and bear the corresponding domestic transfer costs. This includes all member States of the EU, even those outside the Eurozone providing the transactions are carried out in euro. In fact the final stage of ensuring completely free movement of capital was the launching of a single currency in 1992 – the euro and the introduction of a common monetary policy within the Eurozone, eliminating the transaction costs and fluctuations of currency exchange. Today, 19 member states have adopted the euro, while 9 member states have either determined to opt-out or their accession has been delayed, particularly since the Eurozone crisis.

The work on ensuring the free movement of services did take longer, and was the last freedom to be implemented. It was granted through the adoption of the Treaty on the Functioning of the EU, which acknowledged the freedom of establishment and the freedom to provide services. As a result, EU companies now have the right to establish themselves and participate in the economic life in other EU countries and the right to provide services in countries other than the one in which they are established. Crucial importance for the putting of this freedom into practice has the Services Directive. It covers a wide range of services including retail and wholesale trade in goods and services; the activities of most regulated professions such as legal and tax advisers, architects and engineers; construction services; business-related services such as office maintenance, management consultancy and event organisation and tourism and leisure services. Certain services are excluded from the directive services due to their specific nature or the fact that they are regulated by other branches of EU legislation are excluded from its regulatory field. These include financial services, certain electronic communications services, temporary work agencies’ services, private security services and gambling. The directive allows businesses to be established in EU countries other than

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their own. For this to happen, Member States are obliged to abolish all discriminatory requirements, such as nationality or residence, and restrictive requirements, such as economic needs tests that require businesses to prove to the authorities that there is a demand for their services. In addition, the directive requires that these services must be accessible by electronic means through Points of Single Contact.\textsuperscript{208} Similar guarantees are provided for the rights of recipients of services (consumers or business). Member States are obliged to remove obstacles for recipients wanting to use services supplied by providers established in another EU country, such as obligations to obtain an authorisation and to abolish discriminatory requirements based on the recipient’s nationality or place of residence. Today, the Directive is transposed in all Member States. In the area of the free movement of services like for goods the Services Directive introduced a notification procedure so as to allow the Commission to review and assess whether new or changed national regulatory measures affecting services are justified and compliant prior to their official launching.

In view of the fast development of e-commerce as part of the Internet era, the EU made its first step in the direction of the establishment of a single digital market. In May 2015, the Commission adopted the Digital Single Market Strategy for Europe\textsuperscript{209} to reverse the fragmentation of Internet shopping and other online services by establishing a Single Digital Market that would cover digital services and goods from e-commerce to parcel delivery rates, uniform telecoms and copyright rules.

\textbf{SMEs opportunities to access public procurement & state aid}

The public procurement reform launched in 2014 introduced major legislative measures specially designed to improve SMEs’ access to public procurement markets such as:

- Introducing the practice of awarding contracts in small portions (lots) - large contracts can often be divided into smaller parts, which allows for the participation of smaller companies. Contracting authorities are encouraged to divide larger contracts into lots. If they decide not to split contracts into lots, they will have to explain why.

- Imposing a limit to the turnover required to participate in a tender procedure allowing more SMEs to cover eligibility criteria and participate - In the past, smaller bidders were often excluded from procurement procedures because the contracting authorities required high annual turnover figures. This was the case even for contracts of low monetary value. With the adopted changes, the required annual turnover cannot be higher than twice the contract value. As contracting authorities will be required to accept all bidders with adequate financial status for the contract, this measure expands the opportunities for SMEs on the public procurement market.

- Reducing documentation requirements via the introduction of a European Single Procurement Document (ESPD) - a self-declaration form replacing the various different forms used in the past by EU countries for proving that a bidder fulfils the exclusion and selection criteria (e.g. they have paid taxes and have sufficient financial standing). Evidence will only have to be provided by the tender winners. However, even this obligation could be removed in the future once e-procurement solutions are linked to repositories of actual evidence. The ESPD would

\textsuperscript{208} Points of Single Contact: \url{http://ec.europa.eu/internal_market/eu-go/}

then act as a 'business passport' for companies bidding for tenders anywhere in the EU. To generate an e-ESPD, the European Commission has developed a free online service.

Introducing e-procurement – the gradual digitalization of the public procurement process aims at saving time and money to all parties in the process, cut red tape and open new opportunities to SMEs with e-submission envisaged to become mandatory for all contracting authorities by October, 2018.
Facilitating access to finance

CIP - Competitiveness and Innovation Framework Programme (2007-2013)

With an overall budget of 3 621 million euro, the Competitiveness and Innovation Framework Programme (CIP) was designed to support innovation activities, provide better access to finance and deliver business support services mainly to SMEs. The programme was operational from 2007 to 2013 and was divided into three operational programmes - the Entrepreneurship and Innovation Programme, the Information Communication Technologies Policy Support Programme and the Intelligent Energy Europe Programme. Under EIP, CIP provides targeted support to SMEs innovation by offering to them access to finance through "CIP financial instruments" which target SMEs in different phases of their lifecycle and support investments in technological development, innovation and eco-innovation, technology transfer and the cross-border expansion of business activities. Their implementation was backed by a budget of over 1 billion euro and managed by the European Investment Fund (EIF)\(^\text{210}\). CIP offered SMEs access to loans and equity finance through the High Growth and Innovative SME Facility (GIF) and the SME Guarantee Facility (SMEG).

CIP offered SMEs access to loans and equity finance through the following financial instruments:

- **Equity financing:** The high growth and innovative SME facility (GIF) - provided risk capital to innovative SMEs in their early-stages and SMEs with high growth potential in their expansion phase through equity investment funds that have signed an agreement with the EIF.

- **Guarantees:** The SME guarantee facility (SMEG) – provided loan guarantees to encourage banks to make more debt finance available to SMEs, including microcredit and mezzanine finance, by reducing the banks' exposure to risk. SMEG provided co-, counter- and direct guarantees to financial intermediaries providing SMEs with loans, mezzanine finance and equity.

COSME - Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (2014-2020)

The 2014-2020 programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME) was launched as a successor of CIP with the aim to support better access to finance for SMEs, access to markets, entrepreneurship and favourable business conditions. The programme will be operational during 2014 - 2020 and has a planned budget of 2.3 billion euro. The scope of support offered to SMEs is maintained with 2 financial instruments in place to ease SMEs access to finance. Yet this new programme provides an expanded range of complementary support initiatives such as the financing of many of the key EU support networks for SMEs (EEN, Your Europe Business Portal, SMEIP and several IPR Helpdesks) and support to entrepreneurship education. COSME is managed by the Executive Agency for Small and Medium-sized Enterprises (EASME)\(^\text{211}\) on behalf of the European Commission.

The COSME financial instruments build on experience from the financial instruments under CIP Programme (2007 – 2013). A budget of over 1.3 billion euro is allocated under COSME to fund these

\(^{210}\) European Investment Fund: [http://www.eif.org/index.htm](http://www.eif.org/index.htm)

financial instruments. Management is provided by EIF in cooperation with financial intermediaries in EU countries.

Since August 2014, COSME is offering to finance two financial instruments for SMEs as follows:

- **The Loan Guarantee Facility (LGF)**
  LGF is a successor to the SME Guarantee Facility (SMEG), implemented by EIF under the CIP Programme in the period 2007-2013. It is a window of the Single EU Debt Financial Instrument which supports European enterprises' growth and research and innovation and is financially supported by Horizon 2020 and COSME. Through LGF, EIF uses part of the COSME budget to offer guarantees and counter-guarantees, including securitization of SME debt finance portfolios, to selected financial intermediaries (e.g. guarantee institutions, banks, leasing companies, etc.) to help them to provide more loans and leases to SMEs. By sharing the risk, COSME guarantees allow the financial intermediaries to expand the range of SMEs they can finance, facilitating access to debt finance for many SMEs who might be having difficulties in accessing the traditional banking system.

The leverage effect of the instrument is expected to generate 30 euros of financing for SMEs from every euro invested in a loan guarantee with the total value of lending reaching up to €21 billion.

The selection of financial intermediaries wishing to apply to the LGF is still ongoing.

- **The Equity Facility for Growth (EFG)**
  EFG is a successor to the High Growth and Innovative SME Facility (GIF) implemented by EIF under the CIP Programme in the period 2007-2013. It is a window of the Single EU Equity Financial Instrument which is financed by Horizon 2020 and COSME, and supports EU enterprises' growth and research and innovation from the early stage, including seed, up to expansion and growth stage. Through EFG, EIF uses part of the COSME budget invests in selected funds – acting as EIF’s financial intermediaries – that provide venture capital and mezzanine finance to expansion and growth stage SMEs, in particular those operating across borders. The fund managers operate on a commercial basis to ensure that investments are focused on SMEs with the greatest growth potential. The selection of financial intermediaries wishing to apply to the LGF is still ongoing.

It is expected that some 500 firms will receive equity financing through the programme, with overall investment reaching up to €4 billion. It is also anticipated that further finance will be attracted through co-investments from other public and private sources.

*InnovFin – EU Finance for Innovators under Horizon 2020 Framework Programme for Research and Innovation*

For the programming period 2014-2020, the EU launched the Horizon 2020 Framework Programme for Research and Innovation\(^{212}\) as the biggest EU Research and Innovation programme ever with nearly €80 billion of funding. Horizon 2020 is designed to be the financial mechanism for the EU to implement the Innovation Union - a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. The programme combines the 2 main types of EU financial support – non-refundable grants for projects in the area of research and innovation and a portfolio of financial

instruments under the "InnovFin – EU Finance for Innovators" initiative to help innovative firms of all sizes access finance more easily.

It is a joint initiative launched by the European Investment Bank Group\(^2\) (EIB and EIF) in cooperation with the European Commission under Horizon 2020. In total, some 2.7 billion euro of Horizon 2020's near 80-billion-euro budget will support these financial instruments. InnovFin is available across all eligible sectors for support of research and innovation activities under Horizon 2020. A wide range of loans and guarantees as well as equity instruments is offered by the EIB Group, covering the entire value chain of research and innovation in order to support investments from the smallest to the largest enterprise. Financing is either provided directly or via a financial intermediary, most often a bank. The EIB provides direct loans to medium to larger companies, or guarantees to bank lending to them. The EIF provides guarantees to bank lending to small and medium-sized firms and – at a later stage – invest in venture capital funds providing start-ups and fast-growing firms with equity.

The portfolio of InnovFin products tailor-made to provide access to finance for SMEs is managed solely by EIF and consists of the following financial instruments:

- **InnovFin SME Guarantee Facility**
  The InnovFin SME Guarantee Facility is designed to allow the provision of more debt financing to innovative SMEs and Small Mid-caps (up to 499 employees). EIF covers a portion of the losses incurred by the financial intermediaries on loans, leases and guarantees between 25 000 euro and 7.5 million euro, which they provide under the InnovFin SME Guarantee Facility. For the provision of this financial instrument, EIF works with eligible local banks, leasing companies, guarantee institutions, etc. which are selected after a due diligence process and act as financial intermediaries of EIF. It builds on the Risk Sharing Instrument, developed under FP7, the 7th EU Framework Programme for Research and Technological Development (2007-2013) managed and implemented by EIF.

- **InnovFin Equity**
  InnovFin Equity - managed by EIF - exists in addition to the InnovFin SME Guarantee Facility. Via InnovFin Equity, EIF provides equity investments and co-investments to or alongside funds focusing on companies in their pre-seed, seed, and start-up phases operating in innovative sectors covered by Horizon 2020. These sectors include ICT, Medical technologies, biotechnologies, green technologies, nanotechnologies, as well as areas addressing societal challenges such as resource efficiency, bio economy, health and demographics, climate change. EIF targets investments in around 45 funds, mobilising a total amount of 4-5 billion euro to be invested in enterprises located or active in the EU and Horizon 2020 Associated Countries. The instrument contributes to the Pan-European Venture Capital Fund-of-Funds programme. InnovFin Equity is a successor to the early stage window of High Growth and Innovative SME facility (GIF 1) under the CIP Programme. InnovFin Equity comprises four different products:

\(^2\)European Investment Bank Group: [http://www.eib.org/index.htm](http://www.eib.org/index.htm)
• **InnovFin Technology Transfer**

InnovFin Technology Transfer supports technology transfer projects or technology rights through commercial demonstration and commercialization by targeting investments into technology transfer funds operating in the pre-seed (including proof of concept) and seed stages. Its objective is to accelerate technological innovations, especially in the areas of key enabling technologies (including, but not limited to ICT, nanotechnology, bio-tech, clean tech, and med tech) and other Horizon 2020 objectives, such as IP promotion / exploitation (licensing, sale of patents) and spin-outs, spin-offs or joint venture activities.

• **InnovFin Business Angels**

The InnovFin Business Angels product targets funds pooled by business angels or business angel co-investment funds investing into innovative early-stage enterprises and social enterprises established or active in Participating Countries operating in the sectors covered by Horizon 2020, including social impact. InnovFin BA is open for experienced business angels wishing to team up and set up their first BA funds, as well as in countries with less developed ecosystems for early stage investments.

• **InnovFin Venture Capital**

InnovFin Venture Capital targets investments into venture capital funds that provide funding to enterprises (including social enterprises) in their early stage operating in Horizon 2020 sectors. Under InnovFin, Venture Capital EIF seeks to invest in first closing of the funds. It can also invest in other closings, especially if its intervention is catalytic to further fundraising. “First-time” or “emerging” investment teams seeking for the first time institutional fundraising are also eligible. Via selected venture capital funds, EIF provides risk capital financing to enterprises in their seed, start-up and other early stage phases investing predominantly in their seed and series A rounds.

• **Technology Transfer**

InnovFin Fund-of-Funds targets investments into fund of funds holding or targeting to build a portfolio of investments into underlying funds with significant early stage focus. It also provides significant funding to separately managed Pan European VC Fund-of-fund programme. EIF seeks to invest in fund-of-funds which have wide geographical coverage of more than 3 countries and focus on early stage or follow balanced strategies with at least 30% early stage target allocation.

*The SME Initiative*

The SME Initiative is an additional joint financial instrument of the EC and EIB Group which aims to stimulate SME financing by providing partial risk cover for SME loan portfolios of originating financial institutions. It is co-funded by joint funding from COSME and/or Horizon 2020 resources as well as EIB Group resources together with allocated resources from Member States under ESIF. In terms of geographical coverage, the SME Initiative doesn’t cover the whole EU. Currently, it is operational in Bulgaria, Finland, Malta and Spain, but extension is possible to other EU Member States that express their interest to the European Commission until the end of 2016. The EIF is the entrusted entity by the adhering Member States to implement and manage the SME Initiative in close cooperation with the EIB. The initiative consists of 2 products - an uncapped portfolio guarantee instrument and a securitisation instrument.
The EIF offers selected financial intermediaries (e.g. banks, leasing companies, guarantee institutions and debt funds) loss protection and potential capital relief at an advantageous cost. In return for this risk-sharing, the financial intermediaries undertake to provide SME loans, leasing and/or guarantees at favourable terms (for example, reduced interest rates and collateral requirements for the final recipients). Financial Intermediaries are selected through EIF via an Open Call for Expression of Interest.

The main advantage of the SME Initiative to the other financial instruments that can be set up with ESIF funding is related to the fact that by joining the initiative Member States and Managing Authorities are not required to provide national or regional co-financing to implement the financial instruments envisaged.

**Microfinance and Social Entrepreneurship axis under EU Programme for Employment and Social Innovation (EaSI)**

With a total budget of 919,469,000 euro for 2014-2020, the Employment and Social Innovation Programme (EaSI)\(^{214}\) is an EU financing instrument designed to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. The programme is managed directly by the European Commission and actually unites three EU programmes managed separately between 2007 and 2013: PROGRESS, EURES and Progress Microfinance. As of January 2014, these programmes form the three axes of EaSI. The 3rd axis - Microfinance and Social Entrepreneurship under EaSI supports access to micro-finance and social entrepreneurship by providing microcredit and microloans for vulnerable groups, micro-enterprises and social enterprises.

Under the MF/SE axis, a total budget of 96 million euro is allocated to finance the EaSI Guarantee Financial Instrument.

EIF has been entrusted by the European Commission to manage and implement this financial instrument. EIF does not provide any type of finance to micro-entrepreneurs or social enterprises directly. Under the EaSI Guarantee Financial Instrument, EIF is providing capped guarantees and counter-guarantees to selected financial intermediaries covering loan portfolios in the microfinance and social entrepreneurship segments. Vulnerable persons and micro-enterprises in both start-up and development phase, especially those employing vulnerable persons have the opportunity to apply for micro-loans up to 25,000 euro. Social enterprises with either an annual turnover or annual balance sheet not exceeding 30 million euro have access to a portfolio of debt financing products (including loans, mezzanine loans, subordinated debts, leases and profit-sharing loans) up to 500,000 euro.

As a result of the risk-sharing mechanism between the financial intermediaries and the European Commission, the EaSI Guarantee enables selected microcredit providers and social enterprises investors to expand the range of enterprises they can finance, facilitating access to finance for target groups who might be having difficulties in accessing the conventional credit market.

The Creative Europe programme (2014-2020) - the European Commission's framework programme for support to the culture and audio-visual sectors with a total budget of 1.46 billion euro has set up a 121 million euro guarantee facility to enhance the access to finance of SMEs in the cultural and creative sector (CCS), operational as of 2016. It will support the scaling up of cultural and creative projects and help the sector in becoming more competitive. The Cultural and Creative Sectors Guarantee Facility (CCS GF) is managed by EIF on behalf of the European Commission. The establishment of such specialized financial instrument takes into consideration the fact that access to finance is more challenging for CCS SMEs than for conventional SMEs. Some of the reasons are the intangible nature of their assets and collaterals, the limited size of the market, and the lack of training (on the part of financial intermediaries) to address the sector's specificities.

Through CCS GF, EIF provides to selected financial intermediaries (financial or credit institutions, leasing companies or loan funds, guarantee or credit institutions, etc.) capped First Loss Portfolio guarantees and counter-guarantees, free of charge, to enable them to offer more loans and leases to entrepreneurs operating in the CCS sphere. Coverage will reach up to 70% of individual loans' losses and up to 25% for portfolios. In addition, selected financial intermediaries receive optional and free of charge access to a Capacity Building programme designed to improve their understanding of the cultural and creative sectors’ specificities. Access to loans under CCS GF is available for SMEs or Small Public Enterprises in the cultural and creative sectors, established and operating in EU Member States, Iceland and Norway. Eligible activities are market or non-market oriented, disregarding the type of legal structure that carries them out. Such activities include the creation, production, dissemination and preservation of goods and services which embody cultural, artistic or creative expressions. The sector includes architecture, archives and libraries, artistic crafts, audio-visual (including film, television, video games and multimedia), cultural heritage, design, festivals, music, performing arts, publishing, radio and visual arts.

**European Structural and Investment Funds**
With a budget of 454 billion euro for 2014-2020, the European structural and investment funds (ESIF) are the European Union's main investment policy tool. Improving the competitiveness of SMEs is one of the 11 thematic objectives for EU Cohesion Policy in 2014-2020. Additional investments in SMEs are also made under other thematic objectives, particularly research and innovation, the low-carbon economy and information and communication technologies. 63 billion euro or around 14% of the total ESIF funding are dedicated explicitly to SMEs. The main source of financing in the form of grants for investments and access to loans, loan guarantees, venture capital, etc. through financial instruments is provided by the European Regional Development Fund (ERDF), under which 33 billion euro or around 17% of the total budget is allocated specially for SMEs. The increased use of financial instruments mobilising additional EU, national and regional funds during the 2014-2020 funding period is also expected to benefit SMEs.

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216 Open data portal for ESIF: [https://cohesiondata.ec.europa.eu/overview](https://cohesiondata.ec.europa.eu/overview)
217 Open data portal for ESIF: [https://cohesiondata.ec.europa.eu/overview](https://cohesiondata.ec.europa.eu/overview)
According to official data from the Open data portal for ESIF, in total, 892 separate measures specifically targeting SMEs are being implemented under the existing operational programmes of Member States approved by the Commission for the period 2014-2020.

Although the Structural Funds are part of the EU budget, the way they are spent is based on a system of shared responsibility between the European Commission and national authorities. The Commission negotiates and approves programmes proposed by EU countries, and allocates resources. The EU countries / regions manage the programmes through nationally appointed authorities, implement them by selecting projects, control and assess them. Enterprises, including SMEs, can apply for grants under the operational programmes available in their region. In most cases, funding is granted to projects, so enterprises are required to develop a project to be eligible for funding. The project application must meet the selection criteria and investment priorities of the respective regional programme in order to receive funding.

Currently, aside from the grant schemes available under the regional programmes funded by ESIF. Across the EU, enterprises and other eligible organizations receive access to financial instruments provided under the framework of ESIF. Financial instruments have been used for delivering investments for Structural Funds since the 1994-1999 programming period. Their relative importance has increased during the programming period 2007-2013 and they now represent around 5 % of total European Regional Development Fund (ERDF) resources. In contrast to the 2007-2013 programming period, the rules adopted for 2014-2020 financial instruments are non-prescriptive in regards to sectors, beneficiaries, and types of projects and activities that are to be supported. Member States and managing authorities may use financial instruments in relation to all thematic objectives covered by operational programmes, and for all Funds, where it is efficient and effective to do so. ESIF programme support can be provided to financial instruments set up at EU level and managed by the Commission or such set up at national/regional, transnational or cross-border level and managed by or under the responsibility of the managing authority.

**SME Instrument under Horizon 2020 Framework Programme for Research and Innovation**

The SME Instrument of the Horizon 2020 Framework Programme for Research and Innovation offers funding in the form of grants for innovation projects that help SMEs grow and expand their activities into other countries. The instruments allocates 3 billion euro in funding over the period 2014-2020, specially for high-potential SMEs to develop ground-breaking innovative ideas for products, services or processes that are ready to face global market competition.

The SME Instrument offers support in 3 consecutive phases as follows:

- **Phase 1:** Concept & Feasibility (optional) – business innovation grants of 50,000 euro (lump sum) per project (70% of total cost of the project) to explore and assess the technical feasibility and commercial potential of a breakthrough innovation;

- **Phase 2:** Demonstration, Market Replication and R&D (possible phase II) – business innovation grants for innovation development & demonstration purposes an amount in the

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218 Open data portal for ESIF, ESIF funded measures within thematic area Competitiveness of SMEs, extraction date: 10.12.2016: [https://cohesiondata.ec.europa.eu/dataset/ESIF-funded-measures-within-thematic-area-Competit/3yx9-7f8x](https://cohesiondata.ec.europa.eu/dataset/ESIF-funded-measures-within-thematic-area-Competit/3yx9-7f8x)

indicative range of 500,000 and 2,5 million euro (70% of total cost of the project as a general rule);

**Phase 3:** Commercialisation – the provision of EEN services to facilitate the commercial exploitation of the innovation and optional free-of-charge business coaching in order to support and enhance the firm’s innovation capacity offered in parallel with the implementation of phase 1 & 2.
Supporting SMEs Competitiveness and Innovation

*Horizon 2020 Framework Programme and the SME Instrument within its pillars*

The Programme is a successor of the 7th Framework Programme for Research and Technological Development (2007-2013) which had a budget of approximately 50 billion euro. Currently, under the new programme, the EU will provide nearly 80 billion euro of funding over seven years to stimulate research and innovation activities (R&I). The following three main pillars of Horizon 2020 comprise over 90% of the Horizon 2020 budget:

- "Excellent Science” with the European Research Council, future and emerging technologies, researcher mobility and European research infrastructures (24.4 billion euro);
- "Industrial Leadership", focussing on the competitiveness of the European Industry in six sub-programmes with a particular emphasis on SME funding (17 billion euro);
- "Societal Challenges" with seven sub-programmes (29.7 billion euro).

However, the seemingly large increase of EUR 30 billion in financial resources should be put into context as some of those involved in R&I have observed that the programme includes several large-scale projects within the budget, which implies that the actual increase, compared to FP7, could be estimated at around 7 billion euro.

Aside from the enlarged budget, the structure of Horizon 2020 also differs significantly from FP7, as the programme now also encompasses the European Institute of Technology (EIT) and parts of the former CIP Programme. Horizon 2020 funding is organised through multi-annual work programmes (WPs). These cover the majority of support available. The WPs – which are developed by the Commission with the help of 19 Horizon 2020 Advisory Groups representing industry, science and wider society – follow the Horizon 2020 legislative framework and reflect EU policy objectives stipulated in the EU2020 strategy. Every Horizon 2020 WP comprises of specific thematic sections that describe the overall objectives, the respective calls for proposals and the call topics.

Certainly, Horizon 2020 represents a breakthrough compared with past Framework Programmes as for the first time, in addition to the traditional support for research and development, the programme placed great emphasis on innovation and close-to-market activities. In shifting the focus on enabling economic growth through innovation Horizon 2020 has established a separate specialized thematic area within the Industrial Leadership Pillar – Innovation in SMEs. The objective of ‘Innovation in SMEs’ is to optimise the Research, Development & Innovation environment for SMEs, including through the establishment and facilitation of a range of support services, with the aim of strengthening the innovation capacity of SMEs and creating value on the market and/or into society, thus underpinning the Europe2020 strategy for smart, inclusive and sustainable growth. The main tool launched under ‘Innovation in SMEs’ is the SME instrument specifically designed to help individual SMEs be more innovative. The Commission aims at granting SMEs no less than 20% of the total combined budget allocated to the ‘pillar’ “Societal challenges” and the specific objective “Leadership in Enabling and Industrial Technologies” (LEIT). In other words, some 8.5 billion euro, i.e. more

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220 Universities UK, Briefing – Horizon 2020 budget: [http://www.universitiesuk.ac.uk/highereducation/Documents/2013/BriefingHorizon2020Budget.pdf](http://www.universitiesuk.ac.uk/highereducation/Documents/2013/BriefingHorizon2020Budget.pdf)
than 10% of the total Horizon 2020 budget, are expected to support research and innovation activities carried out by SMEs.

A share of these resources is granted via the so-called SME Instrument, i.e. a preferential funding scheme that will earmark 3 billion euro over the period 2014-20 for SMEs. The remainder is expected to be assigned by means of collaborative projects funded by larger Horizon 2020 calls that provide indirect support to SMEs in the form of tailored services and projects (innovation management capacity building, IPR management, etc.), networking and mobilization actions for innovation service providers and policymakers (i.e. exchange of experience between national innovation agencies).

The SME instrument addresses the financing needs of internationally oriented SMEs, in implementing high-risk and high-potential innovation ideas. It aims at supporting projects with a European dimension that lead to radical changes in how business (product, processes, services, marketing etc.) is done. It launches companies into new markets, promote growth, and create high returns of investment. The SME instrument addresses all types of innovative SMEs so as to be able to promote growth champions in all sectors. Details on the 3-phase model of support provided through the SME Instrument to SMEs for the implementation of projects in the area of innovation are provided in Annex 4 of the report.

In addition, about one third of the Access to Risk Finance budget under Horizon 2020, which represents more than € 900 million, is planned to be provided to SMEs and small midcaps. This support consists of:

- **InnovFin SME Guarantee** – a debt facility providing loans, guarantees and other forms of debt finance to entities of all forms and sizes, notably research and innovation-driven SMEs.
- **InnovFin SME Venture Capital** – an equity facility providing finance for mainly early-stage investments, with a particular focus on early-stage SMEs with the potential to carry out innovation and grow rapidly.

Aside from the SME Instrument and the launched specific financial instruments, Horizon 2020 supports several other initiatives specially focused on providing support to SMEs to innovate in their business development. Among these the key measures currently implemented under the responsibility of EASME are the following:

- **Fast Track to Innovation Pilot** offers a maximum EU contribution of €3M per proposal with time-to-grant of around 6 months to support business-driven projects with clear potential for quick deployment and market take-up of innovations submitted by consortia comprising between three and five legal entities established in at least three different EU Member States or countries associated with Horizon 2020. Within each consortium, there must either be an allocation of at least 60% of the budget to industry participants or the consortium must include at least two-three industry participants.
- **Horizon 2020 INNOSUP calls** for proposals and tenders are elements of a broader action to develop the ecosystem of innovation support to SMEs in Europe. Generally, the actions are designed to provide opportunities to Member States and regions to enhance their services

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221 Additional SME support measures under Horizon 2020: [https://ec.europa.eu/easme/en#pillar-smesupport](https://ec.europa.eu/easme/en#pillar-smesupport)
through collaboration, peer-learning and uptake of new approaches. Several actions will focus on the identification, further development and dissemination of skills and expertise among SMEs.

- The Horizon 2020 SME Innovation Associate: a pilot action supporting European SMEs and Start-ups to recruit post-doctoral research associates from other countries to explore an innovation business idea. The call is experimental and aims to test the feasibility of a European measure to increase access to talent for SMEs and start-ups by encouraging enterprise-led mobility of researchers. Participating SMEs will furthermore receive an individual grant covering salary and related costs of employment.

**EUREKA/Eurostars Joint Programme Initiative (2014-2020)**

EUREKA[^4] is a publicly-funded intergovernmental network involving over 40 countries. EUREKA’s aim is to enhance European competitiveness by fostering innovation-driven entrepreneurship in Europe between small and large industry, research institutes and universities.

Eurostars applies a decentralised funding procedure; participants do not receive funding directly from the EUREKA Secretariat or the EU. All funding to participants in approved projects is managed by their respective funding body and according to their national funding rules and procedures. These rules and procedures are dependent on the member countries involved in the project.

With its bottom-up approach, Eurostars supports the development of rapidly marketable innovative products, processes and services that help improve the daily lives of people around the world. Eurostars has been carefully developed to meet the specific needs of SMEs. It is an ideal first step in international cooperation, enabling small businesses to combine and share expertise and benefit from working beyond national borders.

The Enterprise Europe Network

The Enterprise Europe Network (EEN) was launched on 7 February 2008 by former EU Commissioner Günter Verheugen. It combines the previous Euro Info Centres and the Innovation Relay Centres. The Network was partially funded through the EU's Competitiveness and Innovation Framework Programme in cooperation with institutions at national and regional levels. Now, this partial funding is provided by the COSME Programme. The network helps small companies make the most out of business opportunities in the EU. It serves as a one-stop-shop for all business needs. It provides support on access to market information, overcoming legal obstacles and identifying potential business partners across Europe.

Gradually, EEN has grown as the world's largest support network for SMEs with international ambitions. It has 3,000 experts with expertise in business and innovation services for SMEs across 600 member organizations in more than 60 countries. Member organizations include chambers of commerce and industry, technology centres, and research institutes.

The network offers a wide range of free services to SMEs that could be summarized in 3 broad groups as follows:

- Advisory services;
- Innovation support services;
- Partnership services.

Network experts provide advice on market opportunities to help small businesses expand internationally. Advisory services include practical advice on doing business in another country, targeted market intelligence, information on EU laws and standards, advice on intellectual property, etc.

Network experts recognize innovation potential and provide relevant support to SMEs in order to help them shape their innovative ideas into commercial success. In the area of innovative services EEN offers two types of support packages:

- Key Account Management for beneficiaries of the SME Instrument under Horizon 2020;
- Enhancing Innovation Management Capacities of SMEs with high EU-wide market and innovation potential, including innovation management capacity assessment known as "innovation health check" that results in an individualized action plan with milestones for the SME how to proceed with its endeavours.

Furthermore, EEN provides help in finding the right technology to improve SMEs’ innovation by offering Europe’s largest database of cutting-edge technologies, containing more than 23,000 profiles. The database is updated with new profiles on a weekly basis.

EEN supports the building of new business partnerships through providing free access to Europe’s largest database of business partnership opportunities. Currently, the database offers 8692 partnering.

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opportunities divided in 2 major groups – business offers & requests, including research & development opportunities and technology offers & requests. The majority of published partnership opportunities constitute business offers of SMEs offering their products and services (62.9%), followed by technology offers (23.8%), while business requests and technology requests are only 9.1% and 3.9% respectively. The remaining share of 0.3% represents research & technology announcements. The reported data of the current partnering opportunities demonstrates an uneven distribution of offered and sought partnerships with the majority of partnership opportunities constituting companies offering their products and services. This might be considered a hint that so far, SMEs utilize the EEN Partnering opportunities database predominantly as an additional channel for promoting and selling their production. It is quite less common for SMEs to use the database as a tool for requesting services/products or cooperation with foreign partners. Registration in the database is free and provides a chance for SMEs to receive partnership opportunity alerts and also to publish business offers and requests.

According to EEN data, the Network organises 70,000 international business meetings every year. Events include matchmaking and brokerage events where SMEs can meet potential business partners, as well as company missions for targeted international meetings with strong business prospects.

The Network also offers specialised industry expertise across 17 sectors – aeronautics, space and dual-use technologies; agri-food; automotive, transport and logistics; biochemtech; creative industries; ICT industries & services; intelligent energy; maritime industries & services; materials; nano & micro technologies; services& retail; sustainable construction; textile & fashion; tourism & cultural heritage; women entrepreneurship; environment; and healthcare. The Network's Sector Groups combine international business expertise with local knowledge. They help companies grow through tailored support and new partnerships and also provide advice on how to find partners to apply for EU-funded joint research projects.

The network is at the same time a two-way communication channel between the Commission and the SME community. It obtains opinions from SMEs about developing new legislation, taking into account initiatives set out in the Small Business Act and the Think Small First Principle.

Your Europe Business

Your Europe Business is a portal offering help to businesses and entrepreneurs who want to expand their activities to other EU or EEA countries. It provides practical information on EU rules and links them to national rules, authorities, helpdesks and support services. The portal helps boost competitiveness and growth and facilitates SMEs’ access to markets. It complements and promotes the services of the Enterprise Europe Network.

The Your Europe Business portal is a sub-directory of the Your Europe portal that is designed to help EU citizens and enterprises do things in other European countries – avoiding unnecessary inconvenience and red tape. This encompasses moving, living, studying, working, shopping or simply travelling abroad. Or, as a company, doing business abroad. Your Europe portal consists of 2 sections

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225 Date of data extraction from Partnering opportunities database - 20.11.2016: http://een.ec.europa.eu/tools/services/SearchCenter/Search/ProfileSimpleSearch?shid=32db25cb-726f-43b0-8b5f-7742d0935799
– for citizens and for enterprises, both of which are managed by DG for Internal Market, Industry, Entrepreneurship and SMEs of the European Commission. Information on Your Europe is provided by the relevant departments of the European Commission and complemented by content provided by the authorities in every country it covers.

In terms of information provided to SMEs, the Your Europe Business portal is distinctively valuable as it offers advice and guidance in all areas of key importance to the enterprises such as start-up procedures and intellectual property rights, taxation, selling abroad, product requirements, finance & funding, public contracts, environment issues and staffing. Some of the benefits that the enterprises can experience by accessing the portal are related to the fact that along all key thematic areas of the business cycle the portal provides content and at least contact information of national authorities in the relevant country for which the company wants details. The contact section of the portal provides contact information for companies on how to access important help services such as how to submit an enquiry or complaint against an EU public authority, how to file out-of-court complaints about insurers or banks, how to contact a European employment advisor or to receive information on consumer issues and passengers’ rights. Furthermore, this is the only EU support network that is almost fully translated in all EU languages which substantially eases SMEs access to the relevant information.

**The European Small Business Portal**

The Small Business Portal is another support network established and managed by DG Internal Market, Industry, Entrepreneurship and SMEs and financed under the Competitiveness and Innovation Framework Programme. It gathers all the material provided by the EU about and for SMEs. Small companies and entrepreneurs can find information about access to finance, access to markets, and policy related to SMEs on the portal.

It is designed as a one-stop-shop enabling small businesses and entrepreneurs to access practical advice on how to get access to finance / funding, find partners or go international, as well as information on EU policies, programmes and initiatives to help small companies grow.

**Single Portal on Access to Finance**

The Single Portal on Access to Finance helps SMEs find finance supported by the EU. It provides information on how to apply for loans and venture capital supported by the European Union. The portal supports SMEs in identifying banks or venture capital funds that provide finance supported by the EU in their own country through an interactive map for locating relevant financial institutions. The information provided for local banks and venture capital funds consists of the type and amount of finance offered the investment focus and the source of financing as well as relevant contact information. The information is provided on all EU languages.

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The SME Internationalization Portal (SMEIP)

On the SME Internationalization Portal (SMEIP)²²⁹, entrepreneurs and small companies can easily access information on (semi) public support service providers in the EU and on international markets. These service providers help EU-based SMEs extend their business to markets outside the EU.

The SMEIP is open to any organization that is a public or semi-public institution, association, cooperative or non-governmental organization, located in either an EU country or target country (organizations in target countries must offer services nationally), or be part-funded by the EU or an EU government support service for European businesses. The organization has one or more services to offer specifically designed to do business with countries outside the EU. Organizations that meet these criteria and are eager to be listed as service providers on the SMEIP website commit themselves to provide valid contact details of an available contact person and to keep their profile content up-to-date, in English. Privately owned organizations are not eligible to be included in the database. The initial organizations included in the database when SMEIP was launched were taken from the results of the "Study on Support Services for SMEs in International Business", carried out for the Commission by the ECSIP Consortium (Netherlands) in 2012 and its follow up in 2014, covering in total the EU and 35 non-EU countries. Currently, there are 707 service providers²³⁰ offering services to SMEs that are eager to access new markets outside the EU.

The portal provides a database of support services (e.g. local chambers of commerce) that can help SMEs start doing business in targeted countries abroad as well as links to other EU-backed sources of help and advice. Examples of these support services include information on rules and regulations, sectoral programs, credit guarantee schemes, staff training, trade missions, trade fairs, matchmaking and networking events, seminars, workshops, advice and consultancy, etc.

The SMEIP covers specific countries that have been targeted as areas offering potential business opportunities for SMEs. They are as follows:

- Africa: Algeria, Angola, Egypt, Morocco, Nigeria, South Africa, Tunisia.
- Americas: Argentina, Brazil, Canada, Chile, Colombia, Mexico, USA, Venezuela.
- Australia/Oceania: Australia.
- Eurasia: China, India, Indonesia, Israel, Japan, Malaysia, Norway, Russia, Saudi Arabia, Serbia, Singapore, South Korea, Switzerland, Taiwan, Thailand, Turkey, Thailand, Turkey, UE Emirates, Ukraine, Vietnam.

Intellectual property rights helpdesks

The European IPR Helpdesk is a project funded by the European Commission under the Grant Agreement No 641474, financed under the current Horizon 2020 programme that supports cross-border SME and research activities to manage, disseminate and valorise technologies and other Intellectual Property (IP) Rights and IP assets at the EU level. The helpdesk is managed by the Executive Agency for Small and Medium-sized Enterprises (EASME). It offers free of charge, first-line support on IP and IPR matters to beneficiaries of EU funded research projects and EU SMEs.

²³⁰ Date of data extraction from SMEIP – 20.11.2016: https://ec.europa.eu/growth/tools-databases/smeip/service-providers
involved in transnational partnership agreements, especially within the Enterprise Europe Network (EEN).

The European IPR Helpdesk’s main goal is to support IP capacity building along the full scale of IP practices: from awareness to strategic use and successful exploitation. This strengthening of IP competencies focuses on EU SMEs, participants and candidates in EU-funded projects, and EU innovation stakeholders for an increased translation of IP into the EU innovation ecosystem.

The services of the European IPR Helpdesk are delivered and managed by a consortium established by the three partners Inf-europe S.A., Eurice GmbH and IPIL G.I.E.

The European IPR Helpdesk provides the following free of charge services:

- **Helpline**: Through registration on the European IPR Helpdesk website, or via phone or fax, SMEs representatives can receive support on their specific IP issues from a team of experienced legal specialists within no more than three working days.

- **Training & Events**: The European IPR Helpdesk offers free online training through interactive webinars and learning materials for self-study, or on-site training through organized events and conferences.

- **Newsletter & Bulletin**: Through a subscription to the European IPR Helpdesk, SMEs can receive an email newsletter and Bulletin to keep track on latest developments in the field of IP.

- **Online Library**: SMEs are provided with access to fact sheets, case studies, guides and informative materials from an extensive online library.

The European IPR Helpdesk addresses its services to European SMEs in English. Therefore, in order to ensure ease of access to useful information to all SMEs in their own the language and taking into account national specificities, the European IPR Helpdesk joined forces with the Enterprise Europe Network, whose advisors, skilled and experienced in IP, became “European IPR Helpdesk Ambassadors”. Currently, the European IPR Helpdesk has 42 ambassadors from 20 European countries.

The European Business and Technology Centre’s IPR Helpdesk assists European organizations in the protection, management, enforcement and commercialization of Intellectual Property in India.

The China, South-East Asia and Latin America IPR SME Helpdesks are three projects launched by the European Union’s Executive Agency for SME (EASME) in order to assist SMEs in protecting their Intellectual Property (IP) when doing business in or with China, Latin America and South-East Asia. During the past years of their operation, the Helpdesks have received thousands of questions from SMEs about how to protect, manage and enforce their Intellectual Property Rights (IPR) in international markets. The helpdesks offer free services which provide practical, objective and factual information aimed to help European SMEs to understand business tools for developing IPR value and managing risk. These take the form of jargon-free, first-line, confidential advice on intellectual property and related issues, plus training, materials and online resources.

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231 www.infeurope.lu
232 www.eurice.eu
233 www.ipil.lu
CEN-CENELEC SME Helpdesk

The CEN-CENELEC SME Helpdesk is the one stop service point to introduce SMEs to the benefits of European Standards and to the business tools required to access the European Standardization System. The CEN-CENELEC SME Helpdesk offers free information, first-line advice and rapid response by e-mail, monthly news through the SME Newsletter, direct link to national SME standardization experts and access to other support measures, including training, mentoring, etc. Among the useful tools available through the CEN-CENELEC website are the SME Toolbox (SMEST) and the SME e-learning tool.

SMEST gives SMEs a better understanding of how using standards can benefit their business, how they can identify the right standards, how to get support from their national CEN and CENELEC members and how to shape the content of future standards.

The eLearning tool for SMEs consists of 6 modules with individual subjects. Each module begins with a review of the learning targets, followed by an animation that explains the subject based on a concrete situation. After the animation, users can read more about the subject and finally test their knowledge. The eLearning tool is available in 23 languages.

234 CEN-CENELEC SME Helpdesk: http://www.cencenelec.eu/sme/Helpdesk/Pages/default.aspx
A3. Desk research methodology

1. Study overview

SMEs are the backbone of Europe's economy, representing 99.8% of all companies, generating more than EUR 3.7 trillion of value added and employing almost 90 million people in 2014. Despite the adoption of the Small Business Act in 2008 and the proclamation of the “think small first” principle as a basis for EU SME policies and its update in 2011, after the economic crisis, the assessment of the real effect SBA produced on SMEs promotion demonstrates the need for a revised policy approach. According to the SME Envoy Network, special focus should be paid to 6 priority areas: 1/ Burden reduction/simplification – creation of business-friendly environment; 2/ Promotion of entrepreneurship; 3/Improving access to markets and internationalization; 4/ Facilitating access to finance; 5/ Supporting SME competitiveness and innovation; 6/Provision of key support networks and information for SMEs. During the last years, the European Commission has committed itself to ensure the revival and growth of SMEs, but there has been little practical progress.

In its turn, the European Economic and Social Committee (EESC) has repeatedly put forward proposals to improve the effectiveness of EU policies for SMEs. Along the ongoing preparation of its future opinion INT/787 on this issue, EESC has initiated the conduct of a Study on the assessment of the effectiveness of the EU SMEs policies 2007-2015. ESTAT Ltd., an independent research-based consultancy company from Bulgaria, has been commissioned the service contract to carry out the Study.

The main objective of the Study is to assess the effectiveness and efficiency of EU policies for SMEs – both in terms of their formulation and implementation, draw valid conclusions with regard to the results achieved and formulate recommendations about the ways the effectiveness of the policies can be improved.

To realize this objective, the ESTAT team will carry out a detailed desk research of existing literature on the topic as well as 5 case studies in 5 EU Member states (Austria, Belgium, Bulgaria, Hungary and Italy) based on information collected through in-depth interviews with 15 SME representatives (3 SMEs per country). According to the EESC’ preference desk research will be used as a leading research method within the framework of the current Study. Details on the proposed methodology for the conduct of the desk research exercise are provided below.

2. Short desk research methodology

The desk research constitutes a leading research method for the assessment of the effectiveness and efficiency of EU SME policies. Throughout the extensive desk research exercise, the ESTAT research team has identified, collected and analysed relevant literature, research papers and other sources of information that are publicly available in relation to EU SME policy. Subject to an in-depth analysis and review were over 100 research papers, materials and policy positions, opinions & declarations produced by international and European institutions such as the European Union and its bodies, World Bank, World Economic Forum (WEF), Organization for Economic Co-operation and Development.

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Annual Report on European SMEs 2014/2015
(OECD) and relevant European business organizations (BusinessEurope, CEEP, UEAPME, Eurocommerce, EUROCHAMBERS, EU-CELAC, Cooperatives Europe, etc.)

The desk research exercise is conducted on the basis of a desk research methodology that predominantly covers literature and other secondary information sources published within the evaluated period 2007-2015 and secures the well-structured and systematic review and analysis of the identified information sources. It focuses on the 6 key aspects of EU SME policies presented in p. 2.2. and outlines the current state of play and relevant quantitative data in relation to each key policy aspect, the key challenges experienced by SMEs, identified best practices and country specific circumstances that affect the development of SME policies on national level. Last but not least, the validity and applicability of proposals and recommendations issued within the reviewed documents is subject to analysis in the light of the objectives of the current Study. Recommendations that are well-grounded on valid primary data and analysis feed in the recommendations of the current Study.

- **Study activity:** conduct of desk research of relevant literature and other secondary information sources related to the effectiveness of EU SME policy.

- **General objective:** assessment of the effectiveness of EU SME policy.

- **Specific objectives:**
  - Assessment of the relevance and effectiveness of policy measures implemented by the EU along the 6 key aspects of SME policy and how they can best recognize SME needs;
  - Assessment of the results from the implementation of the SME promotion programmes (information deficiencies, identified access inequalities, transaction costs for application);
  - Assessment of the quality of cooperation established in relation to the implementation of EU SME policy (on the level of EU “structures” such as the Competitiveness Council, the Commission’s Network of SME Envoys and the European Parliament’s SME Intergroup) and the way EESC’s recommendations in relation to EU SME policy are taken into consideration.

- **Thematic scope:** focus on the 6 key aspects of EU SME policy as defined by SME Envoy Network:
  - Burden reduction/simplification - creation of business friendly environment;
  - Promotion of entrepreneurship;
  - Improving access to markets and internationalization;
  - Facilitating access to finance;
  - Supporting SME competitiveness and innovation;
  - Provision of key support networks and information for SMEs.

- **Geographic scope:** EU level (information sources covering all 28 Member States).

- **Time scope:** 2007-2015 (information sources issued within the period fixed by the Study).

- **Types of information sources:**

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236 See Appendix A5: Complete bibliographical reference
237 See Appendix A1: Desk research methodology
Information sources of EU institutions and EU research bodies (relevant EU legislation, annual reports on EU SMEs and research papers).
- Information sources of international organizations (World Bank, WEF, OECD, etc.).
- Policy positions, opinions & declarations of key European business organizations (BusinessEurope, Eurocommerce, UEAPME, EUROCHAMBERS, EU-CELAC, Cooperatives Europe, Copa-Cogeca, etc.).

Access to information sources: public access predominantly via the internet through the official websites of relevant institutions and organizations.

Desk research exercise procedure: based on a 2-phase approach as follows:
- **Phase 1:** Data gathering – conduct as per desk research procedure described in p. 3;
- **Phase 2:** Systematic review, synthesis and analysis of collected data – conduct as per desk research procedure described in p. 3.

Data extraction & synthesis instrument: desk research spreadsheet in Excel, only for internal use of ESTAT research team.

Analytical method: focus on qualitative analysis, identified quantitative data will be reported only if the scope and data collection method for the gathering of such data fits in the design of the current Study, the number of identified studies is not sufficient to extract enough quantitative data for pooling in a meta-analysis and application of statistical analysis.

Final product: analytical material that will be incorporated in the structure of the draft and final report along the following key sections:
- Challenges identified in the 6 aspects of SME policy;
- Proposals for improvement;
- Best practices identified;
- Highlighting country specific circumstances, if identified;
- A list of identified support instruments provided on EU level facilitating access to finance highlighting their advantages and disadvantages.

Desk research schedule: 3–31 October, 2016

3. Detailed desk research procedure

3.1 Phase 1: Data gathering

Based on a preliminary review of available sources, the ESTAT research team proposed in its offer an indicative list of research papers and materials produced by international and European research bodies/institutions to be covered by the desk research exercise. Throughout the elaboration of the current desk research methodology, the ESTAT research team has further expanded the indicative list of information sources. For detailed indicative list please refer to p.4.

The majority of research documents that will be reviewed are available via the internet and have already been gathered by the ESTAT research team. However, in cases in which reports/academic papers are not freely and publicly available, the ESTAT research team will seek the assistance of EESC and other relevant EU bodies such as DG Growth of the European Commission to facilitate retrieval of the documents.

The proposed indicative list of information sources contains only reliable research and policy documents published by highly-trusted European and international institutions playing a key role in
SME policies. The ESTAT research team has made a thorough quality check of all identified information sources in order to guarantee the validity of conclusions and recommendations that will be drawn within the current Study based on the desk research exercise. Throughout the data gathering process related to the priority area “Facilitating to finance”, the ESTAT research team will try to identify relevant information about as many financial support instruments offered on EU level for SMEs as possible.

If the ESTAT research team identifies additional useful resources throughout the conduct of the Study they will be included in the list of information sources provided in p. 4 and will be subject to a thorough review and analysis within the desk research exercise.

3.2 Phase 2: Review, synthesis and analysis of collected data

The ESTAT research team proposes to follow a systematic approach throughout the implementation of the second phase of the desk research exercise. For this purpose, a simple data extraction & synthesis instrument is elaborated – an Excel spreadsheet designed to help the research team in organizing and synthesizing the key results of the review of collected data. The layout of the spreadsheet includes important items such as institution, author name, date of publication, used methodology, focus on a specific SME policy aspect (according to SME Envoys Network definition), resume, key findings from the review, etc. Moreover, the instrument aims at enabling the ESTAT research team to systemize identified important quantitative data about the relevant SME policy aspect in focus, as well as any best practices and country specific circumstances reported in the documents. Last but not least, the ESTAT research team will evaluate the importance of proposals and recommendations issued within the reviewed documents in the light of the objectives of the current Study. Recommendations that are well-grounded on valid primary data and analysis will feed in the recommendations of the current Study.

The proposed data extraction & synthesis instrument will guarantee the effective conduct of a well-documented review of all identified documents. It will ensure, on the one hand, proper referencing the initial sources of secondary data as well as systematic focus on the key research questions that the desk research exercise aims to answer.

To review the proposed data extraction & synthesis instrument, please refer to the annex to the current document (File name: Annex SME Study Desk Research instrument.xls)

4. Indicative list of identified resources

The current review of the existing information sources done throughout the preparation of the desk research methodology has confirmed the validity of the indicative list of materials proposed to be included in the desk review exercise as per ESTAT’s offer. Based on additional search, the ESTAT research team has further expanded the indicative list of information sources as per the information presented below. All identified materials are organized by the type of institution issuing the material as well as by the key aspect of SME policy that it covers.

4.1 Information sources of EU institutions

General

• Annual reports on European SMEs issued within the investigated period 2007-2015
• SBA Factsheets presenting data on the implementation of SBA at national level
• Data from the Interactive SME database
• Relevant EU legislation related to SBA implementation
• Research studies on different aspects of EU SME policies including, but not limited to, the following papers organized by SME policy aspect focus:

  **Burden reduction/simplification**
  - REFIT scoreboard: Regulatory Fitness and Performance Programme (REFIT): state of play and outlook (2015)
  - Commission communication on EU regulatory fitness (2012)
  - Action programme for reducing administrative burdens in the EU – final report
  - ABRplus study – final report
  - Final report of the high level group on cutting red tape in Europe – legacy and outlook
  - Cost of the Cumulative Effects of Compliance with EU Law for SMEs (May 2015)
  - Barriers and Best Practices in SME Test Implementation, July 2011
  - SME taxation in Europe - An empirical study of applied corporate income taxation for SMEs compared to large enterprises, 2015
  - Final report: Simplified tax compliance procedures for SMEs, published on: 30/06/2007, last update: 29/07/2015
  - Study on compliance by Member States on the time needed to get licenses and permits to take up and perform the specific activity of an enterprise, 03/06/2015
  - Accounting guide for SMEs - SME Accounting in Europe: insights provided by a desk research and a survey, published on: 31/03/2015, last update: 29/07/2015

  **Promotion of entrepreneurship**
  - Entrepreneurship education at school in Europe, 22/02/2016
  - Effects and impact of entrepreneurship programmes in higher education, published on: 18/04/2012, last update: 27/03/2014

  **Improving access to markets and internationalization**
  - Tailor-made support for SMEs towards effective implementation of the EU’s trade and investment strategy, April 2016 - PE 535.025, a paper presented by Professor Robert Blackburn, Small Business Research Centre, Kingston University on a Workshop on 17/02/2016
  - Intellectual property (IP) SME scoreboard, 2016
  - Study on Business Networks (2014)
  - Study on Support Services for SMEs in International Business (2013)
  - Study on the internationalisation opportunities for European SMEs in third countries (2011)
Facilitating access to finance
- Annual surveys on the Access to Finance of Enterprises (SAFE), published by EC since 2009
- *State Aid to Banks and Credit for SMEs: Is there a need for Conditionality?*, February 2015
- *Assessment of HORIZON 2020 programme*, 19/01/2016
- *COSME – Europe’s programme for SMEs European Commission*, 15 April 2015
- *SMEs in the cohesion policy management cycle*, April 2013
- *Impact and effectiveness of Structural Funds and EU policies aimed at SMEs in the regions*, November 2011

Supporting SME competitiveness and innovation
- *Support to SMEs – Increasing Research and Innovation in SMEs and SME Development*, February 2016
- *Flash Eurobarometer on SMEs, Resource Efficiency and Green Markets*, 02/12/2015
- *Study on the SMEs’ impact on the EU labour market*, 16/01/2012

Provision of key support networks and information for SMEs.
- *Evaluation of the European SME Week 2009-2012*, 15/05/2014

4.2 Policy positions, opinions & declarations of key European business organizations

General
- EESC opinions on EU SME policy – INT/57312, INT/61913, INT/63214, INT/67915, INT/69216, INT/75517, ECO/39618, ECO/403
- Joint Declaration on a horizontal EU SME policy – SME Round Table, Joint declaration by BusinessEurope, UEAPME, EUROCHAMBERS, EuroCommerce, CEEP and Copa-Cogeca, 5 April 2016 – EESC
- Eurocommerce contribution to the consultation on the revision of the Small Business Act, Position paper, 12 December 2014
- Crafts and SMEs 2020, UEAPME
- UEAPME proposals for SMEs and micro enterprises, High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of ESIF, position paper, 16 October 2015
- A reviewed and revised new EU policy for craft and SMEs, UEAPAME position paper, September 2015
- Action plan, EU-CELAC Summit 2015, Brussels 10-11 June 2015
Opinion “For an Inclusive EU SME Policy”, adopted by the CEEP General Assembly, 08 June 2016

EU member states’ reporting about their SME-test, Summary and analyses on how they assess the impact of their new regulations on SMEs, EUROCHAMBERS, Brussels, May 2015

**Burden reduction/simplification**

- Reducing legislative burdens on SMEs: Existing EU legislation to revisit and to amend, draft EU legislation to be modified or withdrawn – Technical fiches, BusinessEurope, 5 February 2013
- Minimizing Regulatory Burden for SMEs, Eurocommerce briefing, 1 November 2012

**Promotion of entrepreneurship**

- BusinessEurope vision of EU policy for entrepreneurship in regions of Europe, Presentation by Daniel Cloquet at the LDDK conference “Entrepreneurship in regions to strengthen the European Union competitiveness”, Cesis, 12 February 2015
- Entrepreneurship, briefing, Eurocommerce, 1 April 2015

**Facilitating access to finance**

- Access to finance for SMEs: the Commission action plan and policy challenges ahead, BusinessEurope position paper, June 2012

4.3 Information sources of international organizations

**Promotion of entrepreneurship**

- The investment in job training: why are SMEs lagging so much behind?, World Bank, 01/05/2010

**Improving access to markets and internationalization**

- Fostering SMEs’ Participation in Global Markets: Final Report, OECD, 04/07/2013

**Facilitating access to finance**

- Assessing implementation of the principles for public credit guarantees for SMEs: a global survey, World Bank, 20/07/2016
- Principles for public credit guarantee schemes for SMEs, World Bank, 01/01/2015
- SMEs, age, and jobs: a review of the literature, metrics, and evidence, World Bank, 13/11/2015
- Breaking the Logjam of Capital Allocation Report, WEF, 2013
- New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments, OECD, 2015

4.4 Sources on national level

- Relevant national legislation, strategies and research studies providing details on the implementation of EU SME policy in each of the 5 selected Member States
A4. Case studies methodology

1. Study overview

SMEs are the backbone of Europe's economy, representing 99.8% of all companies, generating more than EUR 3.7 trillion of value added and employing almost 90 million people in 2014. Despite the adoption of the Small Business Act in 2008 and the proclamation of the “think small first” principle as a basis for EU SME policies and its update in 2011, after the economic crisis, the assessment of the real effect SBA produced on SMEs promotion demonstrates the need for a revised policy approach. According to the SME Envoy Network, special focus should be paid to 6 priority areas: 1/ Burden reduction/simplification – creation of business-friendly environment; 2/ Promotion of entrepreneurship; 3/ Improving access to markets and internationalization; 4/ Facilitating access to finance; 5/ Supporting SME competitiveness and innovation; 6/ Provision of key support networks and information for SMEs. During the last years, the European Commission has committed itself to ensure the revival and growth of SMEs but there is little practical progress.

In its turn, the European Economic and Social Committee (EESC) has repeatedly put forward proposals to improve the effectiveness of EU policies for SMEs. Along the ongoing preparation of its future opinion INT/787 on this issue EESC has initiated the conduct of a Study on the assessment of the effectiveness of the EU SMEs policies 2007-2015. ESTAT Ltd., an independent research-based consultancy company from Bulgaria, has been commissioned the service contract to carry out the Study.

The main objective of the Study is to assess the effectiveness of EU policies for SMEs, draw valid conclusions with regard to the results achieved and formulate recommendations about the ways the effectiveness of the policies can be improved.

To realize this objective, the ESTAT team will carry out a detailed desk research of existing literature on the topic as well as 5 case studies in 5 EU Member states (Austria, Belgium, Bulgaria, Hungary and Italy) based on information collected through in-depth interviews with 15 SME representatives (3 SMEs per country). According to EESC’s preference the thematic focus and country coverage of the 5 case studies will be as follows: 1/ Promotion of entrepreneurship (Belgium); 2/ Improving access to markets and internationalization (Italy); 3/ Facilitating access to finance (Hungary); 4/ Supporting SME competitiveness and innovation (Austria); 5/ Provision of key support networks and information for SMEs (Bulgaria).

2. Short methodology

5 case studies are conducted in Austria, Belgium, Bulgaria, Italy and Hungary (Member States selected upon EESC preference set out in the tender specification) with the aim to enrich and deepen the results from the desk research exercise.

The conduct of the case studies is based on case study methodology that envisaged each case study to look intensely at the experience of a small pool of 3 SME enterprises (1 micro, 1 small- and 1 medium sized enterprise), thus ensuring full coverage of the main range of companies falling within the SME definition. They draw conclusions only about these enterprises in that specific context. It should be

238 Annual Report on European SMEs 2014/2015
noted that the data gathered by the participating SME enterprises across the selected 5 Member States
don’t provide a statistically representative picture of the views and attitudes of SMEs in the EU. In
this sense, the case studies serve more as an illustrative tool in the assessment of EU SME policy. They
provide valuable insight into the positive and negative outputs from the implementation of the
SBA framework via examples and stories gathered directly by SME companies that present their
practical experience along 5 out of the 6 priority areas of EU SME policies (the policy area Burden
reduction/simplification – creation of business friendly environment is excluded upon EESC
preference set out in the tender specification because it falls and is extensively covered by REFIT
Programme). According to EESC’s preference, the thematic focus and country coverage of the 5 case
studies is as follows:

- Promotion of entrepreneurship – Belgium;
- Improving access to markets and internationalization – Italy;
- Facilitating access to finance – Hungary;
- Supporting SME competitiveness and innovation – Austria;
- Provision of key support networks and information for SMEs – Bulgaria.

Each case study provides an overview of one of the key policy areas of EU SME policy and illustrates
in practice what are the difficulties that regular SME companies of different sizes face in trying to do
business and how the EU help them to overcome these difficulties.

Necessary information for the 5 case studies was gathered through in-depth phone interviews and
optional in-depth face-to-face interviews at the working place with representatives of companies
falling under the definition of SMEs in the selected Member States.

Certain limitations related to the extremely low response rate among SMEs in the selected countries,
especially in Belgium and Austria, prevented the research team from fulfilling the planned number of
interviews. A total of 14 interviews were carried in the period 25.10-09.12.2016 distributed as
follows: Belgium (2 interviews); Italy (3 interviews); Hungary (4 interviews – an additional SME was
contacted and responses to the questionnaire were provided in written form in an attempt to
compensate difficulties with case studies’ conduct); Austria (2 interviews); Bulgaria (3 interviews).

5 specific data collection instruments (interview guides with open-ended questions)\(^\text{239}\) are elaborated
and used for the conduct of the set of 3 interviews planned for each case study. Each guide is tailor-
made to reflect the specific nature of the specific policy area within the EU SME policy framework
that it should investigate.

All interviews were conducted with the owner/ manager of the company or with a member of a
managing body in order to be able to collect important data on the company’s profile and its
performance on the market, its experience in relation to the surrounding business environment and
his/her personal views as to which EU SME policy measures work best and which don’t, what are the
greatest impediments to SMEs development and what are the company’s recommendations how these
problems should be tackled.

\(^{239}\) See Appendix A2.: Interview guides for SMEs in 5 Member States
The length of each interview was no more than 45 minutes. Following the conducting of the interviews, 5 case studies have been prepared in the form of 5-7 pages documents according to the following homogeneous format which facilitates cross-case analyses:

- Key findings in a nutshell;
- Business profile/factsheet of SMEs participants;
- Background – basic facts and tendencies in SBA implementation in the Member State;
- General assessment of the business environment;
- Practices and experiences in the relevant key policy area related to EU SME policy;
- Recommendations;
- Sources used.

Key observations from the interviews conducted within each case study are also used as supportive examples that illustrate statements within the sections of the report.

- **Study activity**: conduct of a case study in Austria.
- **Objective**: collection of information on SMEs practical experience in relation to EU policy measures that support SME competitiveness and innovation.
- **Thematic focus of the case study**: Supporting SME competitiveness and innovation.
- **Target group**: 3 Austrian SMEs (1 micro-, 1 small- and 1 medium-sized enterprise).
- **Selection of SMEs**: in close cooperation with relevant Employers’ organizations in Austria and in consultation with EESC.
- **Establishment of contact with selected SMEs**: dissemination of official personalized invitations for participation in an interview to selected SMEs by ESTAT; fixing exact date and time of interview by phone.
- **Data collection method**: in-depth telephone interview.
- **Data collection instrument**: interview guide with key discussion points and open-ended questions organized in 2 sections (general and specific) as provided in p.3.
- **Length of interview**: up to 45 minutes.
- **Respondent’s profile**: owner/manager of the company or a company representative authorized to take decisions about the company’s development and business strategy.
- **Interviews’ fieldwork schedule**: 20 October – 3 November, 2016.

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240 See Appendix A3: Case studies in Austria, Belgium, Bulgaria, Italy and Hungary
3. Interview guide for SMEs in Belgium

General section

Short presentation of the Study and ESTAT

Company profile
1) Can you present your company in brief – name, year of founding, SME category (micro/small/medium-sized enterprise), main sector of operation, number of employees, turnover for the last year, profitability on an annual basis

General assessment of the business environment and EU support instruments to SMEs
2) How do you assess the business environment your company is operating in during the last 3 years?
3) What are the key challenges that SMEs are facing currently? Can you outline a single challenge as the most crucial to the development of SMEs? (Probe with the following challenges: access to new markets; even playing field; qualified labour force; competent and wise management; supportive business environment; access to finance; compliance with legislation; innovative ideas for product/service; shrinking markets; red-tape cutting; national budgetary cuts; entrepreneurial spirit and skills).
4) What are your main sources of funding?
5) During the last 3 years, did you receive any support for your business? If yes, please provide details.
6) In your opinion, which are the most important impediments to the business environment? Can you outline a single impediment as the most crucial to the development of SMEs? (Probe with the following impediments: administrative burden; inefficient state administration; lack of markets; lack of qualified labour force; grey economy; the national legislation; EU legislation; uneven law enforcement at national level towards companies; uneven law enforcement at the EU level; corruption at the national level)

Specific section on “Promotion of entrepreneurship”

Entrepreneurial skills in the company and favourable business environment for entrepreneurship
7) What motivates people to become entrepreneurs in your opinion? What was your own motivation to set up/ take over this business?
8) What were the biggest challenges during the business’ start-up phase that you experienced?
9) When you decided to start your business, did you have the necessary entrepreneurial skills, access to sufficient financial resources and information on how to start? If yes, where did you acquire them? At school or university, have you ever taken part in any course or activity about entrepreneurship?
10) How do you assess the level of entrepreneurial skills of SMEs in your country? How have they changed in the last 3 years – improved/got worse? Reasons?
11) In your opinion, is today’s education system well adapted to train and support young entrepreneurs? Can we speak of a real entrepreneurship education in your country available through universities, programmes, training courses, etc.?

12) How do you assess the business environment now? Has it become more favourable and supportive to entrepreneurs that want to start and run a business? How did the business environment change over the last 3 years in terms of start-up procedures, ease of business transfers and second chance options in case of bankruptcy improved/got worse? Reasons?

13) Are you a member of any business networks that support the exchange of entrepreneurial and management experience and best practices among SMEs?

14) If you were to set up a new business today, which are the risks you would be most afraid of?

Challenges & needs in relation to entrepreneurship education and the promotion of business-friendly environment to entrepreneurs

15) In your opinion, are SMEs confronted with any challenges related to the lack of specific entrepreneurial skills that they need to grow their businesses? If yes, what kind of entrepreneurship training is most needed by SMEs? What are the most applicable education practices that the entrepreneurship education should focus on so that to raise entrepreneurs’ skills to do business?

16) What are SMEs’ biggest challenges in the business environment that limit their entrepreneurial potential for growth or their desire to start a new business venture? What are the main obstacles in your opinion?

17) How should the business environment change so as to stimulate the entrepreneurial potential of companies? What kind of support in relation to start up procedures, transfer of businesses conditions and second chance option after bankruptcy should be provided to SMEs?

Experience with national and EU initiatives promoting entrepreneurship

18) Are you familiar with any national or EU initiatives that promote entrepreneurship and support start-ups and entrepreneurship education? If yes, which one(s)? (Probe with: COSME programme, Horizon 2020, Erasmus for Young Entrepreneurs and initiatives such as Start-up Europe Road Show, SME Week)

19) In your opinion, how well-informed are SMEs about EU initiatives and support instruments promoting entrepreneurship? What are the main information sources SMEs access? What other information do you think SMEs need and how it should be provided to them?

20) Have you received any support for improving your company’s entrepreneurial potential under national or EU programmes or funds? (Probe: participation in events promoting entrepreneurship, training courses/education programmes for entrepreneurs, access to finance for start-ups) If yes – please provide details? If no, why?

21) In your opinion, what are the main impediments that prevent SMEs from accessing national or EU initiatives that promote entrepreneurship?
22) In your opinion are SMEs in your country strongly motivated to participate in such national or EU initiatives promoting entrepreneurship? Reasons? Are you personally willing to join any such initiative in the future? If yes, what is your plan? If no, why?

23) If you have already participated in any national or EU initiative promoting entrepreneurship, what was the effect on your company’s development? What are the positive/negative outputs? In your opinion, what is the general impact on SMEs development from the carrying of such initiatives that promote entrepreneurship?

Recommendations/suggestions regarding initiatives promoting entrepreneurship

24) What should be done in order to ensure effective promotion of entrepreneurship in your country and across the EU? What are your recommendations on the applicable approaches to incorporate entrepreneurship education in the education systems and to ensure a more supportive environment to entrepreneurs in terms of easy start-up procedures, transfer of business, access to finance and second chance options in insolvency cases?

25) What should be the role of the EU/the national government? What kind of EU support instruments do you think would be viable?

26) How could the existing national and EU initiatives promoting entrepreneurship be improved?

27) Do you have any other suggestion(s) or remarks?
4. Interview guide for SMEs in Italy

General section

Short presentation of the Study and ESTAT

Company profile

1) Can you present your company in brief – name, year of founding, SME category (micro/small/medium-sized enterprise), main sector of operation, number of employees, turnover for the last year, profitability on an annual basis?

General assessment of the business environment and EU support instruments to SMEs

2) How do you assess the business environment your company is operating in during the last 3 years?

3) What are the key challenges that SMEs are facing currently? Can you outline a single challenge as the most crucial to the development of SMEs? (Probe with the following challenges: access to new markets; even playing field; qualified labour force; competent and wise management; supportive business environment; access to finance; compliance with legislation; innovative ideas for product/service; shrinking markets; red-tape cutting; national budgetary cuts; entrepreneurial spirit and skills)

4) What are your main sources of funding?

5) During the last 3 years, did you receive any support for your business? If yes, please provide details.

6) In your opinion, which are the most important impediments to the business environment? Can you outline a single impediment as the most crucial to the development of SMEs? (Probe with the following impediments: administrative burden; inefficient state administration; lack of markets; lack of qualified labour force; grey economy; the national legislation; the EU legislation; uneven law enforcement at national level towards companies; uneven law enforcement at the EU level; corruption at the national level)

Specific section on “Improving access to markets and internationalization of SMEs”

Experience of the company on foreign markets

7) In the last 3 years, did you export/import goods or services to countries within the European Single Market or beyond the EU? If yes, please provide details on the exact countries and the share of your export/import to foreign EU and non EU-countries in the total export/import of your company? If no, why?

8) In the last 3 years, did you used standardization at the EU or international level as a tool to enhance your competitiveness on new markets and overcome barriers to trading abroad?

9) How do you access information about opportunities for SMEs to access new markets and internationalize?
10) How do you assess SMEs’ opportunities to access new markets within the EU and internationalize beyond the EU? How did these opportunities change over the last 3 years – improved/got worse? Reasons? Is the expansion abroad part of your business strategy?

11) How do you assess the role of the European Single market and the free movement of goods for the improvement of SMEs access to new markets? Negative/positive features? Why?

12) Have you participated in any international clusters or networks that support business cooperation across borders within and beyond Europe?

13) Do you plan to access new target markets in the future? If yes, which are they? If no, what stops you?

Challenges & needs in relation to access to markets and internationalization for SMEs

14) What are the most important barriers for doing business in the EU Single Market and outside it? (Probe: the EU/international trade regulations, including existing divergences in regulations and standards between markets, the huge administrative burden, time and costs related to export)

15) What do SMEs need the most so as to improve their opportunities to access new markets within the EU and internationalize beyond the EU? What kind of support would they need in order to do this? Which of these needs require strong regulatory cooperation between authorities within the Single Market and between the EU and foreign countries? What are the key problems with regard to SMEs’ access to markets that could be tackled through regulatory cooperation?

16) How will the opportunities of your company to access new markets and internationalize change over time in your opinion?

Experience with national and EU support services in relation to access to markets and internationalization

17) Are you familiar with any national or EU support services that are directed towards improving SMEs access to markets and internationalization options? If yes, which one(s)? (Probe with: CE marking, European Standards, the Small Business Standards association and the CEN-CENELEC SME Helpdesk that provide help and information to SMEs on the benefits of standardization and the key EU support networks that provide information on access to markets)

18) In your opinion, how well-informed are SMEs about EU support tools that provide help and information on opportunities to access markets and internationalize? What are the main information sources SMEs access? What other information do you think SMEs need and how it should be provided to them?

19) Have you received any national or EU support so as to improve your access to markets or trade to third countries outside the EU? (If yes – please provide details/no why?)

20) If you have already benefitted from national or EU support tools directed towards improving access to markets within the EU and abroad, how have these contributed to your company’s
expansion strategy? What are the positive/negative outputs? In your opinion, what is the general impact on SMEs access to markets from the implementation of such support tools?

21) In your opinion, are SMEs in your country strongly motivated to access any national or EU support tools that aim at improving their access to markets? Reasons? Do you intend personally to use such support tools in the future? If yes, what is your plan? If no, why?

Recommendations/suggestions regarding support to SMEs access to markets and internationalization

22) What should be done in order to provide adequate support to SMEs in order to improve their access to markets and internationalize? What are your recommendations?

23) What should be the role of the EU/the national government? What kind of EU support instruments do you think would be viable?

24) How could the national and European support tool that provide information and help to SMEs for accessing new markets both in the EU and abroad be improved?

25) Do you have any other suggestion(s) or remarks?
5. Interview guide for SMEs in Hungary

General section

Short presentation of the Study and ESTAT

Company profile

1) Can you present your company in brief – name, year of founding, SME category (micro/small/medium-sized enterprise), main sector of operation, number of employees, turnover for the last year, profitability on an annual basis

General assessment of the business environment and EU support instruments to SMEs

2) How do you assess the business environment your company is operating in during the last 3 years?

3) What are the key challenges that SMEs are facing currently? Can you outline a single challenge as the most crucial to the development of SMEs? (Probe with the following challenges: access to new markets; even playing field; qualified labour force; competent and wise management; supportive business environment; access to finance; compliance with legislation; innovative ideas for product/service; shrinking markets; red-tape cutting; national budgetary cuts; entrepreneurial spirit and skills)

4) During the last 3 years, did you receive any support for your business? If yes, please provide details.

5) In your opinion, which are the most important impediments to the business environment? Can you outline a single impediment as the most crucial to the development of SMEs? (Probe with the following impediments: administrative burden; inefficient state administration; lack of markets; lack of qualified labour force; grey economy; the national legislation; the EU legislation; uneven law enforcement at national level towards companies; uneven law enforcement at the EU level; corruption at the national level)

Specific section on “Facilitating access to finance”

Access to finance and main sources of funding

6) How do you access finance in general? What are your main sources of funding? Do you have access to any of the following funding sources: bank loans, private equity funds including venture capital, capital markets including corporate debt, crowd funding, etc.?

7) How do you evaluate the business environment in terms of ease of access to finance for SMEs and availability of funding options adequate to their needs? How did these options change in the last 3 years – improved/got worse? Reasons?

8) How do you asses the willingness of bank institutions in your country to provide loans to SMEs?

9) How do you assess the bank requirements to SMEs when they apply for bank loans? Do the warranty requirements incl. collateral and insurance, the complex procedures and the time of approval create barriers in front of SMEs access to bank loans?
10) Do you have any rejected bank loan applications and unacceptable loan offers? If so, how many and what were the reasons for rejection?

**Challenges & needs in relation to access to finance**

11) What are the main financing needs of your company at the moment?

12) What are SMEs biggest challenges in accessing finance?

13) What are SMEs biggest concerns/obstacles when approaching external sources of finance (i.e. bank loans, private equity, venture capital, crowd funding, etc.)?

14) What kind of support SMEs need in order to improve their access to finance and be able to acquire funding from various sources?

15) How will the financing needs of your company change over time?

**Experience with national and EU financial instruments/programmes facilitating access to finance**

16) Are you familiar with the financing opportunities that are provided by the EIB and the EIF and the national financial intermediaries distributing EIB and EIF funds in the form of financial instruments in your country?

17) Are you familiar with any national or EU programmes or funds that grant direct financial aid to SMEs for projects that specifically contribute to the implementation of certain EU policy? If so, which one(s)? (Probe: COSME programme, Horizon 2020 framework programme and the SME Instrument, the InnovFin – EU Finance for Innovators, Eurostars Joint Programme, Connecting European Facility, The LIFE programme or Creative Europe programme, European Fund for Strategic Investments (EFSI))

18) Where have you heard of these EU mechanisms facilitating access to finance for SMEs?

19) In your opinion, how well-informed are SMEs about EU financial instruments and programmes that facilitate their access to finance? What are the main channels through which SMEs get informed about these opportunities to access finance? What other information do you think SMEs need and how it should be provided to them?

20) Do you have any rejected applications for bank loans from local commercial banks, promotional banks, intermediaries and fund management companies distributing funds from EIB and EIF or from managing authorities regulating the implementation of EU programmes granting financial aid to SMEs on a project basis? If so, how many and what were the reasons for rejection? What are the main difficulties SMEs are facing in the application process for acquiring bank loans supported through EIB and EIF funds?

21) Have you received any EU financial support in the form of bank loans provided through EIB EIF financial instruments or in the form of a financial grant under national or EU programmes or funds? (If yes – please provide details/no why?)

22) In your opinion, are SMEs in your country strongly motivated to apply for financing distributed from EIB and EIF or provided by any national or EU programmes? Do you
personally intend to apply for such financial support in future? If so, what kind of support would you need? If no, why?

23) If you have already benefitted from any of these EU mechanisms facilitating access to finance for SMEs, how have they contributed to your company’s development? What are the positive/negative outputs? In your opinion what is the general impact on SMEs development from the implementation of such support mechanisms that provide access to finance?

Recommendations/suggestions regarding support provided to facilitate SMEs access to finance

24) What should be done in order to facilitate SME access to finance? What are your recommendations? What are the advantages and disadvantages of the utilization of financial instruments as a mechanism of improving SME access to finance? Are there other applicable mechanisms?

25) What should be the role of the EU/the national government? What kind of EU support instruments do you think would be viable?

26) How could the existing EU financial instruments and programmes that facilitate SMEs access to finance be improved?

27) Do you have any other suggestion(s) or remarks?
6. Interview guide for SMEs in Austria

General section

Short presentation of the Study and ESTAT

Company profile

1) Can you present your company in brief – name, year of founding, SME category (micro/small/medium-sized enterprise), main sector of operation, number of employees, turnover for the last year, profitability on an annual basis

General assessment of the business environment and EU support instruments to SMEs

2) How do you assess the business environment your company is operating in during the last 3 years?

3) What are the key challenges that SMEs are facing currently? Can you outline a single challenge as the most crucial to the development of SMEs? (Probe with the following challenges: access to new markets; even playing field; qualified labour force; competent and wise management; supportive business environment; access to finance; compliance with legislation; innovative ideas for product/service; shrinking markets; red-tape cutting; national budgetary cuts; entrepreneurial spirit and skills)

4) What are your main sources of funding?

5) During the last 3 years, did you receive any support for your business? If yes, please provide details.

6) In your opinion, which are the most important impediments to the business environment? Can you outline a single impediment as the most crucial to the development of SMEs? (Probe with the following impediments: administrative burden; inefficient state administration; lack of markets; lack of qualified labour force; grey economy; the national legislation; the EU legislation; uneven law enforcement at national level towards companies; uneven law enforcement at the EU level; corruption at the national level)

Specific section on “Supporting SME competitiveness and innovation”

Competitiveness and innovation potential of your company

7) How do you evaluate SME competitiveness on the market and their potential for introducing innovations? How did these characteristics change in the last 3 years – improved/got worse? Reasons?

8) In the last 3 years, did you introduce any product/process/marketing/organizational innovations in your company?

9) Do you sell/purchase products/services online? What is the approximate share of your turnover generated through e-commerce?

10) Are you a member of any business incubators/ clusters or networks that support the exchange of knowledge and the development of innovative business ideas?
Challenges & needs in relation to competitiveness and innovation

11) What are the biggest challenges for SMEs in relation to the improvement of their competitiveness/innovation potential on the market? What are the main obstacles in your opinion?

12) What do SMEs need the most in order to raise their competitiveness on the market and improve their potential to introduce innovative solutions? What kind of support would they need in order to do this?

13) How will the competitiveness and the innovation potential of your company change over time in your opinion?

National and EU programmes/instruments supporting SMEs competitiveness and innovation

14) Are you familiar with any national or EU programmes/funds/instruments that support SMEs competitiveness and innovation? If yes, which one(s)? (Probe with: SME Instrument of the Horizon 2020 Framework Programme for Research and Innovation, InnovFin – EU Finance for Innovators)

15) In your opinion, how well-informed are SMEs about EU support instruments in relation to SME competitiveness and innovation? What are the main information sources SMEs access? What other information do you think SMEs need and how it should be provided to them?

16) Have you received any support for improving your company’s competitiveness or introducing innovations under any national or EU programmes/funds/instruments? (If yes – please provide details. If no, why?)

17) In your opinion, what are the main impediments that prevent SMEs from accessing national or EU programmes/instruments that provide support to SME competitiveness and innovation? (Probe with: lack of knowledge on existing support schemes; difficulties in drafting convincing proposals, lack of resources; inadequate access to skills and knowledge, difficulties in finding partners and in building and managing international consortia where required; limited access to finance to complement EU funds when required, difficulties to comply with the selection criteria.)

18) In your opinion, are SMEs in your country strongly motivated to apply under such national or EU programmes providing support to SMEs competitiveness and innovations? Reasons? Do you personally intend to apply for such support in the future? If yes, what is your plan? If no, why?

19) If you have already received support from national or EU programmes and funds, how has it contributed to your company’s competitiveness and innovation potential? What are the positive/negative outputs? What is the general impact on SME development from the implementation of such programmes on SMEs in your opinion?

Recommendations/suggestions regarding EU support to SMEs competitiveness and innovation

20) What should be done in order to provide adequate support to SMEs competitiveness and innovation? What are your recommendations?
21) What should be the role of the EU/the national government? What kind of EU support instruments do you think would be viable?

22) How could the national and European programmes/instruments that provide support to SMEs competitiveness and innovation be improved?

23) The Commission has proposed the establishment of a European Innovation Council as a new instrument that could become an umbrella for streamlining all funding instruments for innovation, thereby providing an efficient way to close the innovation gap. What do you think of this initiative? If established how should this organization work so as to provide adequate support for research and innovation to SMEs?

24) Do you have any other suggestion(s) or remarks?
7. Interview guide for SMEs in Bulgaria

General section

Short presentation of the Study and ESTAT

Company profile

1) Can you present your company in brief – name, year of founding, SME category (micro/small/medium-sized enterprise), main sector of operation, number of employees, turnover for the last year, profitability on an annual basis

General assessment of the business environment and EU support instruments to SMEs

2) How do you assess the business environment your company is operating in during the last 3 years?

3) What are the key challenges that SMEs are facing currently? Can you outline a single challenge as the most crucial to the development of SMEs? (Probe with the following challenges: access to new markets; even playing field; qualified labour force; competent and wise management; supportive business environment; access to finance; compliance with legislation; innovative ideas for product/service; shrinking markets; red-tape cutting; national budgetary cuts; entrepreneurial spirit and skills)

4) What are your main sources of funding?

5) During the last 3 years, did you receive any support for your business? If yes, please provide details.

6) In your opinion, which are the most important impediments to the business environment? Can you outline a single impediment as the most crucial to the development of SMEs? (Probe with the following impediments: administrative burden; inefficient state administration; lack of markets; lack of qualified labour force; grey economy; the national legislation; the EU legislation; uneven law enforcement at national level towards companies; uneven law enforcement at the EU level; corruption at the national level)

Specific section on “Provision of key support networks and information for SMEs”

Access to information on business opportunities and support instruments for SMEs

7) How do you usually access relevant information for SMEs and existing SME support instruments on national and EU level? What are your main sources of information?

8) How do you evaluate the quality of the information provided for SMEs and existing SME support instruments on national and EU level? Do you consider the information is sufficient and adequate?

9) How did SMEs’ access to relevant information about business development and available SME support instruments change in the last 3 years – are SMEs better informed now or not? Reasons? Are there any new and effective information platforms on national or EU level launched during that period?
10) Do you access any business networks or portals that support the exchange of information on business opportunities and SME support instruments available on national and EU level? If yes, how effective are they? If no, why? How important is it for SMEs in general to have at their disposal such SME support networks?

11) Have you participated in any events, seminars, conferences disseminating information for SMEs and SME support instruments? If yes, was it useful? If no, reasons?

Challenges & needs in relation to information sources and support networks for SMEs

12) What are SMEs’ biggest challenges when trying to access relevant information for them and existing SME support instruments at the national or EU level? What kind of information is lacking but is essential for SMEs’ development?

13) What do SMEs need the most in order to be better informed about business opportunities for them and existing SME support instruments?

14) In your opinion what are the most adequate ways to improve SMEs’ access to information and to build more viable and results-oriented SME support networks that could provide real practical help to SMEs?

Experience with support networks for SMEs

15) Are you familiar with any national or EU support networks for SMEs? If yes, which one(s)? (Probe with: Your Europe Business Portal, Enterprise Europe Network, European Small Business Portal, SME Internationalization portal, Single Portal on Access to Finance, Internationalization of Clusters) If you know any such networks do you remember how did you hear about them?

16) In your opinion, how well-informed are SMEs about the existing national or EU support networks for SMEs?

17) Do you consider that these networks are popularized effectively among SMEs? If no, how this could be improved?

18) If you have already accessed such networks, how would you assess the adequacy and sufficiency of the information for SMEs and SME support instruments they provide? To what extent were you satisfied with the information provided to you? How did your company benefit from the information provided?

19) If you have already accessed such networks did you experience any difficulties with finding the information you needed? In your opinion what are the main impediments that prevent SMEs from accessing such support networks?

20) In your opinion, what are the main problems that SMEs experience in relation to their needs for adequate information and support?

21) In your opinion, are SMEs in your country interested in accessing such SME support networks? Reasons? Do SMEs regard them as beneficial to their business? To what extent are you personally motivated to access such networks in the future?
Recommendations/suggestions regarding the provision of key support networks and information for SMEs

22) What should be done in order to improve SME access to information and raise the effectiveness of the key support networks operating on national and EU level? What are your recommendations?

23) What should be the role of the EU/the national government? What are the applicable measures that should be initiated by national and EU institutions in order to improve SMEs’ access to information?

24) How could the work of the key support networks for SMEs be optimized so as to respond to SMEs information needs?

25) Do you have any other suggestion(s) or remarks?
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