

# **EU policy framework on SMEs: State of play and challenges**

*Specific Contract 8934, implementing framework contract  
n° CDR/DE/16/2015/1*



**European Committee  
of the Regions**

# Key challenges for European SMEs

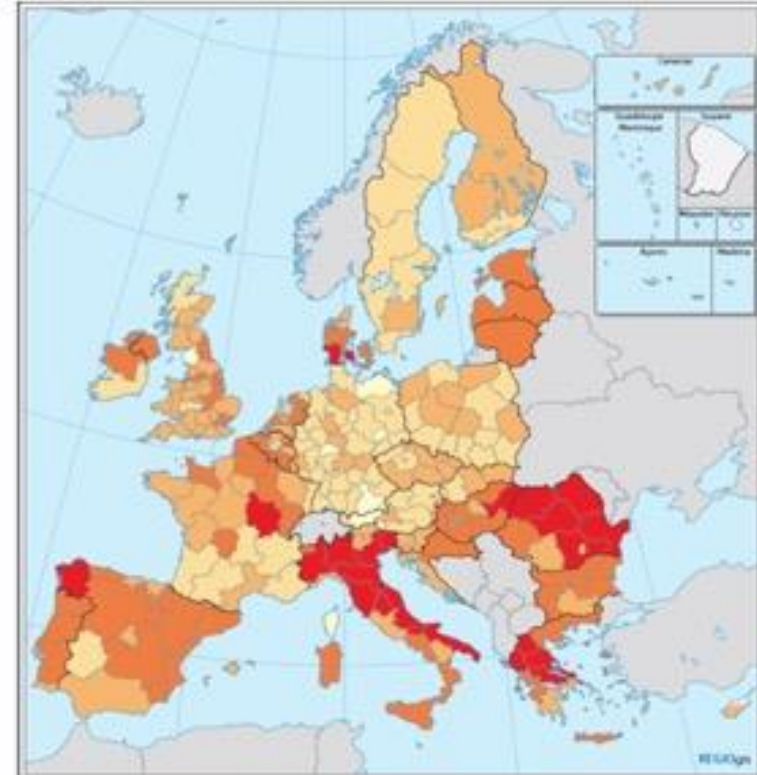
There are **24.5 million SMEs** in the EU representing **99.8% of enterprises**, producing **56.8% of value added**, employing **66.4% of the EU labour force**. SMEs have also played an important role in the recovery since the financial and economic crisis.

However several obstacles can hinder their growth. The three external factors limiting SME potential which are most relevant for EU policy are:

- **Limited availability of skilled labour;**
- **Difficulty to access finance;**
- **Excessive regulations and administrative burden.**

**These can significantly impact regions** creating a vicious circle affecting the entire regional economic system, limiting the regional capacity to innovate and to compete and increasing the exposure to risks from globalisation and technological change.

Regional exposure to risk factors linked to globalisation and technological change,



Map 1.5 Risk factors linked to globalisation and technological change

Number of risk factors out of 4 (see footnotes)



A risk factor is defined as a negative value for the first indicator and a value above the EU average for the rest indicators:  
- Employment growth in the industry between 2000 and 2014;  
- Share in employment of low technology manufacturing, 2014;  
- Share of youth between 25 and 34 with a low educational attainment, 2014;  
- Change in manufacturing I&D between 2003 and 2014.

Source: Eurostat, DG REGIO calculations

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Source: reproduced from European Commission (2017c), p. 108

# EU strategies supporting SMEs: the SBA

Current EU strategies supporting SMEs are channelled through shared management programmes (**ESIF**), direct management programmes (**COSME, Horizon,...**), and the **EIB Group**. In addition, SMEs could benefit from the **EFSL**.

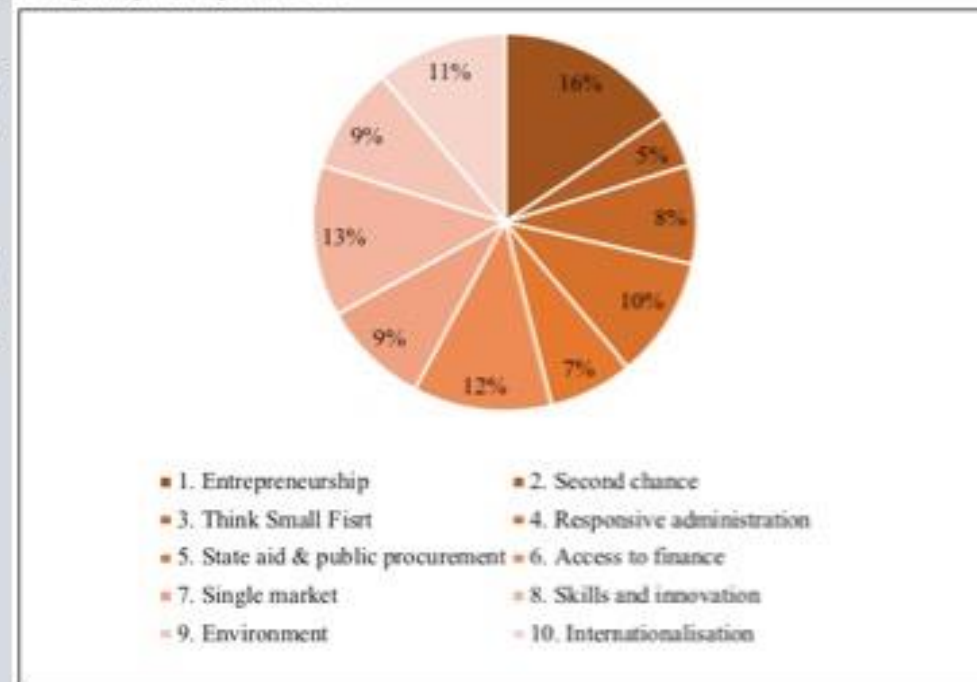
In 2008, the European Commission adopted the **Small Business Act (SBA)** a cornerstone policy document for SME support, aiming at boosting the growth and competitiveness of SMEs that are decisive for EU prosperity.

Based on ten principles with actions for Member States and regions, the document proposes a new approach to entrepreneurship

In line with the key challenges for SMEs, at **national and regional level measures following SBA principles especially cover:**

- **Principle 1** – Entrepreneurship;
- **Principle 6** – Access to finance;
- **Principle 8** – Skill and innovation.

SBA principles adopted in EERs

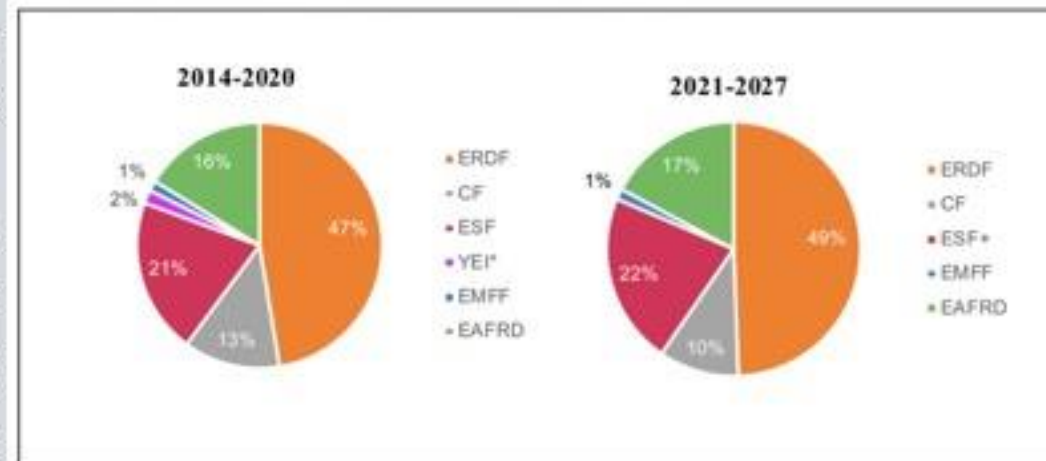


Source: t33 elaboration based on EER application forms.

## EU programmes for SMEs post 2020

- **Several instruments and provisions** address limited access to finance, encourage R&D and innovation and aim to improve skills and (international) market access.
- **ERDF will be the main source of support** for SMEs and entrepreneurship.
- Overall support will decrease, with both reduced funds and lower co-financing rates, though the proposed regulatory framework suggests **greater leeway for SMEs to benefit from EU support.**
- **Increased alignment of political priorities with EU programmes and funds**, implying some new programmes but mainly a continuation of existing programmes with renewed focus and reallocated budgets.
- The proposed regulations **enable programme authorities**, especially for ERDF, **to focus on SME development and entrepreneurship.**
- **LRAs may act as contributors, facilitators and beneficiaries**, complementing the general possibilities for LRAs to enhance EU programme support for SMEs and synergies between ESIF and other EU programmes.

Share of ESIF allocation by fund 2014-2020 versus 2021-2027



Source: Spatial Foresight elaboration based on data from the Open Data Portal for ESIF (03.05.2019), the MFF 2014-2020, European Court of Auditors: Rapid case review: Allocation of Cohesion policy funding to Member States for 2021-2027 and the Communication from the Commission on 'A Modern Budget for a Union that Protects, Empowers and Defends. The Multiannual Financial Framework for 2021-2027 (COM(2018) 321 final).

*For current LRA SME policy:*

- **SMEs are crucial for the EU economy but limited access to finance, a lack of skilled labour and administrative burden hinder their growth potential. Even if these three factors are common across the EU, their intensity varies greatly between European regions.**
- **EU support for SMEs is financial and institutional. At LRA level, ERDF is the most important EU financial source while SBA contributes by shaping policy to support SMEs.**
- **Regions see themselves as having an active role in addressing the needs of SMEs in different areas. However, they perceive a lack of internal capacity as the main constraint to providing support.**
- **SBA has a recognised role in shaping policies to support SMEs.**

*In relation to the 2021-2027 programming period:*

- **Less ESIF resources will be available to support SMEs compared to 2014-2020.** Earmarking for SMEs will be less visible. Compared to other ESIF, the **ERDF will target SMEs more explicitly**, with thematic orientation, scope of support, financial volume and earmarking.
- **SME programmes managed at EU level will be the Single Market Programme, Horizon Europe, and InvestEU.** Even without considerable change, support may become less accessible for SMEs.
- **LRAs can have important roles and functions** in ESIF and EU Programmes to optimise the use of resources and facilitate the involvement of SMEs. However, **they need adequate skills and know-how.**

*For access to finance:*

- **A yearly quantification of the financial gap for SMEs at EU, national and regional levels and a regional level database on SME access to finance** to provide useful information to LRAs to better match financial supply to demand for the use of **regional financial instruments supported by ESIF.**

*For the lack of skilled labour:*

- **The working groups shaping the agenda for adult learning should involve SME stakeholders at EU, national and regional levels,** to better match labour supply and demand, and clearly identify and tackle the skills needed by SMEs.
- **Re-establishing an EU Programme such as Leonardo** for vocational education and training.

## *Key specific recommendations*

*For administrative constraints:*

- **Update the SBA**, to new SME needs and the current economic environment which has evolved since the financial crisis years when the SBA was designed.
- **A new 'regional SBA'** based on principles closer to LRA capabilities and competence, offering a blueprint to develop their own strategy. This implies **monitoring SBA at regional level (Regional SBA factsheets)**.
- **A joint SME memorandum** by the CoR, the European Parliament, Eurochamber and SMEUnited.

*Further actions to enhance LRA capabilities:*

- An **EU platform for LRAs with specific training** for local and regional administrators designing and setting up an SME strategy, considering the recent industrial developments towards new markets and new production systems (such as digitalisation and the circular economy).
- Better **capitalisation and dissemination of successful practices**, in particular of EER experiences.
- A specific interregional activity under **European Territorial Cooperation for implementing SBA principles**.