Micro and Small Business in the EU

What ‘s in it for you!

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The Internet has opened a new world to us. Any kind of information is out there and this medium is more and more replacing printed material.

After years of involvement in Brussels, contributing to better legislation for small businesses, it often occurred to me that there are many positive attempts to help micro and small companies, but very little is known to us business people.

This publication was created to address just these issues:

a) to explain what is being done to help micro and small business by the EU Institutions
b) to list the most important websites that are relevant to micro and small businesses

We are not claiming to be all inclusive, but simply provide an initial starting point to guide you through the Brussels maze in terms of legislation, funding and webportals.

We do hope you find this publication useful and if you have any questions or contributions, please contact our office on:
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Small Business and the EU

The importance of micro companies

- 91.8% micro < 10 employees
- 6.9% small < 50 employees
- 1.1% medium < 250 employees
- 0.2% large > 250 employees
2. Small Business and the EU

The phrase Small and Medium-sized Enterprises (SMEs)\(^1\) is an intrinsic part of our 2011 vocabulary. Everybody knows it or has at least heard of it. But what exactly constitutes an SME? Are you an SME? And why is this important to know? These questions will be answered in this chapter.

2.1 Am I an SME?

To determine whether you are an SME, a few simple steps need to be taken. First, you determine whether you are an enterprise. According to the European Commission’s definition any entity engaged in an economic activity, irrespective of its legal form is considered an enterprise. In other words, even if you are self-employed without any staff, you may call yourself an enterprise. The second, and arguably most important step towards determining whether you are an SME is to verify your thresholds. The three main criteria for this are:

1. Staff head count;
2. Annual turnover;
3. Annual balance sheet.

If you are an enterprise with no more than 250 employees, an annual turnover below € 50 million or a balance sheet total below € 43 million, you may call yourself an SME. However, it does not end here. The SME definition is subdivided in 3 more specific categories: micro-, small-, and medium-sized businesses.

The table below shows the threshold for all three categories:

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Head count</th>
<th>Turnover or Balance Sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>medium-sized</td>
<td>&lt; 250</td>
<td>≤ € 50 million or ≤ € 43 million</td>
</tr>
<tr>
<td>small</td>
<td>≤ 50</td>
<td>≤ € 10 million or ≤ € 10 million</td>
</tr>
<tr>
<td>micro</td>
<td>≤ 10</td>
<td>≤ € 2 million or ≤ € 2 million</td>
</tr>
</tbody>
</table>

1. For the purpose of this document, the official 2003 definition of SME will be used http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

2.2 Why is this relevant?

It has not always been evident that the European Union recognised SMEs as being a category of businesses, different from large enterprises. A business was seen as a business, irrespective of its size, staff count and turnover. This is painfully reflected in EU legislation dating back before the 1990s, where a one-size-fits-all approach is applied clearly favouring larger businesses. Part of this legislation is still in force today.

As the European Union further developed and economic integration intensified, the notion of SMEs as a separate class of enterprises started to develop, notably in the 1990s. On 3 April 1996, an official SME definition was coined and later got replaced by the 2003 definition we still use today, widening the scope of the definition to encompass more European businesses.

With the realisation that SMEs are not the same as large companies came the apprehension that they should therefore also not be regulated in the same manner. Requirements stemming from EU legislation can be perfectly manageable for large companies but at the same time be very demanding on the limited resources of an SME. For this reason, the EU started creating legislation that is aimed specifically at small and medium-sized enterprises. Moreover, as SMEs face difficulties specific to their size and resources, the EU creates schemes addressing these problems and granting various advantages to SMEs. By establishing a common definition of what constitutes an SME, which is used by the European Commission, as well as the Member States and institutions such as the European Investment Bank and the European Investment Fund, consistency in policies aimed at SMEs is ensured.

The relevance of knowing whether your business is an SME thus lies in the eligibility for beneficial EU schemes, as well as knowing exactly which legislation applies to your business. The same is true for admissibility to EU funding schemes for SMEs, on which we will elaborate later in this publication.

Here, it is important to note that, whilst the head count is a compulsory part of the equation, you may choose to use either your turnover or your balance sheet total, to determine if, and which kind of SME you are. The reason for this approach is that businesses in the trade and distribution sector, by nature, have higher turnover figures than manufacturing companies. Therefore, offering the balance sheet total as an alternative criterion levels the playing field for SMEs engaging in different economic activities.

For more information on the SME definition, please visit the European Commission website at: http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf
2.3 Think Small First: think MSEs!

In 2008, the European Commission introduced the Small Business Act for Europe. The document was based on its US counterpart, but the Commission decided to use the American example to create a much wider framework which would form the basis for the implementation of its driving force: the 'Think Small First' Principle.

Without going in too much detail at this stage, the principle entails that all legislation shall take SMEs’ interests into account at the very early stages of policy making in order to make this legislation more SME friendly[1]. More information about this principle and how it is to be achieved will be set out in a later chapter of this publication. What is important is that the Small Business Act signalled an important milestone in the recognition of the importance of SMEs, as well as the need for a tailored approach in policy making.

If the Small Business Act did not change the way the EU looks at business, the financial crisis has made it painfully clear that SMEs are the engine of the European economy and absolutely indispensable to the EU. It is for this reason that now more than ever, SMEs are acknowledged as the job-creators and cradles of innovation they have always been. It is up to the policy makers in Brussels, but also in the Member States to ensure that SMEs are freed from administrative burdens as much as possible and given the opportunity to thrive, in order to stabilise the European economy.

Although recognition of the importance of SMEs can be seen as a step in the right direction, a further step is needed in order to facilitate most of your businesses as the overwhelming majority of you do not run medium-sized businesses, not even small businesses but micro-businesses.

The composition of the European business landscape is set out in the form of a pie chart. Besides the fact that only 0.2% of all European businesses are large, 91.8% of all EU businesses are micro (!), meaning less than 10 employees. This group of businesses is accountable for more than two thirds of the EU’s workforce.

Conclusion: your business matters!

- 91.8 % micro < 10 employees
- 6.9 % small < 50 employees
- 1.1 % medium < 250 employees
- 0.2 % large > 250 employees


Apart from being the largest group of businesses, micro-entities are also the most vulnerable kind of enterprise, notably in terms of size and resources. An obligation on a business, stemming from EU legislation can be perfectly manageable for a company of 200 employees, still constituting an SME, but can be detrimental to a micro business which often lacks staff and other resources to comply with the standards set by the EU.

The same paradigm which makes that a one-size-fits-all approach cannot be applied to all EU businesses is applicable within the SME spectrum. Micro businesses are not the same as medium-sized businesses, or ‘an SME is not an SME’.

The vantage point for any new EU legislation which will affect your business should therefore always be micro-business. A more appropriate term for Europe’s most important category of business would therefore be:

“MSEs: Micro and Small Businesses”

Having set out the relevance of the SME definition as well as the importance of your business to the EU, the following chapters will guide you through the EU policy frameworks most relevant to your business and, more importantly, how to make use of the opportunities that are available to you.

Europe 2020

Single Market Act

Small Business Act

How to make your business benefit from the EU
3. Benefits from the EU

3.1 EU 2020 Strategy Made Simple

Since 2008, the European Union faces the phenomenon of economic crisis within its Member States. The crisis is global and Europe had not been in such a situation since the Great Depression in 1930’s. In addition, we live in an ever-changing world, thus businesses should be able to keep up with the new developments. As a result, the European Commission, decided to take measures in order to respond to the new challenges, to tackle the problem of economic recession and finally exit the crisis.

The EU 2020 is a strategy designed by the Commission and aims at boosting the development of businesses so as to create more and better jobs. In order to achieve that, the Commission has set up 3 priorities:

a) Smart Growth
b) Sustainable Growth
c) Inclusive Growth

Member States are in charge of incorporating these priorities and the EU 2020 targets into their national organisational schemes. All the European Institutions as well as the EU Member States and the civil society are responsible for ensuring that the EU 2020 targets will be achieved, thus making the EU 2020 strategy successful.

The EU 2020 Strategy has 5 targets that need to be reached by 2020. The following three targets are of greater interest to SMEs:

1. Employment, 75% of citizens between 20-64 years old should have a job.
2. Innovation, 3% of the EU’s GDP should go to investments in R&D.
3. Climate/Energy, the “20/20/20” targets in the fields of climate and energy have to be met. In this context the reduction of gas emissions should reach the level of 30%, if possible.\(^1\)

The tools used for achieving all 3 targets are divided in 3 categories:

- flagship initiatives
- using existing tools
- monitoring progress

1. Meaning a reduction of gas emissions should reach the level of 20% below 1990 levels, 20% of energy consumption coming from renewable resources and a reduction in primary energy use compared with projected levels, to be achieved by improving energy efficiency.

3.1.1 Flagship Initiatives

Flagship initiatives are divided in subcategories according to the priorities of Smart Growth, Sustainable Growth and Inclusive Growth.

Smart Growth will be achieved through the initiatives of Digital Agenda, Innovation Union and Youth on the move.

- Digital Agenda: It consists of actions aimed at helping SMEs to gain benefits from the digital economy.
- Innovation Union: It consists of over 30 action points aimed at boosting research and innovation in order to achieve growth and creation of jobs.
- Youth on the Move: Young entrepreneurs can develop their skills through training in other European countries thanks to multiple mobility programmes.

Sustainable Growth will be achieved through the initiatives of a “Resource efficient Europe”, and an “Industrial Policy for the Globalization Era.”

- Resource-efficient Europe: It aims at achieving a low carbon level so that resources in Europe remain sufficient.
- An Industrial Policy for the Globalization Era: Its aim is to support the competitiveness of industries in the EU so as to create well-paid jobs. Regarding SMEs, the purpose is to help them to act on an international scale and facilitate their access to credit.

Inclusive Growth will be achieved through the Agenda for new skills and jobs.

An Agenda for new skills and jobs: It helps businesses to adapt to the ongoing changes of the labour market. Therefore, unemployment will be decreased and production will be increased.
3.1.2 Using Existing Tools

EU 2020 uses already existing tools in order to achieve its targets. These tools are:

- **The Single Market**: The enforcement of the Single Market will help SMEs’ participation and will encourage entrepreneurship. Furthermore, elements that hinder the proper functioning of the Single Market such as difficulties in cross-border activity and the bad connections, have to be eliminated. Therefore, the final aim is economic integration.
- **The EU Budget**: A part of the EU Budget is specifically assigned to the areas of competitiveness, growth and employment to boost the Single Market.
- **External Policy Tools**: The European Commission ensures that SMEs have the same share in competition by fining large companies that do not obey EU rules.

3.1.3 Monitoring Progress

Regarding SMEs, the European Commission monitors progress in the fields of research and development and innovation, resource-efficiency and employment in order to ensure that reforms being pursued in these sectors are held successfully.

3.2 Single Market Act Made Simple

The Internal Market has been at the heart of the European project since its origin. In 1992, the Single Market was launched under the leadership of Jacques Delors, President of the European Commission at that time. It was intended to create more jobs and to bring down the barriers that could exist between Member States. The Single Market is usually associated with the “four freedoms” that forms its basis: the *free movement of people, goods, services and capital*.

The Commission regularly updates its Single Market strategy in order to eliminate all shortcomings of the Single Market. Indeed, the Commission decided to introduce a Single Market Act in order to re-launch the Single Market for 2012. In a new communication document, the Commission has targeted twelve priority instruments for the Single Market.

**Access to Finance for SMEs**
The Commission wants to make venture capital funds accessible to SMEs providing them with more expertise and a capacity to apply for them. This action is also linked to the revision of the Small Business Act and may help your business to access funding in order to strengthen its infrastructure, to hire new employees or to launch new products.

**Public Procurement**
Public Procurement is the purchase of goods, work or services by a government or a public agency. Through the Single Market Act, the European Commission aims to improve access to public procurement for SMEs by simplifying the process and creating more flexible procurement procedures.

**Alternative Dispute Resolution**
Alternative Dispute Resolution is a simple, fast and affordable procedure by which legal conflicts between consumers and business can be resolved out-of-court through arbitration or mediation. This action is intended to strengthen the trust of consumers in the Single Market and thus to create economic benefits for your business.

**EU Patent**
The EU Patent is a law measure which would allow individuals and companies to obtain a unitary patent throughout the European Union. Member States (except Spain and Italy) have decided by ‘increased cooperation’ to create a unified EU patent with the objective of issuing the first patents in 2013. An EU Patent Court would be created to ensure the protection of your Intellectual property rights. This action will result in a stronger, cheaper and simpler procedure for protecting intellectual property rights and ensure a fair return on investment for your business.

The Single Market Act is also included into the framework of the Europe 2020 strategy. It intends to bring a “smart, sustainable and inclusive growth” within the EU. This growth is due to achieve a “highly competitive social market economy” and to bring social progress, employment and a positive outcome for the environment. Indeed, the Single Market can offer many advantages for your business. The four freedoms are not sufficient to achieve the objectives of the Single Market. That is why the Commission has created a set of additional directives to complete these objectives.
3.3 Small Business Act Made Simple

In June 2008, the European Commission adopted a policy framework entitled ‘Think Small First – A Small Business Act for Europe’. The Act was a political commitment of the European Commission to put SMEs at the forefront of decision-making and to demonstrate the Commission’s increased recognition of the importance of SMEs. Moreover, the act had to contribute to achieve ‘the Lisbon Growth and Jobs Agenda’ goals to make the EU the most dynamic and competitive knowledge-based economy in the world by 2010.

The goal of the Small Business Act is to improve the conditions for SMEs in doing business and to support their growth potential. The Act contains a set of ten guiding principles that help to design and implement policies with a minimum burden on SMEs at Member State as well as EU level. The principles of the Small Business Act are not binding, thus in order to turn the ten principles into practice, the Commission outlined a number of actions and recommendations to the Member States.

Next to that, the Commission supplemented the ten principles with a set of legislative proposals guided by the ‘Think Small First’ principle. The Directives are concrete actions and legislation to implement policy plans.

- **General Block Exemption Regulation on State Aids (GBER).** Designed to simplify procedures, reduce costs and increase the aid intensity for SMEs and make it easier for SMEs to benefit from aid for training, research and development, environmental protection and other types of aid.
- **New Statute for the formation of a European Private Company (SPE)** Allowing SMEs to start up and operate according to the same company law throughout Europe.
- **Directive on reduced VAT rates for labour-intensive services**
- **Revision of the already existing Late Payments Directive**

The 10 Principles

1. **Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.**
   The entrepreneurial spirit in the EU, with only 45% of people that would want to be self-employed, is low compared to the US (65%). The European Commission advises action regarding education, business transfers and entrepreneurship programmes to encourage people to take the step to an own business.

2. **Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.**
   As SMEs are particularly vulnerable for bankruptcy, the European Commission promotes the reconstruction of businesses and shortened bankruptcy procedures.

3. **Design rules according to the “Think Small First” principle**
   The ‘Think Small First’ principle has to ensure that SME-friendly legislation is designed by decision-makers.

4. **Make public administrations responsive to SMEs’ needs.**
   Through the creation of one-stop-shops and e-government, the Commission wants to facilitate the communication between SMEs and their Governments thereby saving the SMEs’ time and money.

5. **Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs.**
   SMEs face a competitive disadvantage compared to larger companies in the participation in public procurement due to the difficult application procedures, a lack of awareness and the greater risk of investment in SMEs. For the same reason, SMEs can benefit less from State aid. Therefore, the Commission encourages a change in culture, shortened procedures and more transparency and communication towards SMEs.

6. **Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.**
   Different finance programmes and tackling of late payments to SMEs should increase the capital availability of SMEs and consequently enhance their competitiveness.

7. **Help SMEs to benefit more from the opportunities offered by the Single Market.**
   Measures such as information provision on business opportunities and applicable rules in other countries as well as a more efficient patent system and the development of standards should stimulate SMEs to trade cross-border.

8. **Promote the upgrading of skills in SMEs and all forms of innovation.**
   The European Commission has set up different programmes to support and finance innovation by SMEs. Examples are the Lifelong Learning programme, the Seventh Framework Programme for research and development and the Cohesion policy. Moreover, the Member States are encouraged to promote research and innovation.

9. **Enable SMEs to turn environmental challenges into opportunities.**
   The demand for environmentally friendly products and services opens the way for new business opportunities. The Commission therefore supports eco-efficient businesses and products.

10. **Encourage and support SMEs to benefit from the growth of markets.**
    The awareness of opportunities of EU-external trade is advocated by the Commission in order to overcome the dissuasive stance of SMEs.
In February 2011, the European Commission presented its **Small Business Act Review**. Based on a thorough revision of the objectives of the Small Business Act and an examination of its implementation between 2008 and 2010, the Commission concluded to launch a successor of the Act. In addition, the revised policy framework had to serve as an answer to the new challenges SMEs had to deal with resulting from the economic crisis.

The review demonstrated that much had been done but that there was still room for improvement concerning tailor-made policy for SMEs. A working point that was decided upon was improving the actual implementation of the principles and stimulating stakeholders’ contributions in the process. Besides, the Commission stressed its awareness of large differences even within the small and medium enterprises and consequently their diverse need of approach. Lastly, the Review entailed an increased commitment of the Commission to stimulate the Member States to implement the Small Business Act. Accordingly, the Commission appointed an **SME Envoy** constituted of business representatives of the 27 Member States, to give them a direct say in EU policy-making.

29 recommendations structured the Review and constituted the **new priority areas** and potentially new legislative proposals.

1. **Smart regulation**
   The importance of ‘Think Small First’ for policy-making was stressed again. The idea of a stress-test for SMEs in impact assessments of the European Commission was promoted. It would mean that even before drafting legislation, the Commission would take the impact of the proposed legislation on SMEs, into consideration. Moreover, the Commission committed itself to further reduce the administrative burden on SMEs.

2. **SME finance**
   The Commission stated that it would adopt an action plan for improving SMEs’ access to finance. A simplified environment for EU funding for SMEs was also aimed by reconsidering its financial programmes, which will be discussed in a later chapter.

3. **SME market access**
   Proposals such as a common European Contract for businesses, measures to facilitate cross-border payments and a single set of rules regarding a Common Consolidated Corporate Tax Base should facilitate it in the future for SMEs to trade cross-border.

4. **Promotion of entrepreneurship, job creation and inclusive growth**
   The Commission will present a set of policy recommendations throughout 2011, which should facilitate the wind up procedures of failing businesses (i.e. business transfers) and tackle the second chance problem for entrepreneurs who have gone through a bankruptcy.

In May 2011, the European Parliament expressed its support for the Small Business Act. Also the Council of Ministers stated that the Member States would work together with the European Commission to implement the Small Business Act Review.
EU Funding
I know it’s there, but where can I get some?
4. EU Funding

Access to finance or the lack thereof, is experienced by small businesses as one of the most prevalent obstacles. The availability of finance is crucial for growth and innovation of companies. To facilitate the growth and development of SMEs, the European Commission has set up a system of financial policies and instruments to support SMEs. Notwithstanding the good intentions of the European Commission, EU funding can still be perceived as somewhat of a ‘jungle’ of options and information. Moreover, the application procedures are often lengthy processes for which most micro-enterprises simply lack the resources. And even if a small business is capable of participating in a tendering process or a call for proposals, there is no guarantee that the funding will eventually be granted, which means that effort and expenses can go without result.

For reasons described above, the best chance for you as a small business to obtain EU funding is to be part of a consortium, which often consists of larger businesses, research institutes and increasingly SMEs. In an attempt to make sense of the ‘EU funding jungle’, this chapter will provide you with a general outline of the main funding channels, as well as the links to the relevant websites and points of contact.

The European Union has three key funding instruments to support SMEs.

Support is available in different forms such as grants, loans and guarantees.

Most of the support is given indirectly to SMEs through programmes managed at national or regional level but direct funding of specific projects is also possible. The ‘Competitiveness and Innovation Framework Programme’ as well as the ‘Seventh Framework Programme’ both serve the Lisbon Strategy goals and support Europe’s competition and innovation capacity. The purpose of the ‘Structural Funds’ (European Regional Development Fund – ERDF and European Social Fund - ESF) is to strengthen economic, social and territorial cohesion by reducing disparities in the level of development among regions and Member States. Furthermore, some isolated thematic funds are available.

Depending on the activity to which your idea relates, one or more of these instruments may be available to you. In addition to funding, these instruments may also offer other types of benefits, such as possibilities for networking or making use of information and other services provided.

4.1 Competitiveness and Innovation Programme (CIP)

The ‘Competitiveness and Innovation Framework Programme’, primarily directed towards SMEs, targets four goals; (1) encouraging the competitiveness of European enterprises, (2) supporting innovation and entrepreneurship activities, (3) providing access to finance and (4) promoting the increased use of renewable energies and energy efficiency. The programme consists of an overall budget of 3,621 billion euro for the period of 2007-2013, out of funds from the European Union. The CIP is divided into three operational programmes.

http://ec.europa.eu/cip/

4.1.1 Entrepreneurship and Innovation Programme (EIP)

The Entrepreneurship and Innovation Programme is of particular interest in your search for funding. A budget of 1.1 billion euro is allocated to the programme with the specific aim of facilitating access to finance for SMEs and for investment in innovative activities.

The European Commission entrusts the CIP funds to the European Investment Fund (EIF). The EIF, a first link in the risk-sharing chain, shares some of the risk with financial intermediaries in the participating countries. The intermediaries are mostly financial institutions such as banks and other investment funds. That way, Community financing is not directly granted to SMEs but by an entity closer to the SMEs at national or local level. The CIP intermediary can lend directly to SMEs or can cooperate with other financial institutions.

http://ec.europa.eu/cip/eip/index_en.htm

Under the Entrepreneurship and Innovation Programme, two main financial facilities are available:

(A) the High Growth and Innovative SME Facility
(B) the SME Guarantee Facility.

(A) The High Growth and Innovative SME Facility

The ambition of the High Growth and Innovative SME Facility is to improve access to finance for the start-up and growth of SMEs and for the investment in innovation, technology transfer and cross-border expansion of their business. Under the facility, the EIF invests in specialised funds, which provide venture capital for SME financing. The facility covers investment into venture capital funds which have an early stage focus (GIF1) and funds with a focus on SMEs with high growth potential in their expansion stage (GIF2).

In particular, GIF1 provides seed capital which means financing provided to study, assess and develop an initial concept. Moreover, start capital is made available under GIF1. This is capital provided for product development and initial marketing of start-up companies or companies that yet exist but nonetheless still have to launch their product or service commercially. For GIF2, the EIF invests in specialised risk capital funds which in turn provide equity (the share capital of a company) to innovative SMEs that are in their expansion stage.

(B). SME Guarantee Facility (SMEG)

The objective of the SME Guarantee Facility is to reduce the difficulties SMEs face in accessing finance from financial institutions. A high risk of lending to SMEs can emerge from the uncertainty of their investments in certain knowledge-related activities, such as technological development, innovation and technology transfer, or because of a lack of sufficient collateral of the SME. Therefore, the facility guarantees debt finance granted by local institutions to SMEs. The EIF reduces its local partner’s (financial intermediary) exposure to risk, in order to stimulate the provision of debt finance to SMEs at local level.

The different guarantees are:

- **Loan guarantees** secure mid- to long-term debt finance to SMEs that have growth potential and they focus on investment financing.
- **Microcredit guarantees** help financial institutions to provide financing to micro enterprises, especially start-ups.
- **Equity and quasi-equity guarantees** warrant investments in SMEs in the seed and start-up phases. Equity and quasi-equity guarantees aim to help SMEs to improve their financial structure.
- **Securitisation** which means that the EIF provides guarantees to unrated or lower rated institutions, such as smaller banks, so that they can mobilise additional debt financing for SMEs. The aim of the product is to generate extra financing for SMEs.

www.access2finance.eu

http://www.eif.org/what_we_do/guarantees/cip_portfolio_guarantees/index.htm

4.1.2 ICT Policy Support Programme (ICT-PSP)

The Information Communication Technologies Policy Support Programme provides EU funding to support the realisation of the Digital Agenda for Europe. (The Digital Agenda, one of the seven flagship initiatives of the Europe 2020 Strategy, has the goal of creating a flourishing digital economy by 2020.) The aim of the ICT-PSP programme is to stimulate innovative digital technologies and to exploit digital content across the EU. Funding goes mainly to pilot actions for innovative and interoperable ICT based services.

http://ec.europa.eu/information_society/activities/ict_psp/participating/index_en.htm


4.1.3 Intelligent Energy Europe Programme (IEE)

The ambitions of the Intelligent Energy Europe Programme lie in tackling climate change and assisting in reaching the energy targets the EU has set for itself. The programme is of less direct interest to most SMEs as it funds cross-border projects.

http://ec.europa.eu/energy/intelligent/index_en.html

4.2 7th Framework Programme (FP7)

The Seventh Framework Programme (FP7) is one of the pillars of the European Research Area (ERA), which is composed of all research activities, programmes and policies within the European Union. It aims at promoting EU research and groups under its umbrella all EU research related initiatives. The objectives of FP7 are divided in four categories: Cooperation, Ideas, People and Capacities.

Different programmes are dedicated to each category, some of which are geared towards SMEs, as set out below. One of the principles of FP7 is co-financing; its funding supports research projects but only up to a certain percentage (usually 50%).

Member States and the European Commission are currently in preparation of FP8, the successor of FP7. The European Commission is planning to bring together FP8, the Competitiveness and Innovation Programme, and the European Institute of Innovation and Technology into a common strategic framework.

http://cordis.europa.eu/fp7

4.2.1 Co-operation

This programme supports research projects on the basis of trans-national cooperation projects. This means that to be eligible for a project, a consortium must be set up between three parties or more, from at least two different countries, one of which must be an EU Member State. Member States, candidate countries and associated countries of FP7 are eligible to form a consortium. Consortiums are usually made up of 6 to 8 members and can consist of large companies, SMEs, research centres and universities. Once organised, these consortiums can participate in the programme by answering calls for proposals which are published once a year by the European Commission on FP7 website. Certain topics are dedicated to SMEs and sometimes a minimum number of SMEs is required to create a consortium for answering a call for proposals. A target of 15% SME participation has been set for this programme by the European Commission. There are also simplified financial and administrative procedures for SMEs and the participation of SMEs to Joint Technology Initiatives, a long-term public/private partnership, is also assisted by this programme.


4.2.2 Ideas

The Ideas programme provides grants directly to researchers. The programme is implemented by the European Research Council.

http://cordis.europa.eu/fp7/ideas

To find calls for proposals and to apply for grants you can visit the website of the European Research Council:

http://erc.europa.eu
4.2.3 People

Five actions are grouped under the “People” programme and are suitable for SMEs. They are named Marie Curie actions.

The following actions are the most relevant for SMEs:

1. Marie Curie Industry-Academia Partnerships and Pathways (IAPP) programme is interesting for SMEs. It is dedicated to create partnerships between commercial organisations (especially SMEs) and research institutions. The funding covers exchange of experience, recruitment of experienced researchers and to help organise workshops and conferences. Your business will also get help with staff secondment and the participation of experienced researchers.

   http://cordis.europa.eu/fp7/people/industry-academia_en.html

2. Marie Curie Initial Training Networks (ITN) offers the opportunity to create networks for young researchers with less than five years of experience.

   http://cordis.europa.eu/fp7/people/initial-training_en.html

4.2.4 Capacities

The FP7 capacities programme intends to improve research capacities through Europe. It operates in 7 different areas, the most SME relevant of which provides “Research for the benefit of SMEs”. It aims at improving the “innovation capacity” of SMEs and gives the possibility for SMEs with little to no research and development capacity to outsource their research activities. It is a bottom-up programme and operates cross-sectorial.

http://cordis.europa.eu/fp7/capacities

Three types of indirect actions are implemented under the programme “Research for the Benefit of SMEs”, as listed below:

1. Help for SMEs and SME associations for outsourcing their research activities to providers of research services i.e. universities or research centres. The results of the research activities belong to the SME or the association of SMEs that ordered the research. You can find more information about this by reading Research for SMEs at a glance


   and Research for SME associations at a glance


2. Developing and co-ordinating support to SMEs at national level. This means that FP7 will provide a financial support to national and regional research programmes. You can learn more about it by visiting the FP7 “capacities” webpage shown above.

3. Some support measures are to be launched under FP7 in order to provide ‘coordination and support actions’ for projects that help to increase the impact of actions carried out under ‘Research for the benefit of SMEs’. The European Commission will also analyse and assess the impact of FP7 and the needs of its participant.
4.3 Structural Funds

As a part of the EU's regional policy, structural Funds aim to promote economic and social cohesion within the European Union by helping less developed EU regions to achieve economic prosperity. The European Commission co-finances projects in these regions which are called “convergence regions.”

Structural Funds have 3 objectives: convergence, regional competitiveness and employment and European Territorial Cooperation.

SMEs can benefit from different funding possibilities targeting the above objectives. More specifically, SMEs can obtain funding through the European Regional Development Fund (ERDF) and the European Social Fund.


In addition, farming businesses can benefit from EU funding targeting the objective of rural development under the Rural Development Policy. Each Member State has a National Strategic Reference Framework (NSRF), which is coherent with the Strategic Guidelines of the European Commission. The NSRF of each state contains Operational Programmes which present the priorities of the Member State. It is up to the Member States to implement the Operational Programmes and to select, monitor and assess the projects. Structural Funds are managed by the national/regional Managing Authorities of the Member States.


4.3.1 Convergence

The Convergence objective aims to contribute to the development of the least-developed regions of the Member States. It concerns in total 100 EU regions that have lower GDP than the Community average. The sum of money available amounts to €282.8 billion.


There are two types of funding under this objective, namely:

A. The European Regional Development Fund (ERDF)

This is the largest Community financial instrument benefitting SMEs. Under the convergence objective it aims at the modernization of economic structures as well as at the creation of jobs. ERDF is managed both by the European Commission and the national/regional authorities. Under the Convergence objective, it co-finances activities in the areas of research and technological development, innovation and entrepreneurship, information society and more.


B. The European Social Fund (ESF)

The fund is set up in order to reduce disparities in living standards across EU regions, thus achieving economic and social cohesion. In particular, its aim is to contribute to the growth of the job market. The European Commission in cooperation with the Member States agree on Operational Programmes. These programmes consist of projects known as ESF projects.

Funding to SMEs is provided through “beneficiaries” participating in ESF projects, meaning national public administrations, NGOs and social partners, involved in the sector of employment and social inclusion.

http://ec.europa.eu/employment_social/emplweb/esf_projects_117/search.cfm

Regarding the convergence objective, EU regions with GDP per head below 75% of the Community average, are eligible to receive more than 80% of EU funding.


Eligible Beneficiaries:

http://ec.europa.eu/esf/main.jsp?catId=31&langId=en

Contacts for Member States:

http://ec.europa.eu/esf/main.jsp?catId=45&langId=en

4.3.2 Regional Competitiveness and Employment

This objective aims at boosting the growth of employment. Funding is provided to wealthier regions of the EU in order to encourage an even higher development and make sure that poverty is eliminated. 168 EU regions are eligible and the amount available is €55 billion.

There are two funding opportunities under this objective.

A. European Regional Development Fund (ERDF)

It focuses on the fields of innovation and knowledge-based economy, environment and risk prevention and access to transport and telecommunications services of general economic interest.

http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm#


B. European Social Fund (ESF)

ESF under the Regional Competitiveness and Employment Objective supports the adaption of enterprises and workers through lifelong learning as well as innovation within organisations. It concerns all regions that are not included in the Convergence objective.

http://ec.europa.eu/regional_policy/funds/fse/index_en.htm
http://ec.europa.eu/esf/home.jsp?langId=en
http://ec.europa.eu/esf/main.jsp?catId=31&langId=en
http://ec.europa.eu/esf/main.jsp?catId=45&langId=en

4.3.3 European Territorial Co-operation (ETCO)

It aims at encouraging cross-border, trans-national and interregional cooperation. Regarding SMEs, its purpose is to contribute to their growth and to boost entrepreneurship, innovation and share of experience. Funding is provided through participants (beneficiaries) in specific programs and projects. The amount available is in total €8.7 billion. It is financed by the ERDF. For interregional cooperation all EU regions are eligible.

You can find details about the objectives and the projects here:

http://ec.europa.eu/regional_policy/cooperation/index_en.htm

For cross border cooperation you can find the eligible regions here:

The following web link will give you information on transnational cooperation and eligible regions:


You can find general information on accessing the funds here:

http://ec.europa.eu/regional_policy/thefunds/access/index_en.cfm#4

For more information about regional policy in general and how to apply to Operational Programmes, you can contact your national contact point:


4.3.4 Other Structural Funding Programmes

Rural Development policy

More than 91% of the EU territory consists of rural areas and average income per head is lower in these regions. Farming and forestry businesses still need to gain competitiveness. Therefore, rural development policy plays an important role for the EU. As a result, EU’s Lisbon Strategy for jobs and growth and its Goteborg Strategy for sustainable development also apply to rural areas. The final aim is to help the countryside to face successfully all challenges and to prosper.

There are funding possibilities under the rural development policy for farming businesses, situated in “Less Favoured Areas (LFA).” In these areas farming activity is considered to be difficult due to adverse natural circumstances.

http://ec.europa.eu/agriculture/rurdev/lfa/index_en.htm
http://ec.europa.eu/agriculture/rurdev/countries/index_en.htm

For more information SMEs can address their national Agricultural Ministries. You can find an information request form as well as the postal addresses in every EU official language here:

http://ec.europa.eu/agriculture/contact/index.htm

Joint European Resources for Micro and Medium Enterprises-JEREMIE

The JEREMIE initiative is developed in coordination with the European Commission and falls under the umbrella of the European Investment Fund. Its aim is to improve access to finance for SMEs. Regional/national authorities have the ability to finance SMEs through the use of EU Structural Funds.

This can be done via the means of loans/guarantees, equity, venture capital, Business Angel Matching Funds and investments in Technology Transfer Funds under the umbrella of a Holding Fund. These financial instruments are provided to selected financial intermediaries who are focused on SMEs. It is up to the governments to decide if they wish to sign a Funding Agreement in coordination with the EIF and implement JEREMIE. In that case, EIF launches operations via calls for expression of interest for financial instruments to be implemented in the respective region/country according to SME needs.

All SMEs with less than 250 employees in all 27 EU countries are eligible. The regions under both the Convergence and Competitiveness objectives are eligible, under the condition that a Funding Agreement is signed between the national Managing Authorities and EIF.

http://www.eif.org/news_centre/index.htm

For inquiries, you can contact the JEREMIE representative offices:


There is also the opportunity of subscribing and receiving Press Releases in the following webpage:

Joint action to support Micro-finance Institutions in Europe-JASMINE

JASMINE is an initiative complementing the JEREMIE programme. It concerns people that want to start their own small business or become self-employed. It aims at reinforcing the role of non-bank micro-credit providers or Micro-Financial Institutions in the micro-credit field.

The means are the following:

a) technical assistance to micro-finance institutions in order to help them to be credible,

b) financing the activities of non-bank financial institutions.

Its initial capital rises up to 50 million euros. It is financed by the EIB and potential partner banks. The Managing Authority is the EIF which funds MFIs through the means of loans, equity and technical assistance. On September 2009 micro-credit providers had the opportunity for the first time to express their interest for technical assistance. Regarding the selection, priority is given to non-banking Microcredit.

http://www.eif.org/what_we_do/microfinance/JASMINE/index.htm

2011, is the final year of implementation for JASMINE Technical Assistance and the following European non-bank micro finance institutions were selected:

• Nachala, Mikrofond, and Bulgarian Development Bank JOBS MFI (Bulgaria);

• Patria credit, ROMCOM and The Agency for Implementing Projects and Programs for SMEs (Romania);

• Manchester Credit Union, Business Finance Solutions (England);

• Qredits (the Netherlands);

• Credal (Belgium).

For more information you can contact: info@eif.org.

4.4 Other Thematic Funding

4.4.1 Eurostars Programme

The Eurostars Programme is a joint-initiative programme under FP7 and the intergovernmental network Eureka. This programme aims at providing funding for marked-oriented R&D with the participation of SMEs, and aims at developing only new products, processes or services. To participate in a Eurostars project, a consortium of different organisations must be created, and the main partner must be an R&D performing SME.

To find the information you need to apply, you can contact your EUREKA National Project Coordinator (NPC) in any Eurostars Member Country.

http://www.eurostars-eureka.eu/where.do

4.4.2 Marco Polo Programme

The Marco Polo II Programme supports actions in freight transport and logistics; it aims at reducing transport congestion by providing grants. The programme co-finance new projects during their start-up period. The programme is not limited to a specific theme but each project must involve a cross-border route and to be economically and ecologically viable. Calls for proposal are published on the Marco Polo website at the beginning of each year.

http://ec.europa.eu/transport/marpolo/about/index_en.htm

4.4.3 European Lifelong Learning Programme

This programme, launched by the European Commission, funds projects in the field of vocational education and training. In this context, SME employees can develop their skills to match the continuous challenges stemming from evolving working environments.

The programme consists of 3 actions: Mobility, Partnerships and Multilateral projects. SMEs have the opportunity to participate in funded projects through an annual call for proposals. The proposals are published by the Education, Audio-visual and Culture Executive Agency (EACEA).

For inquiries you can contact: EACEA-Leonardo-da-Vinci@ec.europa.eu

4.4.4 Erasmus for Young Entrepreneurs Programme

‘Erasmus for Young Entrepreneurs’ is a pilot project founded by the European Union in 2009, which intends to stimulate young (starter) entrepreneurs to exchange ideas, experience and information amongst themselves and with seasoned entrepreneurs throughout the EU. The programme provides both practical and financial assistance for young entrepreneurs who wish to learn by spending time in an SME in a foreign country. The European Commission co-funds travel and accommodation expenses of new or would-be entrepreneurs who wish to gain know-how about SME management as well as of experienced businessmen looking for fresh perspectives and international cooperation opportunities.

EU - Who do I call?
5. EU - Who do I call?

5.1 Who do I call, if I want to speak to Europe?

During his career as the US minister of Foreign Affairs, Henry Kissinger uttered the now famous words: “Who do I call if I want to call Europe”.

This question has remained prevalent throughout the European Union’s existence. And indeed, who represents the European Union? Is it the President of the European Commission or the European Parliament, or rather the European Council? Recently, the European Union has attempted to tackle this problem by appointing former Belgian Prime Minister Herman van Rompuy as permanent President of the European Council, and thus functioning as the ‘President of the European Union’.

However, this does not help you a great deal as a small business owner. Should you ever encounter EU related problems or obstacles, you are not likely to pick up the telephone to give Mr van Rompuy a call. So who do you call?

It is a well-known problem to the EU that small businesses have difficulties getting their voice across. Small size and lack of resources put small firms in a disadvantaged position as opposed to large businesses which possess the means to get their views across to the EU on a large scale. For this reason, the European Commission has appointed a dedicated SME Envoy, whose responsibility it is to facilitate channels of communication between the Commission and small businesses, as well as with MSE representative organisations. The SME Envoy is there to promote your interests throughout the Commission and to make sure that the Think Small First principle, as discussed earlier, is applied properly and effectively.

This year, Commission Vice-President Antonio Tajani, responsible for Industry (and MSEs), has appointed Mr. Daniel Calleja Crespo as the new EU SME Envoy.

You can write to the EU SME Envoy at the following email address:

entr-sme-envoy@ec.europa.eu

In February of this year, the Small Business Act for Europe was thoroughly reviewed. One of the major implications has been an effort to have Member States install their own SME envoy, frequently referred to as ‘Mr or Ms SME’. This person is responsible in your Member State for ensuring a correct application of EU law affecting SMEs, and to see to it that national as well as regional and local policies are MSE friendly. All but two Member States have inaugurated their SME envoy at the time of this publication.

A full list of national SME Envoys can be found at:


Other relevant general contact points can be found below:

Contact Guide to the European institutions

Contact points within the EU institutions, agencies and other bodies
http://europa.eu/geninfo/mailbox/contact_point_en.htm

This link provides an overview of telephone and fax numbers and postal addresses, see the list of Contact points within the EU institutions, agencies and other bodies

Europe Direct

Tel: 00 800 67 89 10 11 (free of charge throughout the EU)
Weekdays 9.00 - 18.30 CET - For any other hour you can leave a voice mail.

Contact form: http://europa.eu/europedirect/write_to_us/mailbox/index_en.htm

Your local contact point: http://europa.eu/europedirect/meet_us/directory/index_en.htm

Europe Direct is an information network covering all 27 Member States. The Europe Direct central information service is responsible for answering any questions regarding the European Union. Your calls will be answered in English; however you can use your own language, provided it is an official EU language.
5.2 Other Important Signposts - Your MSE Switchboard

In an attempt to untangle the sheer number of contact points, related to small business issues, the European Commission has created an SME Portal focusing on your business’ needs. http://ec.europa.eu/small-business/index_en.htm

Enterprise Europe Network

Your National Contact Point: http://www.enterprise-europe-network.ec.europa.eu/about/branches

The Enterprise Europe Network brings together 580 business organisations from 49 countries. These organisations are specialized in EU business issues, particularly as regards funding.

Your Europe

http://ec.europa.eu/youreurope/business/index_en.htm#

The European Commission in cooperation with the national authorities provides a guide including relevant information about doing business in the EU.

SOLVIT

http://ec.europa.eu/solvit/site/index_en.htm

SOLVIT is designed to solve problems encountered by both citizens and businesses in case an EU Member State fails to correctly implement EU law, particularly in relation to the Single Market. Your business can submit its complaints and SOLVIT centres are obliged to reply within 10 weeks. The service is free of charge.

EURES


This is a portal comprising of more than 850 advisers providing information, advice and services such as job matching of job seekers and employers.

European Business and Innovation Centre Network (EBN) http://www.ebn.be

This is a non-governmental, pan-European network of more than 200 Business and Innovation Centres and similar organisations. It is an umbrella organization providing assistance and expert advice to its members.


eBSN is a network established by the Commission in order to encourage the use of ICT by SMEs through networking and sharing of best practices. The overall aim is to boost competitiveness of the EU economy.

FP7 National Contact points (NCPs) http://cordis.europa.eu/fp7/ncp_en.html

The National Contact Points are established by the 27 Member States as well as the associated states under the Seventh Framework Programme (FP7), as discussed earlier in this publication. The NCPs provide support for research oriented SMEs.

Research Enquiry Service http://ec.europa.eu/research/index.cfm?pg=enquiries

In case of any general question regarding EU research you can submit your request to the Research Enquiry Service.

Electronic Proposal Submission Service Helpdesk https://www.epss-fp7.org/epss/helpdesk.jsp

The EPSS helpdesk will answer any technical question regarding the online application forms for the FP7 programme.

CEN-CENELEC SME Helpdesk http://www.cen.eu/cen/Services/SMEhelpdesk/Pages/default.aspx

These helpdesks at European and national level are specialised in providing information and advice on European Standardization.

EU information and assistance services http://ec.europa.eu/publications/booklets/others/83/index_en.htm

On this website you can find booklets issued by the Commission answering questions you may have both of general nature or related to your business.
ManagEnergy  
http://www.managenergy.net/smes.html

The website provides you with a guide with thematic and sectorial access to locally relevant energy information for SMEs, such as key European legislation, key funding, examples of good practices and useful links.

Research4SMEs  
http://www.research4smes.eu

This information portal is created as a part of joint actions and collaboration between three EU funded projects. It offers aggregation of the shared information that relates to all the three projects concerning public communication, press releases and workshops, as well as fostering the interaction with policymakers and SMEs intermediaries.

Erasmus for Young Entrepreneurs NCP  

Erasmus for Young Entrepreneurs is a grant providing promising European entrepreneurs with the skills necessary to start and/or successfully run a small or medium-sized enterprise in Europe. New entrepreneurs exchange knowledge and business ideas with experienced business men and women, guaranteeing a valuable experience. National contact points can be found through the web link.

European Documentation Centres  

European Documentation Centres offer online access to EU sources for research documents and a collection of printed publications.

National REACH/CLP helpdesks  

REACH is a legislative framework regarding chemicals in the European Union. You can find a list of all the national helpdesks providing advice regarding REACH regulations and all the responsibilities you as a business owner have regarding the REACH regulation.

Beneficiaries’ Info Point - TEN-T European Agency  
http://tentea.ec.europa.eu/en/apply_for_funding/follow_the_funding_process/follow_the_funding_process.htm

The TEN-T European Agency will provide information to beneficiaries of TEN-T programs.

Marco Polo Helpdesk  

The Marco Polo Helpdesk is dedicated to answer your questions regarding Marco Polo calls for proposals.

IPR Helpdesk  
http://www.iprhelpdesk.eu

The IPR helpdesk will answer your questions relating to participation in Community-funded research and technological development projects or innovation projects on intellectual property.

Eco-innovation National Contact Points  
http://ec.europa.eu/environment/eco-innovation/contact/national-contact/index_en.htm

These NCPs will assist your business to apply for funding and to receive advice and information about the eco-innovation programme.

5.3 The Role of Your Local Government

Information about the European Union can also be requested at a local level. The European Commission has representation offices in all 27 Member States, where you can find information about the European Union and address your questions.

http://ec.europa.eu/represent_en.htm

Furthermore, you can contact the office of the Permanent Representation to the EU of your country, region or local government. Each national representation’s website provides the address of regional representations as well.


Finally, the EU has offices in each Member State (and beyond). The following website helps you to find the representations of the EU institutions in your country.

http://europa.eu/euinyourcountry/index_en.htm
Understanding the processes and actions of one’s own government and the effect thereof on your day-to-day business operations is already quite challenging. Adding the complexity of the European Union to this equation can be mindboggling at times.

What is generally known about the EU is what is felt most directly in your business: added administrative burden and over-regulation. However, small business entrepreneurs are often ill informed about the benefits and opportunities the EU creates for their businesses, leaving many opportunities unused.

We hope that this publication has helped you in gaining a clearer perspective of the main small business aspects of the EU operations and will function as a guide towards making use of the EU.

It is important to realise that the European Union is an ongoing project, rather than a static institution. The EU Institutions are therefore constantly looking to improve their communication strategy towards small businesses in order to maximise your knowledge of what is out there and available.

To be successful, your feedback is of vital importance to this process. Whether it will be through membership in a national or European business association or as an individual entrepreneur, your voice is important.

These past chapters have informed you of the channels that are available to you to request information and get your ideas across to the EU, it is now up to you to make your voice heard and take what is on offer.