



**ACCOUNTANCY
EUROPE.**

HOW TO SECURE FINANCING FOR SMES?

Opportunities in EU funding

Infopack

FACTS.

**SMES
SEPTEMBER 2019**

HIGHLIGHTS

Staying financially afloat is an everyday struggle for many small and medium enterprises (SMEs). The European Union (EU) has pledged to improve SMEs' business environment to help strengthen competitiveness, promote innovation and growth.

Today, SMEs can benefit from various funds, grants, and equity from the EU. However, applying for those financing programmes can be a daunting process.

Professional accountants have the expertise to help SMEs' owners understand, identify the financing options best suited for their needs, and guide them through the application processes.

Our factsheet helps SMEs accountants and managers by providing an overview of the main EU financing opportunities available.

INTRODUCTION

According to the Committee of Regions' recent [report](#) on small and medium-size enterprises (SME) EU policy landscape, SMEs represent more than 99% of EU businesses, and employ no less than 2/3 of the EU labour force.

They are therefore crucial for the European economy and citizens. Financing their growth and innovation is an everyday challenge for SME owners. Whilst banks remain crucial as a source of funding for SMEs, they can be less suited for certain types of smaller companies with high growth potential but also with higher risks. Furthermore, administrative burdens linked to both bank and capital market financing may discourage managers who struggle to keep their businesses afloat.

The EU works to improve SMEs' business environment and offers various funds¹, grants, and equity financing for small growing companies.

Studies have shown that the importance and effectiveness of the EU funds depends on the region. Overall, the Regions confirm that EU Structural Funds are the primary source of funding to support SMEs, followed by Horizon 2020.²The funds for 2021-2027 will be of similar importance for SME financing in Europe.

As trusted business advisors, accountants can help SMEs to diversify their funding options and identify the type of financing that best suits their needs. Accountants are, therefore, well placed to inform their SME clients of those opportunities. They can help them choose and apply for the most appropriate EU funding options to grow, prosper and create employment.

Accountants can also help SMEs through the application processes. Due to the complexity of the EU financing instruments and the criteria, accountants who wish to provide such services to their clients should invest in acquiring the appropriate skills and expertise on the EU funds.

This factsheet gathers the main EU financing options from which SMEs can benefit, and aims to inform both SMEs and their accountant advisors of these. The paper presents the current one and the new ones coming after 2020. This will enable a better understanding of how the EU funding landscape is evolving.

EU FUNDS FOR SMES

HORIZON 2020

Always described as the most important EU programme for research & development (R&D) and innovation, Horizon 2020³ has a total budget of €77 billion. Since its creation in 2014, the programme has paid specific attention to SMEs as it helps them translate R&D into innovation and facilitates collaboration between SMEs and universities.

As part of Horizon 2020, the SME Instrument⁴ offers funding for innovation projects, supports services to access private financing and coaching to enhance innovation capacity.

Other initiatives under H2020 include InnovFin, a joint initiative of the European Investment Bank and the European Commission from which SMEs can benefit under the SME Guarantee Facility and SME Venture Capital.

¹ https://europa.eu/youreurope/business/finance-funding/getting-funding/access-finance/index_fr.htm#shortcut-4-fonds-de-lue

² <https://publications.europa.eu/en/publication-detail/-/publication/2d8932f4-b273-11e9-9d01-01aa75ed71a1/language-en>

³ <https://ec.europa.eu/programmes/horizon2020/en/what-horizon-2020>

⁴ https://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/sme_en.htm

HOW TO ACCESS THE FUND?

Horizon 2020 is open to all SMEs, with a simple structure that reduces red tape and time. For the SME Instrument, businesses must come under the EU definition of SMEs: that is, with fewer than 250 employees and an annual turnover of no more than €50 million and/or a balance sheet of no more than €43 million. National Contact Points⁵ can help SMEs' owners deal with practicalities.

Horizon 2020 is soon coming to an end. It will be replaced by Horizon Europe⁶, an ambitious €100 billion research and innovation (R&I) programme.

[National contact points provide guidance and practical information regarding H2020.](#)

HORIZON EUROPE

The 2021-2027 programme will aim to boost Europe's innovation capacity, competitiveness and jobs, while delivering on citizen's priorities. The key changes from Horizon 2020 will notably be extended association possibilities, with partners such as industry, civil society and funding foundations, or the creation of a European Innovation Council.

70% of the budget of this one-stop-shop will be dedicated to SMEs to support innovation and scale up potentials that are too risky for private investors. There will be two main funding instruments, one for early stages and the other for development and market deployment.

HOW TO ACCESS THE FUND?

The proposal introduces new eligibility criteria under which a research consortium will have to include three different Member States, or Associated Countries and at least one Member State. Under Horizon 2020, associated countries and Member States were given equal footing. Moreover, third countries will be excluded from calls regarding the Union strategic assets, interests, autonomy or security.

COMPETITIVENESS FOR SMES (COSME):

COSME⁷ helps SMEs to access finance in all development phases and complements national and regional actions. It specifically addresses enterprises and SMEs, with a budget of €2.3 billion of which 60% is allocated to the financial instruments.

Since its creation in 2014, the programme aims to facilitate access to finance, support cross border business expansion and access to markets, create a favourable environment for competitiveness and encourage an entrepreneurial culture.

COSME works with two financial instruments:

- The Loan Guarantee Facility provides guarantees and counter-guarantees to financial institutions increasing their lending to SMEs.
- The Equity Facility for Growth instrument provides risk capital to equity funds investing in SMEs.⁸

The programme supports improved access to EU markets for SMEs by providing and facilitating the exchange of good practices and experiences through the Enterprise Europe Network, which consists of 600 offices in more than 50 countries. The programme also promotes digital entrepreneurship and helps managers in their digital transformation.

⁵ <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/ncp>

⁶ https://ec.europa.eu/info/sites/info/files/research_and_innovation/strategy_on_research_and_innovation/presentations/-horizon_europe_en_investing_to_shape_our_future.pdf

⁷ https://ec.europa.eu/growth/smes/cosme_en

⁸ https://ec.europa.eu/growth/access-to-finance/cosme-financial-instruments_en

After 2020, the financial instruments of COSME will be integrated to the new European investment programme InvestEU, for the 2021-2027 period (see below).

HOW TO ACCESS THE FUND?

To apply to COSME calls, SMEs must have an original project idea that can be competitive at the EU level, and a well-developed plan. The Enterprise Europe Network⁹ provides more information and advice to applicants.

[The Enterprise Europe Network, supports entrepreneurs with advices and information.](#)

INVEST EU : A FUTURE EU FUND

Invest EU¹⁰ will be the new programme for single market, competitiveness of enterprises, including SMEs, for the 2021-2027 period. With a focus on competitiveness of enterprises and SMEs, this new programme aims at improving the internal market and standardisation. The fund will support four policy areas: sustainable infrastructure; research, innovation and digitalisation; SMEs; social investment and skills. €11.25 billion will be allocated to SMEs.

HOW TO ACCESS THE FUND?

The projects under InvestEU should address market failures or investment gaps and help meet EU policy objectives. SMEs should continue to apply to their local commercial or public banks whose financial products are covered by the EU guarantee in their country or region.¹¹

[For further information, the EU maps all the financial intermediaries for each Member State, their budget and the fund under which they are operating.](#)

EUROPEAN STRUCTURAL INVESTMENT FUNDS (ESIF)

ESI Funds are implemented through shared management. The European Commission and Member States jointly implement the funds on a de-centralised basis. ESIF covers five funds that concentrate more than half of EU funding and channel EU cohesion policy:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)
- European Agricultural Fund for Rural Development (EAFRD)
- European Maritime and Fisheries Fund (EMFF)

ESIF has a long tradition of supporting SMEs, with a strong focus on digital technologies, low-carbon economy and sustainable management of natural resources. However, within ESIF, the ERDF is the only fund with a strong focus for SME support.

EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

The ERDF specifically supports SMEs with the objective to enhance their competitiveness, and includes two investment priorities focusing on promoting entrepreneurship: one is facilitating the economic exploitation of ideas and fostering business creation, the other is supporting the development of capacities for new products and services.

⁹ <https://een.ec.europa.eu/>

¹⁰ https://ec.europa.eu/commission/sites/beta-political/files/what_is_investeu_mff_032019.pdf

¹¹ https://europa.eu/rapid/press-release_MEMO-18-4010_en.htm

ERDF prioritises the development and implementation of new business models for SMEs, in particular when developing cross-border exports, for cross-border expansion, and supports the capacity of SMEs to grow in regional, national and international markets.

ERDF planned to support 816 754 SMEs with almost €96 billion in 2014-2020. For the next period 2021-2027, the scope of support from ESIF should remain mostly unchanged.

HOW TO ACCESS THE FUND?

There is no European minimum size for projects. What counts is their European added value, their impact on employment, their innovative nature and whether they contribute to the region's economic competitiveness. However, selection criteria of the operational programmes¹² may differ according to regions and countries.¹³

Programmes funding by the ERDF are negotiated between the EU and each Member States.

[This website gathers all the ongoing programme in each State, with the contact of the national managing authority.](#)

CREATIVEUROPE

Creative Europe is part of the LIFE programme. Since 1992, it has been participating to the protection of the environment. The programme finances environment and climate actions, with a €3.4 billion budget. It offers the possibility for SMEs to receive funding through grants as well as financial instruments managed by the European Investment Bank. . A specific objective of the programme is to strengthen the financial capacity of SMEs in the cultural and creative sector, through the Creative Europe programme.

The budget for Creative Europe¹⁴ is €1.46 billion. Creative Europe Desks¹⁵ are established in 38 countries, to provide free information and guidance on access to funding opportunities and facilitate contact between cultural operators in different countries.

For the 2021-2027 period, the European Commission proposes to raise the LIFE programme budget to €5.45 billion, with four sub-programmes: nature and biodiversity; circular economy and quality of life; climate change mitigation and adaptation; and clean energy transition.

HOW TO ACCESS THE FUND?

The application procedure varies according to which sub-programme and project type the SME applies for. Following the Commission's calls for proposals, an eForm¹⁶ must be used to submit applications. Candidates must submit a concept note explaining the environmental or cultural benefits of their project to the EU landscape.

[Contact points for the Life programme help with application process and organise information events for entrepreneurs.](#)

EMPLOYMENT AND SOCIAL INNOVATION (EASI)

With a €919 million budget, the EASI programme¹⁷ aims since 2014 at promoting a high level of quality, sustainable employment and guaranteeing adequate and decent social protection. EASI fosters social innovation and makes labour and financial markets more accessible.

¹² <https://ec.europa.eu/esf/main.jsp?catId=576&langId=en>

¹³ https://ec.europa.eu/regional_policy/sources/informing/dialog/2014/3_guidance_beneficiaries.pdf

¹⁴ <https://ec.europa.eu/programmes/creative-europe/>

¹⁵ https://eacea.ec.europa.eu/creative-europe/creative-europe-desks_en

¹⁶ <https://webgate.ec.europa.eu/eproposalWeb/>

¹⁷ <https://ec.europa.eu/social/main.jsp?catId=1081>

Its axis 'Microfinance and Social Entrepreneurship' directly addresses SMEs by supporting microenterprises and enterprises to access micro-credit and microloans.¹⁸ The programme's EASI guarantee, with a €96 million budget enables financial institutions to invest in high risk micro and social enterprises.

The European Commission and the financial intermediaries work with a risk-sharing mechanism. They enable microcredit providers¹⁹, to expand their outreach to underserved SMEs.

HOW TO ACCESS THE FUND?

Financial institutions in the field of microfinance and social entrepreneurship are eligible to apply to calls for expression of interest on the European Investment Fund website. SMEs' owners can find a list of financial intermediaries operating under the EASI guarantee instrument.

[SMEs looking for a loan can find on this webpage the list of financial intermediaries currently operating under the EASI instrument.](#)

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¹⁸ <https://ec.europa.eu/social/main.jsp?catId=1084&langId=en>

¹⁹ Microcredit are loans below €25.000. Providers accept to lend this small amount of money to entrepreneurs who cannot always present sufficient guarantees.



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ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 36 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

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