

# **SME POLICY UPDATE**

**FEBRUARY-MARCH**

## **HIGHLIGHTS**

- European Commission announces next priorities on its SME agenda
- European Parliament makes progress on several files of relevance to Europe's SMEs
- Updates on SME digitalisation and access to finance

## **EUROPEAN COMMISSION**

### **DG GROW MANAGEMENT PLAN FOR 2019 – 1 FEBRUARY**

DG Growth published its [management plan](#) for 2019. The focus is on delivering what has already been proposed. Therefore, there will be no new major legislative proposals. Nonetheless, there will be work in view of preparing the next Commission. To support SME creation and growth, DG GROW intends to:

- Continue the European Programme for Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME). This programme provides funding for improving access to finance for SMEs (equity and debt financial instruments), access to markets for SMEs, framework conditions for competitiveness and promoting entrepreneurship. It will reflect strategic actions in potential high growth areas for SMEs such as high-tech skills, internationalisation of clusters or public procurement of innovation.
- Launch, together with DG ECFIN, the ESCALAR mechanism (European ScaleUp Action for Risk Capital). For the pilot phase 2019 – 2020, an initial budget of EUR 300 million will be provided by the European Investment Bank (EIB) on the basis of the EFSI Guarantee. Post 2020, it will be financed in the framework of InvestEU.
- Keep supporting innovation in SMEs through Horizon 2020 – the European Programme for Research and Innovation
- Continue to provide assistance with the SME test. Ongoing evaluations will be supported, e.g. by carrying out SME panel consultations and dialogues with SME organisations. EC intends to strengthen the collaboration with SME test experts in Member States, building on the work of SME Envoys.
- Consider whether to revise the [SME definition](#). An on-going study evaluating the implementation of the SME definition is ongoing. The preliminary results, while identifying some areas for improvement, do not indicate an immediate need for a revision. The evaluation is expected to be finalised by June 2019. DG Grow will participate in the negotiations of Free Trade Agreements focusing on improved market access of EU SMEs to third country markets.

## **DIGITALISATION OF COMPANY LAW – 5 FEBRUARY**

The European Parliament and Member States reached an agreement on new rules (see provisional text [here](#)) aimed to facilitate and promote the use of online solutions in a company's contacts with public authorities throughout its lifecycle. The new rules will enable companies to register, set up branches or file documents with the business register online and introduce the 'once-only' principle, whereby a company would only need to submit the same information to public authorities once. Documents submitted by companies will be stored and exchanged by national registers in machine-readable and searchable formats.

Currently, only 17 Member States provide a fully online procedure. With these new rules, companies like SMEs will be able to create businesses online in all Member States. This possibility cuts costs and administrative burden. Strong safeguards and the exchange of information between Member States intends to prevent fraud.

The text must now be formally adopted by the European Parliament and the Council in the coming weeks.

For more see a [statement](#) by the Commission and a [summary](#) of the vote in the Parliament.

## **DG FISMA PUBLISHES MANAGEMENT PLAN FOR 2019 – 12 FEBRUARY**

DG FISMA has published its [management plan](#) for 2019. Concerning SMEs, the European Commission (EC) is committed to improve access to finance for SMEs including a more diversified debt funding.

The EC prioritizes finalising the negotiations on the legislative texts on promoting SME growth markets and crowdfunding. In April 2019 the EC will publish a report on the remaining non-legislative actions.

Following the [advice](#) of the EBA on European Secured Notes, the EC will work on making it an instrument for SMEs. Meanwhile, it intends to issue, a proposal for a directive on covered bond in May 2019.

## **EUROPEAN PARLIAMENT**

### **PARLIAMENT VOTES ON THE PROGRAMME FOR SINGLE MARKET – 12 FEBRUARY**

The European Parliament adopted a [legislative resolution](#) on the proposal for a regulation establishing the Programme for single market, competitiveness of enterprises, including SME.

The regulation will establish the Single Market Programme from 2021 to 2027, improving its functioning and especially the competitiveness of EU SMEs on the world market. The programme aims at giving space to technological and organisational innovation into production processes, with particular attention to specific forms of SMEs such as microenterprises.

Under this programme, the EU wants to support increased participation of SME representative organisations in the development of single market policy initiatives.

### **EUROPEAN PARLIAMENT AND COUNCIL REACH AN AGREEMENT ON SME LISTINGS – 6 MARCH**

EU Member States and the European Parliament have [reached](#) a political agreement on new rules to further improve access to capital market financing for SMEs. The revised rules will make it cheaper and simpler for SMEs to access public markets through the so-called "SME Growth Markets".

The now adopted rules will modify the Market Abuse Regulation (MAR) and Prospectus Regulation, and attempts to strike a balance between cutting red tape for SMEs while safeguarding market integrity and investor protection.

The amendments will also ensure minimum liquidity and reduce volatility of SME shares. Among others dispositions, SMEs will benefit from alleviated procedures to enter a regulated market and simplified disclosure rules.

## **EU AGREEMENT TO SUPPORT INNOVATION IN SMES – 27 MARCH**

The Council and the European Parliament [agreed](#) on a compromise of the Horizon Europe package, the next EU framework programme on research and innovation for 2021 to 2027.

This deal [intends](#) to support innovation in SMEs through faster investments, with applicants defining the scope of their project themselves. The Accelerator, replacing the existing SME instrument, will award two types of support: blended finance and grants, optionally followed by equity investment, for the first time in EU research funding.

The Commission will soon publish a recruitment call for programme managers, to play the role of ‘spotters’ of promising SMEs in Member States.

## **NATIONAL NEWS**

### **PARIS GREEN FUND HELPS SMES AND THE ECOLOGICAL TRANSITION – 15 FEBRUARY**

The new [Paris Green Fund](#), a territorial investment of the city of Paris supports the development of innovative SMEs. The fund buys shares of unlisted SMEs working for the ecological transition of big cities, and help accelerate the growth of these SMEs.

The fund targets innovative and already profitable SMEs, all over the EU. The idea is that for the time when the Fund is shareholder of the SME in question, the latter will be trying to develop its business in Paris, notably by selling its products, solutions, services in Paris.

### **HOW BRITISH SMES PREPARE FOR BREXIT – 7 MARCH**

The Guardian has published an [article](#) that presents five case studies of SMEs preparing for Brexit. The case studies demonstrate that British SMEs are beginning to worry about their competitiveness in a potential no-deal Brexit scenario. SMEs have already faced increased costs since the Brexit referendum notably as a result of a weak pound.

Costs of imports and exports as well as free movement of labour are the main concerns SMEs have to face. Some enterprises have made the choice to register their products in EU27 and moving staff there, in order to enable them to continue selling their products in the Single Market after Brexit.

### **BELGIUM INTRODUCES NEW SME AUDIT STANDARDS – 12 MARCH**

The Belgian federal public service for economy and SME [released](#) a notice regarding the approval of new standards relating to the contractual control of SMEs. This standard has been developed at the request of the Belgian Minister of Economy.

## ACCESS TO FINANCE

### ACCOUNTANTS' ROLE KEY TO SME ACCESS TO FINANCE – 11 FEBRUARY

The advice and expertise of an accountant or financial advisor is central to a successful SME funding outcome, [reports](#) the managing partner of Caple, specialising in SME growth credit. He underlines the importance of understanding the quality and reputation of non-banking entities.

New businesses enable SMEs to access long term flexible and unsecured debt finance. Through their expertise and knowledge of their clients, creditors recognise accountants are necessary to originate loans and build detailed funding proposals. Accountants allows SMEs to access the funding they need to develop and grow their business.

### TECHNOLOGY CAN IMPROVE SME FINANCING – 14 MARCH

Technology [provides](#) opportunities to overcome many challenges SMEs meet in their financing needs.

If the situation has improved, the difficulty in obtaining financing stays one of the main constraints for SMEs. Today, technology-like machine learning is enabling financial institutions to unlock new financing opportunities. Machine learning programmes can analyse large amounts of data to make recommendations on which types of funding are best suited for each type of business. Incorporating it into the financing process is a step towards ensuring traditional banks will continue to evolve and better serve SMEs.

### FINTECH VS. BANKS : LENDING OPTIONS HAVE EVOLVED FOR SMES – 14 MARCH

Digital [platforms](#) are speeding up SME lending, cutting red-tape for SMEs by using machine-learning to assess automatically a business' performance. This system enables SME to access the funds needed within the hour, while SMEs are left waiting during testing times with traditional banks.

Banks are however still competitive. They keep an advantage as they can offer low interest rate in comparison to some other competitors. Their reputational advantage could be used to increase access to customer data and new technologies to offer digital products at increased scale.

## DIGITALISATION

### SMES INVEST IN NEW TECHNOLOGIES AT AN INCREASING PACE – 5 MARCH

A new [report](#) from the Yorkshire Bank shows that technology transition has become a fixed cost in SMEs' budget. According to the report, a quarter of SMEs expect their technology investments to increase.

Businesses are investing in various fields, from productivity to accounting software. The main barrier to adopt new technology remains the costs, underlining the continuing challenge of access to finance.

### HOW CAN SMES TAKE ON NEW CHALLENGE OF DIGITAL SKILLS – 7 MARCH

Digitalisation is evolving at a rapid rate and for SMEs, this means responding to evolving demand for best digital innovations, [reports](#) Nick Williams from Lloyds Banking Group. However, for example in the UK one third of SMEs still don't have a website, and miss out on benefits including time and cost savings.

Improved collaboration could help SMEs on their digital skills by working with partners to deliver training programmes. The Lloyd Bank Academy developed a free service open to everyone, business and consumers, to access such trainings. Best practices and guidance should drive progress on digital education, Mr. Williams concludes.

## **CLOUD MARKET IMPROVES SMES PERFORMANCE – 20 MARCH**

The adoption of cloud-based services is increasing and shifts towards SMEs, shows Garner insights' new [report](#). Cloud market enables enterprises to avoid investment in IT infrastructure and reduces operational costs in daily business operations. It also improves performance, efficiency and security of business operations, as well as data.

[Cloud](#) is now becoming a suitable solution for all industry as it offers flexibility, automatic software upgrades, enhanced communication, and ease of collaboration between users.

## **OTHER NEWS**

### **IFRS FOR SMES – 4 FEBRUARY**

The International Financial Reporting Standards (IFRS) Foundation is developing stand-alone [modules](#), for each section of the 2015 version of the IFRS for SMEs standard. These modules will provide support to anyone applying IFRS. Each module includes requirements, significant estimates, comparison with full IFRS Standards, and tests and case studies.

### **SMES AND FRAUD MITIGATION – 12 MARCH**

SMEs can be more susceptible to fraudsters than larger corporations, [reports](#) the Payments Journal. Fraud prevention strategies are a necessity for SMEs to mitigate the risks. The main types of fraud SMEs are vulnerable to are CEO fraud, fake invoicing, mandate fraud and cyber fraud.

Solutions can include better Trainings on cyber-attack are essentials. Segregating accounting duties would also be a way to prevent easy access to both payments and record keeping. Two different people handling the accounts would improve internal accounting controls, the report concludes.

### **FINANCIAL LITERACY REDUCES RISKS OF BUSINESS FAILURES – 25 MARCH**

Financial education needs to be extended to business owners, [declared](#) Gerhard Humer from SMEUnited during the annual European Money Week, underlining that there is a relation between financial knowledge and business failure. Mr. Humer underlined that notably accountants have a key role to play to manage the financial aspects of the businesses, as owners have only limited resources to keep their financial knowledge at a sufficient level. The European Commission should support the idea of national roundtables with SMEs and accountancy organisations to develop training activities, he concludes.

### **SMES ARE FUNDAMENTAL FOR SUSTAINABILITY – 26 MARCH**

As part of their campaign towards the European elections, SMEUnited has published its [manifesto](#) in which it underlines that SMEs are part of the solution when it comes to sustainability.

SMEUnited urged the next European mandate to focus on a legislative framework allowing SME to fully deploy their key role to achieve sustainability in the EU. For this, SMEs require measures such as information, technical assistance, and easier access to finance, SMEUnited emphasises.