



Policy session: Lessons from SME support during the Crisis

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SMEs and the

Urban Fabric

SECOND EDITION



Overview

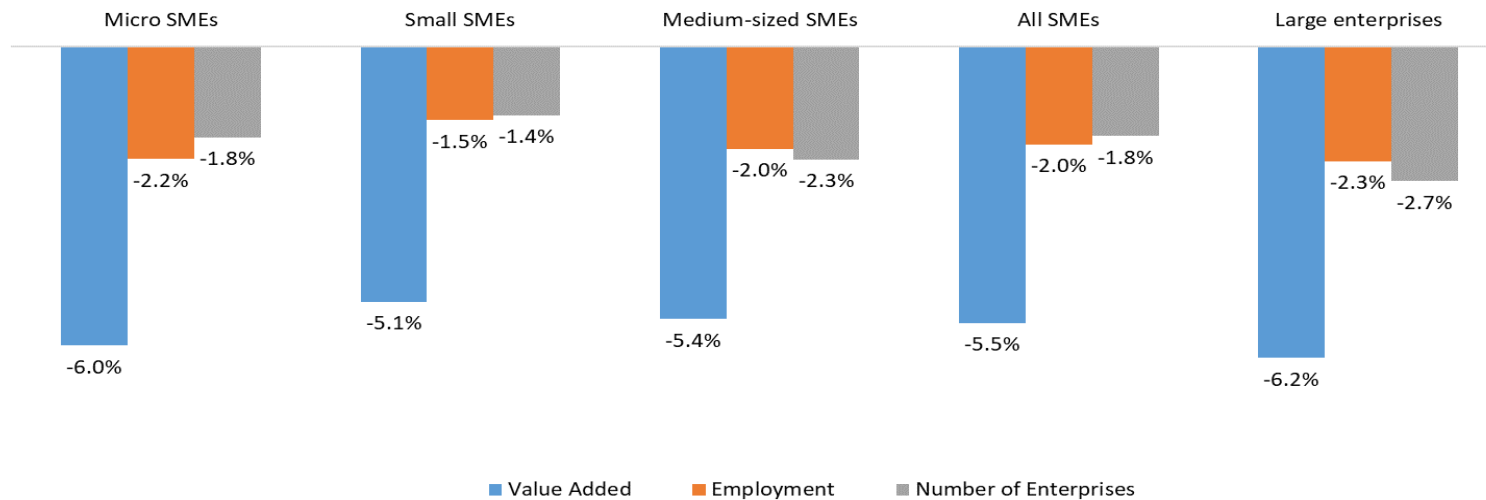
Impact of the Covid-19 crisis and EU response

- EU SMEs during the crisis
- EU level measures
- EU - MS support coordination – the case of the RRF

1. Context - EU SMEs during the crisis

The impact of the pandemic on EU-27 SMEs

2020 growth rates of value added, employment and number of enterprises by enterprise size class

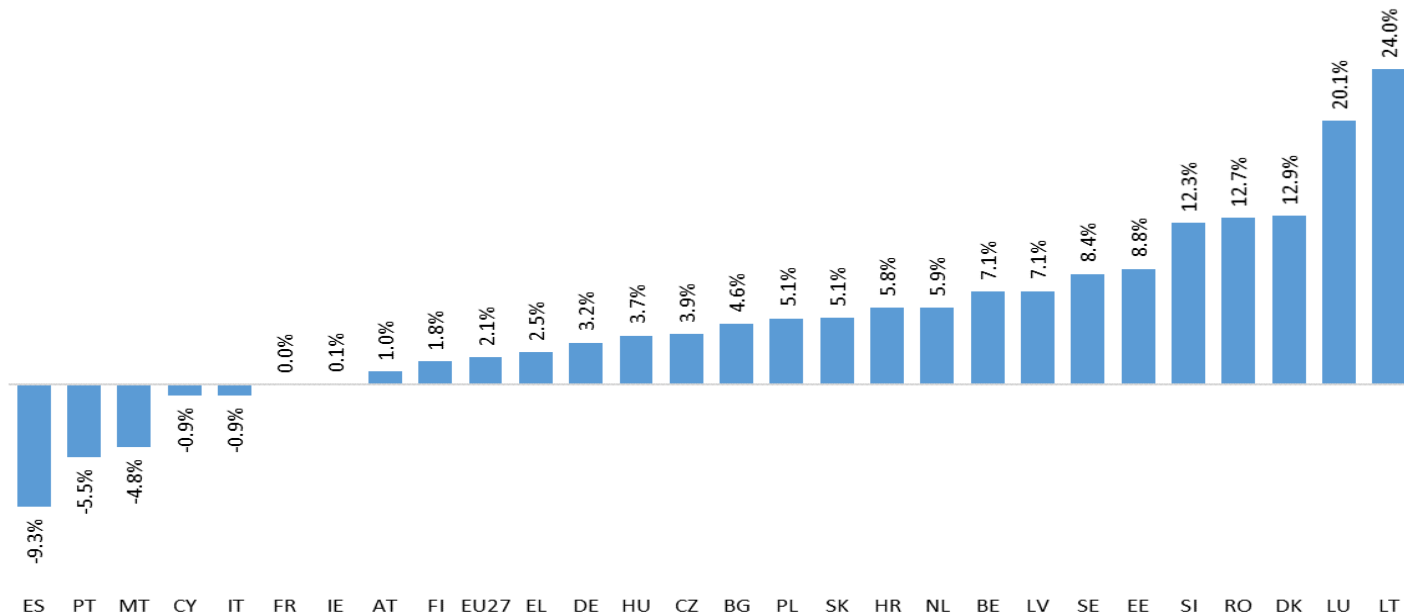


- All enterprises in the EU experienced marked declines in value added and more moderate decreases in employment and the number of enterprises in 2020.
- Due to the global pandemic, the employment rate of EU SMEs decreased by 2.0%.
- Value added among the EU SMEs declined by 5.5%.
- During the pandemic, the number of enterprises decreased by 1.8%.

Source: Calculations by the JRC based on Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database

The impact of the pandemic on EU-27 SMEs

Percentage change in SME value added in 2021 compared to 2019 in the NFBS of the EU-27 and across EU Member States



- SME value added grew in majority of the EU Member States in 2021, with SMEs in two Member States achieving value added growth greater than 20% since 2019.
- The level of SME value added was higher in 2021 than in 2019 in most MS.

Source: Calculations by the JRC based on Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database

Pandemic – induced effects on SMEs and markets

The pandemic caused almost instant disruptions to markets and supply chains within and outside the EU

Examples:

- Travel and transport bans
- Unilateral bans on or rationing of the export/sale of specific goods
- Rise of ‘coercive’ business practices
- Hoarding of specific goods

2. EU level measures

In support of SMEs and countering the negative impacts of the crisis on markets and businesses

Overview - EU level measures in support of SMEs

Selected examples:

- Enhancement of existing financial support instruments (incl. structural funds)
- Flexible handling of State aid regime
- Hands-on technical support and advisory services for EU SMEs through national partners (mainly through the Europe Enterprise Network (EEN))
- Use of cluster networks to adjust supply chains and exchange information

Types of Covid-19 related Single Market issues faced by businesses in the past year as example for our services (as reported by clients of DG Grow's EEN)

- ✓ Barriers to free movement of goods (CE-marking, other product rules)
- ✓ Services, cross border workers, social security/health coverage
- ✓ Help for understanding legal requirements for transforming products to meet Covid-19 related needs (PPE, sanitization products, isolation equipment....)
- ✓ Demand for certain types of products and services has stopped dead (how can I transform my business + related legal requirements – not necessarily to Covid-related sectors, but to something that will generate revenue now or in the very short term)
- ✓ Challenges of digitalization (teleworking, interacting with clients, e-commerce...)
- ✓ Contract issues (non fulfilment of partnership agreement arrangements due to the crisis)

Clusters

Clusters network helps European SMEs affected by the Covid-19 pandemic and the war in Ukraine find business partners for collaboration in Europe.

- The Enterprise Europe Network (EEN) and the Clusters network are helping affected companies **find partners** in Europe. The EEN “Supply Chain Resilience” platform provides a partner **matchmaking tool** to help companies overcome urgent needs and any disruption to their value chain (The Supply Chain Resilience (SCR) platform - Welcome (b2match.io)).
- The European Cluster Collaboration Platform, in collaboration with the Enterprise Europe Network, runs **dedicated surveys** to pick up the signals of disrupted supply chains from the ground in order to anticipate and find solutions.
- Organisation of dedicated **‘Clusters meet Regions’ workshops**. The aim is to strengthen the integration of the supply chains within a given region and the wider EU Single Market. Focus is on the industrial ecosystems most affected by the disruption in a given region.

Future EU level measures in support of supply chains and the availability of inputs

The European Commission is in the process of flanking their existing policy instruments by novel initiatives that are supposed to

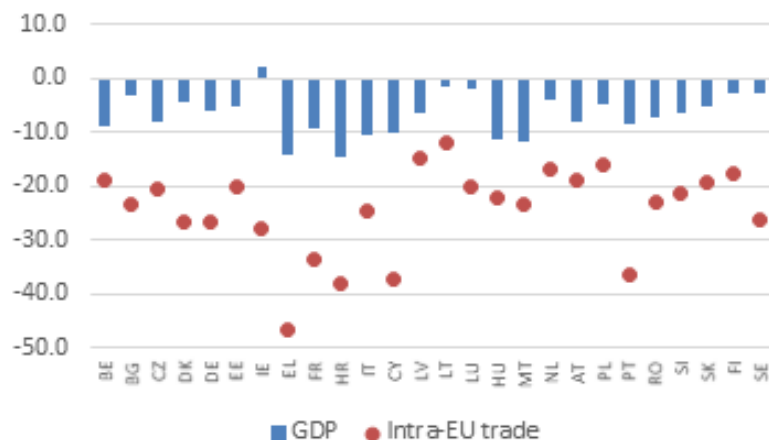
- increase the resilience of the EU businesses, including SMEs
- mitigate supply chain disruptions caused by suddenly emerging crisis ' such as the Covid-19 pandemic.

Examples:

- Single Market Emergency Instrument (SMEI)
- Chips Act

The Single Market Emergency Instrument (SMEI) – Impact of the COVID-19 crisis on the Single Market and the way forward

We observed a significant fall in intra-EU trade (-24%) during the period when obstacles to the Single Market emerged



GDP and intra-EU exports of goods and services - Q2, Q3 2020 compared with 2019

Disruptions in the Single Market

Disruptions in free movement of people, goods and services

Poor coordination and information sharing on restrictions

Disruptions in supply chains and lack of essential products (e.g. masks, ventilators)

High volumes of non-compliant goods to be checked

Single Market Emergency Instrument

Structural solutions to facilitate circulation of goods and services (e.g. Green Lanes)

Improved transparency on export restrictions and services restrictions (e.g. notifications)

Faster product availability and enhanced market surveillance (e.g. standard setting and sharing, fast-track conformity assessment)

Strengthened public procurement cooperation

Contents of the proposal

**Reinforced Single Market
governance tools and
procedures**

**Improved transparency and
coordination on intra-EU
export restrictions and
services restrictions**

**Structures and tools to
facilitate circulation of goods
and services in the context of
border restrictions**

**Targeted measures for
speedier product availability**

**Enhanced market surveillance
procedures**

**Reinforced cooperation and
information-sharing in public
procurement**

European Chips Act

The aim of the European Chips Act is to boost Europe's technological sovereignty, competitiveness, resilience and contribute to the digital and green transitions (status: Commission proposal for a Regulation to be sent for the approval to EP /EUCO)

- Chips or semiconductors play a central role in modern economies, underpin the digital transformation and are essential to all industries.
- The European Chips Act will reinforce the semiconductor ecosystem in the EU, ensure the resilience of supply chains and reduce external dependencies.
- ECA will ensure Europe meets its digital decade target of doubling its global market share in semiconductors to 20%.

5 strategic objectives

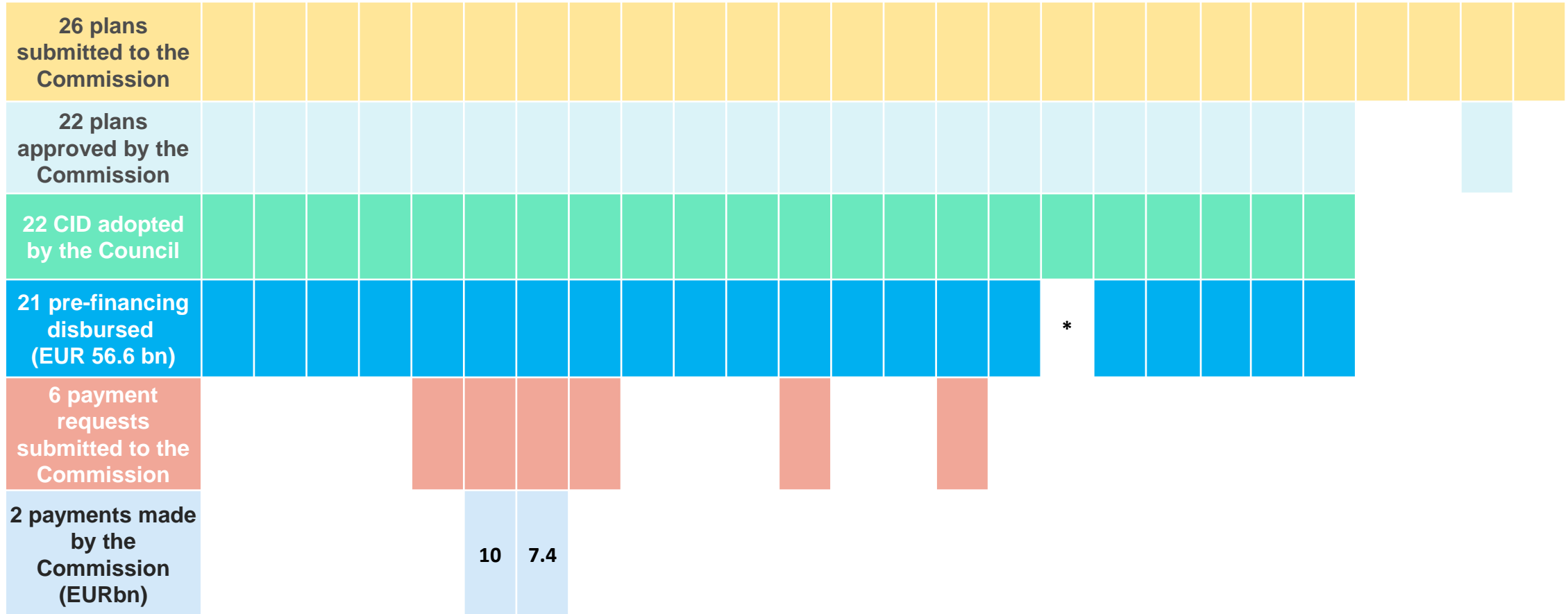
- strengthening research and technological leadership;
- building and reinforcing Europe's capacity to innovate in the design, manufacturing and packaging of advanced chips;
- putting in place an adequate framework to increase production by 2030;
- addressing the skills shortage and attracting new talent;
- developing an in-depth understanding of global semiconductor supply chains.

3. SMEs support

Observations on content in the national Recovery and Resilience Plans

State of play of all recovery and resilience plans

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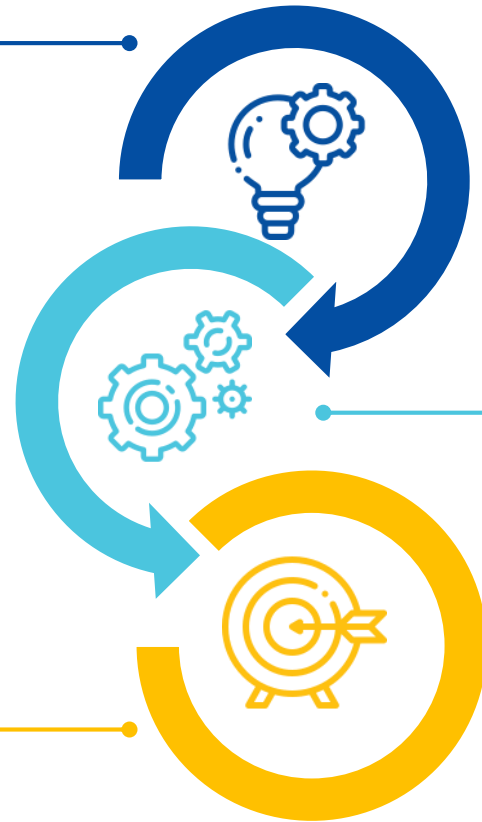


* No pre-financing requested

SMEs a policy priority in the RRF

Policy areas:

- Pillar on: smart, sustainable and inclusive growth, including [...] a **well-functioning internal market with strong SMEs**;
- Green and digital transition
- Country specific recommendations with an impact on SMEs (e.g. business environment, access to finance)



Opportunities for SMEs:

- Reforms
- Direct support
- Indirect support (investments in SMEs intensive sectors, extraordinary increase in demand)

Implementation:

- Major boost to implement the EU SMEs strategy and Industrial policy strategy
- Recovery
- Strengthen growth and resilience

SMEs dimension

Overview

- SMEs related measure in all 22 plans currently approved by the Council
- Direct support to SMEs, an estimated €44 billion
- Potentially up to €109 billion (24% of RRF expenditure)

Examples of reforms

- Improve the business environment and reduce red tape;
- Reform insolvency procedures and access to finance;
- Promote private investment, venture capital, and other innovative forms of financing



Implementation

- Most of the investments will be deployed through call for projects
- Different types of support: in-kind, grants, financial instruments, tax incentives
- Several milestones and targets identify SMEs as final beneficiaries

Examples of Investments

- Basic and advanced digitalisation of SMEs
- Support the green transition of SMEs (renovation, decarbonisation, circular economy)
- Internationalisation
- Skills (entrepreneurships, management)

Reforms



SMEs will benefit from the reforms that will enhance competitiveness, growth and resilience

Examples:

- Reduce regulatory/administrative burden and improve business environment
- Business environment and insolvency framework
- Access to finance
- Public procurement and payments

4. Conclusions

Observations on content in the national Recovery and Resilience Plans

The SME Strategy and Covid-19

The European Enterprise Network played an active role in advising SMEs on financial support available to support them with COVID-19 related issues.

- Implementation of the strategy is now even more important:
- The SME strategy is not only a key tool for post-crisis recovery but is supporting SMEs during the crisis.
- To this end, the European Commission is already progressing with the implementation of a number of the SME strategy key actions with particular relevance in the crisis, notably:
 - Using the EEN to provide advice and facilitate exchanges;
 - Cutting red tape;
 - Supporting Member States to better enforce the Late Payment Directive;
 - ESCALAR – providing venture capital to deal with the impact of the crisis and support businesses also in scaling up.

Broader policy lessons

- Improving the resilience of the single market, esp. by improving the communication and coordination of policy actors at various levels
- Reduction of strategic dependence from external sources
- Coordination of short-term crisis response with strategic long-term goals

Thank you

More information: Commission webpage on SME Performance Review (SPR) and the RRF

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