



All big businesses started off as small enterprises, with more ideas and passion than money. Many of the large companies that are prominent today have subsequently earned large valuations, but few started with large investment amounts. Even when they become sizeable, they still rely on many smaller businesses as suppliers and clients.

In accordance with the European Commission's recommendation, the EIB defines SMEs as companies with up to 250 employees and mid-caps as firms with between 250 and 3 000 employees.

Smaller companies are a driving force of economic development across the globe. They create new jobs, products and services, and contribute to economic growth. Europe's 23 million smaller businesses represent 99.8% of non-financial businesses and provide around two thirds of all jobs in this segment.

Small firms are also key drivers of innovation. They are usually more flexible and can embrace change quicker than bigger companies. There are many SMEs with fresh ideas, compelling new products or services and high growth potential. However, they are often unsuccessful when looking for funding to grow. Based on feedback from 12 000 companies across Europe, the latest EIB investment survey confirms that innovative young firms are 50% more likely than other firms to be credit constrained.



Small and medium enterprises

OVERVIEW

2020

FACTS AND FIGURES

In 2019 alone, the EIB Group, which comprises the European Investment Bank (EIB) and the European Investment Fund (EIF), **supported over 386 600 SMEs and mid-caps with new financing, sustaining 4.4 million jobs**. Commitment to small and medium enterprises and midcaps continues to represent the single largest priority of the EIB Group in terms of lending volume. Support for SMEs accounted for 35% of overall EIB signature volume and almost the entirety of EIF activities. In absolute terms, this means **€25.5bn** out of total EIB Group lending of **€72.2bn**.

HOW THE EIB GROUP HELPS SMALL AND MEDIUM ENTERPRISES

The EIB Group supports businesses with a wide range of intermediated products, including loans, guarantees and securitisation, equity and quasi-equity financing. It cooperates with a wide range of financial intermediaries that offer financial products targeting SMEs and micro-enterprises. We benefit from these intermediaries' expertise, local knowledge and proximity to the businesses themselves.

The Group primarily targets regions that are economically constrained and require more investment and financing tools, whilst also supporting business innovation, especially in digitalisation, energy efficiency and climate action.

The Group supports companies throughout their development. EIB-intermediated lending has typically helped more established small businesses and mid-caps, while still reaching out to micro-enterprises. The EIF, with its venture capital and guarantee instruments, focuses on enterprises in earlier stages of growth and/or innovative enterprises.

BENEFITS OF THE EIB'S SUPPORT FOR SMALL AND MEDIUM ENTERPRISES

In addition to expanding the pool of finance made available to SMEs, one of the key benefits of an EIB-funded loan is that it provides favourable financing terms in terms of lower interest rates and/or longer maturities. The EIB's financial advantage is passed on to small businesses directly by financial intermediaries, mostly local commercial banks.

BENEFITS OF THE EIF'S SUPPORT FOR SMALL AND MEDIUM ENTERPRISES

One of the EIF's objectives is to crowd in private sector resources. Research has shown that a 1% increase in EIF-provided venture capital in a region has historically led to a 1.4% increase in other investors' activity in the same region, one year later.

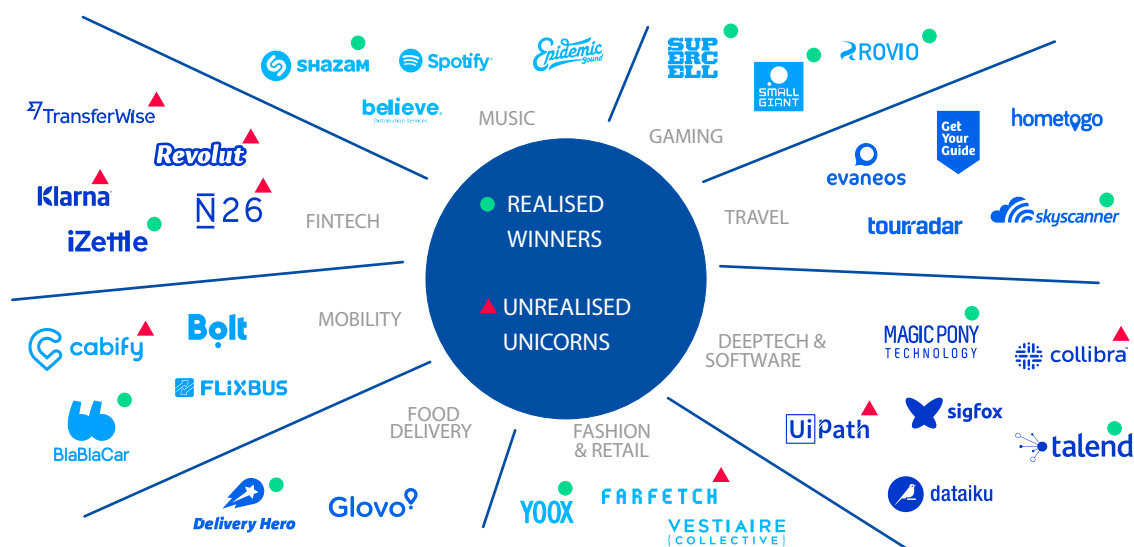
European venture capital managers find that the EIF is a reliable investor to have on board. The EIF's commitment signals the quality of the fund to private investors, often allowing venture capital funds to raise several fund generations. In 60% of cases, the EIF is involved in a successor fund.

At least one in three (17 of the estimated 48) European tech unicorns (valued at over \$1bn) have been supported by the EIF, mostly in the early stages of their development. Skype, Skyscanner, WeTransfer, Transferwise, Blablacar, Spotify, Shazam, Just Eat, Farfetch, Rovio and Zalando are all examples of companies supported by the EIF.

IMPACT OF EIB GROUP SUPPORT FOR SMES

On average, SMEs benefiting from EIB Group financing grew more in terms of assets and number of employees than their peers (comparable firms that did not receive EIB Group support).

The EIB Group's finance offer to SMEs and mid-caps is complemented by the provision of advisory services.



Example companies over multiple years. Unicorns are privately held businesses in Europe valued at over \$1bn. Valuation as at March 2019. Source: EIF.

PROJECT HIGHLIGHTS

The EIB Group's wide range of financial intermediaries has helped thousands of SMEs and entrepreneurs across Europe to start up and expand their businesses. These businesses vary in size and sector and include many different trades and professions, from bakers to plumbers, from engineers to food producers.

Energate, Estonia

Since 2008, Energate had successfully operated last mile natural gas distribution in Estonia for customers around Tallinn and Tartu, including those in the most remote locations, and it was ready for new challenges. Energate CEO Hardi Sui believed that the company's future lay beyond its traditional activity and wanted to embark in innovative renewable energy projects to make Energate the Estonian gateway to green energy. He was convinced that the development of renewable energy would have a part to play in the regional growth of Estonia.

Keen to prepare for the set-up of an 18 MW wind farm project in south-west Estonia, Sui found the perfect strategic partner in Baltcap, a private equity firm that believed in his business model. Backed by the EIF and thanks to resources from the European Commission, Baltcap provided the capital Sui needed to realise his plans. The additional financing capacity made it possible to build the infrastructure for six wind turbines that would later be integrated into the energy network.

Electro Power Systems, Italy

It all started in 2007 when Adriano Marconetto realised there were a limited number of resource-friendly energy providers in the Italian market. After a few years of research and development and thanks to the investment of 360 Capital One, a venture capital fund, Marconetto and his business partners were able to launch their company, Electro Power Systems. In recognition of its vision, pragmatic execution and successful use of fuel cell technology, Electro Power Systems was selected as Technology Pioneer 2012 by the World Economic Forum.

Almotive, Hungary

The EIB provided a €20m loan for AI-based systems for self-driving cars. Almotive is working on technologies including modular, AI-based software for self-driving cars, as well as a virtual simulation environment to help accelerate the testing and verification of self-driving technologies. Almotive has also developed an IP chip for high-performance, low-power AI-optimised computing. The EIB loan will enable Almotive to further mature its technology and bring automotive-grade products to the market in the coming years.



RESOURCES

- [EIB SME page](#)
- [SME animation](#)
- [EIF – Access to finance info for entrepreneurs](#)
- [EIF list of intermediaries](#)
- [EU – Access to finance page](#)
- [EFSI EIF SME page](#)
- [EFSI SME and Investor page](#)
- [EU SME Internationalisation Portal](#)
- [EU access to finance \(Grants\)](#)
- [EU Small Business Portal](#)
- [SME and startup guide to doing business in Europe](#)
- [EIF Publications](#)
- [EIB Financing SMEs brochure](#)
- [InnovFin brochure](#)
- [EIB Group Survey on Investment and Investment Finance \(EIBIS\)](#)

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