



All big businesses start off as small enterprises, with more ideas and passion than money. Although they go on to earn hefty valuations, becoming the major companies that are prominent today, few start with large investment amounts. And 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 European Investment Bank defines small and medium-sized enterprises (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 for economic development across the globe. They create new jobs, products and services, making a significant contribution to economic growth. Europe's 23 million smaller firms 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. Many SMEs offer fresh ideas and compelling new products or services while boasting high growth potential. However, they are often unsuccessful when looking for the funding they need to grow. Based on feedback from 13 300 companies across Europe and the United States, the latest EIB investment survey confirms that the proportion of young firms that are finance-constrained is more than two percentage points above the average across the entire universe of EU firms. Survey indicators also suggest that various sources of finance specific to young enterprises and SMEs — such as private equity, venture capital and business angels — may well dry up as a consequence of the COVID-19 crisis.



# Small and medium enterprises

## OVERVIEW

2021

### FACTS AND FIGURES

In 2020 alone, the EIB Group, which comprises the European Investment Bank (EIB) and the European Investment Fund (EIF), **supported over 420 000 SMEs and mid-caps with new financing, employing 4 million people**. Commitment to small and medium enterprises and mid-caps continued to represent the single largest priority of the EIB Group in terms of lending volume. Support for SMEs accounted for 40% of the overall EIB signature volume and almost all of the EIF's activities in their entirety. In absolute terms, this represented **€30.6 billion** out of total EIB Group lending of **€76.8 billion**.

### 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, along with equity and quasi-equity financing. It cooperates with a host of financial intermediaries that offer 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, while also supporting business innovation, especially in digitalisation, energy efficiency and climate action.

The Group supports companies throughout their development. EIB-intermediated lending typically helps 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.

### CORONAVIRUS OUTBREAK: THE EIB GROUP'S RESPONSE

The EIB Group also proposes a financing package for loans and other measures designed to alleviate the liquidity and working capital constraints facing SMEs and mid-caps as a result of the pandemic. The Group works through financial intermediaries in the Member States and in partnership with national promotional banks.

The financing package consists of:

- **Dedicated guarantee schemes based on existing programmes for immediate deployment, including a €1 billion guarantee tranche, expected to mobilise up to €8 billion of SME financing;**
- **Dedicated liquidity lines for banks to ensure additional working capital support for SMEs and mid-caps totalling €10 billion;**
- **Dedicated asset-backed securities (ABS) purchasing programmes to allow banks to transfer risk on SME loan portfolios, mobilising another €10 billion of support.**

In addition, the €25 billion **European Guarantee Fund (EGF)** will enable the EIB Group — in partnership with local lenders and national promotional institutions — to scale up its support for SMEs and other businesses in the real economy by mobilising up to €200 billion of investments. At least 65% of the EGF's investment is earmarked to support SMEs.





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### BENEFITS OF EIB 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 the form of lower interest rates and/or longer maturities. The EIB’s financial advantage is passed on to SMEs directly by financial intermediaries, mostly local commercial banks.

### BENEFITS OF EIF 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.

In 2020, out of the 52 European venture-backed high tech unicorns, 28 were supported by the EIF. These pioneering investments across multiple innovative sectors have opened new exit routes that would otherwise not have been available: startups in which the EIF invested venture capital were found to be about three times as likely to participate in a merger and acquisition deal or experience an initial public offering than their non-venture capital invested equivalents.



Our solutions finance Europe’s most successful innovators. Examples of companies over multiple years. Source: EIF.



### **IMPACT OF EIB GROUP SUPPORT FOR SMALL AND MEDIUM ENTERPRISES**

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

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



## 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, engineers and food producers.

### Phenix, France

Phenix is a "Tech For Good" enterprise based in Paris that aims to give a second life to food that would otherwise be wasted. It markets an app that matches a supply of near-to-expiration food with demand from NGOs and charities. It focuses mainly on fruit, vegetables, dairy products, meat and fish that are typically taken off the shelves three or four days before expiration. This food, which would otherwise be burned, gets a new lease of life and is bought up at a discount so that everyone wins, including the climate.

Initially, the business focused on providing an interface between consumers (C2C) who, for instance, were hosting a dinner and then giving away leftovers, or emptying the fridge before going on holiday. With time, the focus shifted to B2B (business-to-business) work and setting up a digital marketplace to match supply with demand by connecting retailers with charities. The company then plugged in a B2C (business-to-consumer) solution for consumers by creating a mobile app enabling any user to click and collect products at a 50-60% discount. Phenix's Chief Executive Jean Moreau is proud that his business has achieved zero bio-waste in a couple of major supermarkets in France and that it has saved 70 million meals since 2014.

Phenix received an equity investment from ETF Partners, a venture capital firm backed by the EIF under the European Union's Investment Plan for Europe. Phenix is now ready to expand beyond France, Portugal and Spain, where it currently operates, to the United Kingdom, Italy and Germany. Furthermore, the company is looking at working more closely with farmers and food companies, so that they can "catch the waste" not only in shops, but already in farms and factories.

### Clariness, Germany

Clariness brings medical innovations to the market faster by accelerating clinical trials. Founded in 2005, the company connects healthcare with the world of big data.





Clinical trials require a certain number of patients to ensure efficacy and safety. They are an integral part of commercialising a new drug. The longer a drug takes to get to the market, the less patent time it will have. Clariness can help speed up clinical trials by three to eight months and make new, effective drugs available to patients in need.

Clariness runs ClinLife, a free and easy-to-use website that helps patients worldwide find the most relevant clinical studies for their medical condition, from migraines to rare diseases or cancer. The platform matches trials conducted by pharmaceutical companies with patients looking for a cure.

Clariness can offer help with the preparation of clinical studies by finding patients, retaining them and offering these patients insights based on live data. It brings more transparency, clarity and openness to clinical trials, increasing awareness among patients by providing them with easy access to public data — and it is no coincidence that the company's name is a blend of the words "clarity" and "openness."

With up to 42 million website visits annually in 50 countries and 35 languages, Chief Executive Michael Stadler is confident that the company is on a growth trajectory. In mid-2019, Clariness attracted interest and received an equity investment from Rocket Internet Capital Partners, a venture capital firm backed by the EIF under the European Union's Investment Plan for Europe. The investment helped the company develop the product further and open an office in China.

### **Almotive, Hungary**

The EIB provided a €20 million loan for Almotive, a firm working on modular, artificial intelligence (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](#)
- [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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