

Directors' Contact Group

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SMEs – Access to EU finance Fact Sheet

Introduction

Since the entry into force of the REACH Regulation, companies have made considerable progress in understanding the properties of the chemical substances that they put on the market. This deepened knowledge of their portfolios equips them to exercise product stewardship towards the sustainable and safe use of chemicals, for the benefit of human health and the environment. It also contributes to improving their competitiveness on the market. Evidently, such advancements rely on continuous effort. In terms of financial expenditure, two types of cost items appear in the forefront:

1. The often-considerable investment linked to establishing the data needed to fulfil the regulatory information requirements for submitting a registration dossier can provide a management tool to SMEs that benefits their capacity for good and commercially valuable product stewardship;
2. The ultimate aim of the REACH Regulation is to promote the substitution of the most hazardous chemicals. For SMEs be part of this endeavour, they need to invest into research and development of alternative substances. R&D expenditure can be considerable. This is more challenging for SMEs than for large companies.

Whenever own resources do not suffice or the annual company budgets necessitate spreading expenditure over time, access to finance is of essence. Notoriously, securing such access presents a challenge for SMEs.

When ECHA conducted a survey of SMEs having successfully registered for the 2013 REACH registration deadline, 15% responded that they had required a bank loan or other credit facility to be able to fund their Letters of Access (see page 27, graph 30 of this “Survey of 2013 SME registrants”: https://echa.europa.eu/documents/10162/21332507/survey_2013_sme_registrants_en.pdf/cae3afd5-ecbf-45d1-82cb-67817f479b43).

In practice, extensive EU funds are available to support companies in their zest for innovation or efforts towards environmental improvements. This fact sheet aims at promoting awareness of these funding opportunities. The fact sheet seeks to provide some summary information for its use by organisations that represent and support SMEs in various sectors.

Overview of EU funding

Access to grants

The EU Guidelines on State aid for environmental protection and energy 2014-2020¹ allow granting aid for going ‘beyond Union standards or increasing the level of environmental protection in the absence of Union standards [...]’. It is however not possible under state aid rules to grant aid solely to help companies to comply with existing EU obligations like the REACH registrations obligations.

However, EU state aid rules only apply when public funding risks resulting in a distortion of competition and trade in the Internal Market. The Commission Regulation No 1407/2013 on “de minimis aid” clarifies the conditions under which state aid rules do not apply. It deems aid to individual companies up to the amount of € 200,000 over a three-year period to have no impact on competition and trade in the internal market. Furthermore, subsidised loans up to € 1 million may also benefit from the de minimis rule, under certain conditions. As support within these limits does not constitute state aid, it does not require notification to the Commission for approval. This means that Member States authorities (at national, regional or local level) can provide some support to companies to meet their REACH obligations, provided they respect the conditions set in the “de minimis” regulation.

Given the decentralised nature of providing and awarding such grants, this document can provide neither a comprehensive overview nor a compilation of the most relevant grants. Annex 1 provides a demonstrative list of some examples.

Access to financial instruments supported from EU funds, delivered via banking intermediates

The European Union has established a multitude of EU programmes that provide funds to support preferential financing (e.g., the European Investment Fund managed by the European Investment Bank; Structural Funds managed by the Commission services, such as the European Regional Development Fund; etc.).

In many cases, prominent Commissioners take “patronage” when announcing programmes earmarked for SMEs in particular Member States or sectors. Annex 2 lists a number of these initiatives.

A dedicated and regularly updated Commission website provides an overview of loans and venture capital provided from EU financial instruments as well as of the national intermediaries involved (banks, public innovation support organisations, etc.). Users can search the website for country-specific information, by clicking on a Member State on a map. ECHA provides a link from its “REACH 2018” web pages: <https://echa.europa.eu/reach-2018> (see “Support”, “Access to EU funding”). The direct link to the Commission website is available on page 3 of this fact sheet.

Access to commercial loans

In the current economic environment in which banks need to consolidate their credit portfolios, bank funding for companies is constrained. Crowd or cloud funding of start-ups may not be an option for established companies. Expenditure due to REACH may delay the scale-up of young enterprises.

¹ OJ C 200, 28.6.2014, p. 1–55

Even when a company's credit rating is satisfactory, banks face difficulties in assessing the risks related to operating in the chemical substances' markets. Small companies often struggle to make a good business case when seeking credit to finance their investments. Consequently, they may fail to bridge their liquidity needs through commercial loans. This is particularly the case of SMEs for the reason that the small size of their businesses usually does not lend itself to itemising expenditure according to cost centres. Creditors consequently base their decisions on their assessment of the company's cumulative business risk, thereby further reducing the scope of access to bankable loans. Thus, instruments such as interest rate support can help alleviate the financial burden.

Information activities

Public authorities have published general and specific information on SME-related public funding to help companies find their way through the maze of available mechanisms:

- The European Commission provides information on access to EU funding for SMEs (see: http://europa.eu/youreurope/business/funding-grants/access-to-finance/index_en.htm) which allows for a search per EU Member State (these are the web pages to which ECHA provides the above-mentioned link);
- SusChem – the European Technology Platform for Sustainable Chemistry (<http://www.suschem.org/>) – has published “The SusChem Guide to SME funding in Europe”: <http://www.suschem.org/publications> ;
- As EEN partner, the State of Rhineland-Westphalia has published a useful overview of available EU funding (https://www.nrwbank.de/export/sites/nrwbank/de/corporate/downloads/EU-und-Aussenwirtschaftsfoerderung/EU-Foerderung-konkret-2_Hj-2016.pdf);
- ECHA has also published some information of a general nature on its webpages, such as on pages 54/55 of the brochure on “Chemical Safety in your business – Introduction for SMEs” (here: https://echa.europa.eu/documents/10162/21332507/guide_chemical_safety_sme_en.pdf/09a01b3e-6a31-4311-8eae-8363730a23b3);
- Some semi-public commercial REACH advisors, such as TÜV-Süd in Germany (<http://www.tuev-sued.de/themen/chemie-oel-gas/stoffe>) provide their members, with privileged information on funding sources (see: http://www.tuev-sued.de/management_systeme/zertifizierung_fuer_finanzdienstleister);
- Others such as the “Match maker” service of the British Chemical Industry Association (CIA) (<http://www.reachready.co.uk/reachmatchmaker.php>) or the “REACH Centro” in Italy (<http://www.federchimica.it/OurPartners/CentroReach.aspx>) only provide support via services in kind.

Demonstrative list of examples of national grants

- In Germany, the Federal Office for the Economy and Export Controls (BAFA – Bundesamt für Wirtschaft und Ausfuhrkontrolle) has provided a scheme to compensate half of SMEs' expenditure for hiring REACH consultants (https://www.netinform.de/dg/Aktuelles_Detail.aspx?ID=3364);
- The Dutch Government provides support via various financial incentives (see: <https://www.government.nl/topics/enterprise-and-innovation/contents/support-for-small-and-medium-sized-enterprises-smes>);
- The Italian Government, like many others, has a national guarantee fund available to SMEs (see: <http://www.fondidigaranzia.it/>) and provides information on support mechanism via a dedicated portal (<http://www.sviluppoeconomico.gov.it/index.php/it/incentivi/impresa/beni-strumentali-nuova-sabatini>);
- In Austria, SMEs can seek a similar support for consultancy costs linked to managing corporate social responsibility or environmental projects which may differ between Federal States (https://www.wko.at/Content.Node/Service/Umwelt-und-Energie/Nachhaltigkeit-und-Umweltmanagement/Energie-und-Umweltfoerderung/Betriebliche_Umweltfoerderung_in_den_Bundeslaendern.html);
- In France, the Ministry of Agriculture is subsidising the costs borne by small producers of essential oils for registering their substances (averaging € 2,500 per distillery for one essential oil in the 1 to 10 tonne p.a. band and € 20,000 for a multitude of oils or such registered in the 10 to 100 tonne p.a. band) to the extent of 30% of the registration costs.

Support provided via EU financial instruments, examples

The COSME-funded “SME initiative” represents a specifically SME-oriented programme (see: http://www.eif.org/what_we_do/guarantees/sme_initiative/index.htm). Further funding of relevance is available from the Horizon 2020, Life+ and other instruments.

In addition to general programming documents providing policy orientation for the delivery of such programmes, the European Commission establishes specific agreements with intermediaries to funnel funds to serve particular purposes.

This is, for instance, the case of the COSME Loan Guarantee Facility (http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm) or of the also COSME-funded InnovFin Loan Guarantee Facility (http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/index.htm).

The use of these Facilities can typically take the form of securitising existing loan portfolios, such as under this programme supporting SMEs in Southern Italy: http://ec.europa.eu/commission/2014-2019/cretu/announcements/sme-initiative-eu100-million-eu-funds-support-small-businesses-south-italy_en .

This press release on supporting French SMEs via the Banque Populaire and SOCAMA illustrates how the Commission (here publicly endorsed by Commissioner Moscovici) steers such targeting (see http://www.eif.org/what_we_do/guarantees/news/2017/investment-plan-for-europe-eur-1-billion-in-loans-for-french-smes-following-eif-and-socama-agreement.htm?cid=sn_twitter_PR_2017-01-18-05_en EIF1bInSOCAMA).

More recently, Commission Vice-President Katainen endorsed this project targeting Finnish SMEs (http://www.eif.org/what_we_do/guarantees/news/2017/sme_initiative_finland_first_agreements.htm).

Commission Vice-President Dombrovskis did the same with a project for Latvian SMEs (http://www.eif.org/what_we_do/guarantees/news/2016/efsi_innovfin_altum.htm?lang=en).

Another example is this the agreement to funnel € 100 million to SMEs via the Strategic Banking Cooperation of Ireland (<http://www.irishtimes.com/business/financial-services/100m-funding-for-smes-in-scheme-backed-by-eu-commission-1.2901854>).