



Evaluation of the user guide to the SME Definition

ENTR/172/PP/2012/FC – LOT 4

Final Report

15th of May, 2014

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Evaluation of the user guide to the SME Definition

By the European Commission, Directorate-General for Enterprise and Industry

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ISBN: 978-92-79-35109-9

DOI: 10.2769/89506

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1. EXECUTIVE SUMMARY

This document is the final report of the evaluation study to assess the relevance, utility, completeness and clarity of the user guide accompanying the SME definition (recommendation 2003/361/EC).

Overall, interviewees and survey respondents report that the guide is useful to them. 79% of survey respondents are satisfied with the guide, with a significant number indicating that they could not do their job without it.

Most users of the guide are public authorities at EU and national/regional level involved in the assessment of enterprises applying for SME support. However, the guide is also used by some industry stakeholders.

In addition to being used for the assessment of the status of an enterprise, the document is also used as a point of reference to explain assessment decisions, as a basis for the development of internal procedures within decision-making authorities, and for external information and communication purposes.

Frequency of use varies across different stakeholder groups but there is a large share of repeat users which attests to the document's general usefulness to these stakeholders.

At the same time, the evaluation has shown that there is a significant scope for marketing the guide more effectively to increase awareness. The guide should be further highlighted on the website of DG Enterprise & Industry, and also linked to on any relevant webpage of the Commission, as well as of external organisations working with SME support.

While there is generally high satisfaction, some smaller enterprises with a straightforward structure, report that the guide can be quite detailed and complex. At the same time, some managing authorities report that the guide is too basic for dealing with more complex cases.

Overall, stakeholders report that the user guide is relevant to their needs. Clarification of complex issues and assessment of enterprise status (including autonomous, linked, partner enterprises) are the most important needs. While these issues are addressed in the current guide, they could be further explained and clarified. The visual examples that are included in the guide have been reported to be particularly useful.

In terms of completeness and clarity, the user guide strikes a difficult balance between clarifying the SME definition and leaving sufficient flexibility for case by case decisions. Three levels of recommendations are made in the study: improved coordination across decision-making

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authorities, improvements to the structure of the guide and additions to its content.

- **Improved coordination across decision-making authorities:** the study suggests that additional efforts could be made to encourage linkages with other tools and documents at EU level that have developed over the years. A coordination effort between DG Enterprise & Industry and other Commission services will be central to facilitate this. For instance, a shared online discussion platform could act as a knowledge exchange tool for decision-making authorities and serve to improve coordination.
- **Improvements to the structure of the guide:** the study suggests updates to the structure of the guide to keep it short and concise while including additional text on the purpose and “spirit” of the SME definition. Furthermore, a step-by-step overview in the introductory section would help guide users to the relevant sections depending on their specific needs. Additional illustrative examples should be included to illustrate the most common issues on dealing with partner and linked enterprises and on investments by public bodies.
- **Specific content additions:** a large share of stakeholders highlighted the lack of clear definitions, including the concepts of “dominant influence”, “adjacent / relevant market”, “economic activity”, as well as the exceptions listed in article 3.2.a-d of the SME definition. Further key issues included a lack of clarity regarding the 2-year rule and dealing with linked and partner enterprises. A glossary should be included, an FAQ created alongside the guide and specific textual additions made on pages 16 and 21 of the guide. Additional illustrative examples should address different scenarios of linked and partner enterprises. The FAQ should focus on recurring issues in the Q&A submitted to the European Commission’s functional mailbox and they should be kept online and maintained by DG Enterprise & Industry.

2. **OBJECTIVES**

2.1. Introduction

This document is the final report of the *evaluation of the user guide to the SME Definition*. It presents the full results of all data collection activities carried out as part of the contract, as well as a set of conclusions and recommendations.

This draft final report has been discussed with the Commission and revised in line with feedback received at a review meeting as well as at the final workshop with stakeholders on April 23, 2014.

2.2. Overview of the user guide to the SME definition

Small and Medium Enterprises (SMEs) are often confronted with market failures and inefficiencies that larger companies generally do not face. The argument for public intervention in favour of SMEs is therefore clear.¹ At the European level, SMEs are supported by e.g. access to loans, capital for research and innovation projects, as well as newly-created small companies.

SME definition

With the aim of providing targeted support to those enterprises that are directly affected by market failures and thus in most need of support, a recommendation was adopted by the Commission in 1996, establishing a first European common SME definition. This definition was subsequently updated through a new recommendation in 2003, which has been in force since January 2005.

The common definition has the crucial role of establishing the eligibility criteria for potential beneficiaries of financial resources made available through different support programmes. To this end, the common definition sets out general ceilings which an enterprise must not exceed in order to qualify as an SME.

The definition outlines three different ceilings corresponding to micro, small and medium-sized enterprises, where the enterprises must not exceed the staff headcount ceiling and neither the turnover ceiling or, as an alternative, the balance sheet ceiling. Even though 99% of all European businesses fall under the staff headcount ceiling, the other criteria are equally important and need to be assessed based on each specific case.

¹ See also: Think Small First". A "Small Business Act" for Europe. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>

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This assessment is generally carried out by two types of stakeholders: the companies themselves in view of a loan or grant application; and European, national, regional and local officials who process these applications. It is crucial that these authorities apply the SME Definition in a consistent way throughout the EU in order to make fair and transparent decisions on the eligibility criteria for support.

User guide

To further support users of the SME Definition, a user guide was developed in parallel with the new Definition in 2003². The objective of the guide is to present and explain the changes made in the new Definition, as well as the reasoning and motivations behind these changes. The guide aims to clarify how to determine the status of a company in a more user-friendly way, targeting enterprises applying for grants or loans, as well as officials working with the application process for these schemes³.

A step-by-step approach is included as a means of explaining the assessment of an enterprise and whether it qualifies as an SME. Furthermore, the new Definition, and thus also the guide, take into account possible relationships with other enterprises, and highlights cases where these relationships may imply that an enterprise is not an SME (autonomous, partner or linked enterprises)⁴. Graphics and visuals are used in order to do this in an accessible way. The guide also includes a voluntary model self-assessment declaration that may be completed by the enterprise and sent to the relevant administrative department to facilitate the assessment.

Monitoring of the implementation of the SME definition is performed by the Commission on a regular basis. Two implementation reports (2006, 2009)⁵ have been carried out by the Commission since entry into force in 2005. Furthermore, an external evaluation of the definition was performed in 2012⁶. Based on these studies, it was concluded that a major revision of the definition is not required currently. However, an updated version of the user guide was suggested to address some of the main issues with the application of the SME definition.

Content and structure of the user guide

The user guide starts with an introduction of 2 pages, outlining the importance of a European definition and the objectives of the guide. Upon this, a short section ("Why a new definition") of 3 pages explains the updates introduced by the new definition. Finally, a third section ("Applying the new SME definition") has the purpose of explaining the SME definition

² http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

³ SME Definition user guide, p. 6-7

⁴ SME Definition user guide, p. 6-7

⁵ http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_report_en.pdf,

http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_report_2009_en.pdf

⁶ http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition_en.pdf

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in a user-friendly way, going through the different thresholds and the concepts of autonomous, partner and linked enterprises. The annexes to the guide provide a number of illustrative examples of ownership structures of enterprises, the text of the SME recommendation itself, the model declaration form and a note on measures to prevent abuse of the definition.

Dissemination and other sources

The user guide is currently made available through the website of DG Enterprise & Industry (<http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/>), where a hyperlink is provided next to the link to the legal text of the recommendation. The user guide is also disseminated and used by national contact points and managing authorities in the Member States, as well as by the EC external agencies dealing with SME support.

Based on the data collection phase of the present evaluation study, the user guide is used as a reference point for enterprises when guiding them in their applications.

In addition to the guide itself, DG Enterprise & Industry also provides case by case support to enterprises and decision-making officials in their use of the Definition. A link to a functional mailbox (Entr-sme-definition@ec.europa.eu) is available for this purpose in the contact section of the DG Enterprise & Industry website. The mailbox is used by both external stakeholders and Commission services.

Finally, alongside the activities of DG Enterprise & Industry, the Research Executive Agency (REA) has also set up a validation panel used for complex assessment cases. This panel is composed by representatives from relevant DGs which also carry out work related to the SME definition, and it has proven particularly valuable where different services have come to contradicting conclusions regarding a specific case.

2.3. Objectives of the study

The 2012 external evaluation of the SME definition⁷ suggested to clarify the application of certain rules, and proposed that this could be done through further guidance provided in a set of FAQ or by updating the user guide, thus avoiding concrete changes to the existing Recommendation.

The specific objective of the present study is to examine the existing user guide to the SME definition and to assess its relevance, utility, completeness and clarity in regards to the needs of the users.

The results of the study include practical recommendations, which the Commission subsequently will take into consideration when improving and updating the guide.

⁷ http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition_en.pdf

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It is important to note the emphasis in this study on delivering practical input for the Commission's review of the user guide.

The study focuses on information and evidence provided by the following main users of the SME definition user guide:

- Commission services and institutions: DG Enterprise and Industry, DG Competition, DG Research, DG Mare, DG Agriculture, as well as the European Investment Fund and the European Investment Bank;
- EU agencies: European Chemicals Agency (ECHA), European Food Safety Authority, (EFSA), European Investment Bank (EIB), European Investment Fund (EIF), European Medicines Agency (EMA), Research Executive Agency (REA), SME Executive Agency;
- National/regional authorities, e.g. managing authorities of the structural funds, research contact points;
- SME and business associations.

3. RESEARCH METHODOLOGY

3.1. Desk research

The objective of the desk research was to obtain a comprehensive overview of issues encountered with the user guide. This overview could then provide a basis for the development of both interview topics and online questionnaire. The desk research included documents emanating from a number of different sources such as the Commission's functional mailbox providing Q/As, case law and other legislative texts. The EC implementation reports (2006, 2009) of the SME definition, as well as the external evaluation of the definition (2012) have also been central documents. In addition to the above, documents used in combination with the SME Definition user guide by stakeholders, were reviewed to increase our understanding of potential gaps and lack of clarity in the user guide. A complete list of references consulted is provided in Annex C.

3.2. Interviews

31 interviews with stakeholders and users of the user guide were carried out as part of this study. The list of interviewees is in Annex B.

The objective of these in-depth interviews was to collect information both from those applying the Definition and user guide as part of the decision-making process in applications for funding, as well as from entrepreneurs using the Definition and the user guide to establish whether their company qualifies as an SME or not. Interviews with European and national business associations, as well as with national contact points have represented entrepreneurs. About 58% of the interviews conducted have been with Commission services, i.e. DGs and external agencies, while 26% have been with associations and NCPs, and 16% with national managing authorities.

The interviews aimed to provide the research team with a thorough understanding and assessment of the current situation. The interviews sought to solicit both negative and positive views to develop a complete picture of the use and application of the guide. Through the interviews, specific issues encountered by users were identified. Practical solutions on how to overcome these different issues were also discussed. The complete list of interview topics is provided in annex A.

3.3. Survey

In addition to interviews, as a means of collecting more standardised information from a greater number of stakeholders, an online questionnaire was developed and distributed to a large number of stakeholders with different structures and work tasks related to SME validation, as well as to business associations and to SMEs themselves.

Because dissemination of the questionnaire took place also via associations which agreed to forward the link to the online survey to their members, it cannot be said for certain how many stakeholders received the questionnaire.

A total of 197 responses were received. This include 36 responses from business associations, 41 responses from EU level institutions (Commission, agencies), 58 from national governmental organisations, 38 from regional organisations (e.g. regional managing authorities) and 24 from other stakeholders including SMEs, research institutions, universities, etc.

The questionnaire had the objective of collecting information on current obstacles and difficulties in the use of the SME Definition, and obtaining data that can feed into the conclusions and recommendations of the study.

3.4. Inter-agency meeting

The interagency meeting in the European Food Safety Authority (EFSA) held on January 28, 2014 involved different EU agencies dealing with SME support and working with the SME Definition and user guide on a regular basis.

The meeting was hosted by EFSA and it included the European Medicines Agency (EMA), the European Chemicals Agency (ECHA), the European Investment Bank (EIB) and the European Investment Fund (EIF) and the Research Executive Agency (REA). DG Enterprise also participated in the meeting.

As part of the meeting our study team conducted an interactive session of 1 hour and 40 minutes, with the aim to have a group discussion around issues with the current user guide, as well as potential practical solutions on how to improve the guide. Through this meeting, we had the opportunity to collect primary information, opinions and views to validate and support the hypotheses drawn from the desk research and interviews conducted prior to the meeting, as well as to identify additional issues. Furthermore, suggestions for improvement and updates of the guide were discussed, both in regards to content, structure and graphics.

3.5. Stakeholder workshop

Finally, the research team had proposed a workshop with stakeholders to discuss the specific issues identified over the course of the study and to elicit feedback on practical recommendations for review of the guide. The meeting took place in Brussels on April 23, 2014. A workshop paper had been produced to prepare and guide the discussion. Following the discussion, this paper has been reviewed to include all relevant points that were mentioned at the workshop, and the results have been integrated into this final report.

4. **EVALUATION RESULTS**

This section has as its main objective to assess the utility, relevance, clarity and completeness of the guide. The evaluation is the result of the research team's analysis of survey responses, interviews, desk research and the inter-agency meeting.

4.1. Evaluation framework and research questions

This section describes the methodological approach used to answer to the evaluation questions.

First of all, it is important to recognise that the evaluation focuses on the user guide as a document to facilitate implementation/interpretation of the SME definition. It does not aim to change the SME definition itself (this was the subject of a previous evaluation which recommended leaving the SME definition unchanged).

Second, this evaluation, though retrospective in that it assesses the way in which the user guide has been used to date, needs to incorporate a strong forward-looking component. Indeed, two previous implementation studies of the SME definition have already been carried out, as well as an external evaluation of the definition. It is therefore important that this assignment builds on this work to develop tailored and practical recommendations that can be taken forward by the Commission to improve the current user guide.

With these points in mind, the evaluation focuses on the following evaluation dimensions:

- relevance,
- effectiveness,
- utility,
- completeness.

The study provides answers to the following seven evaluation questions:

1. To what extent is the user guide useful for the stakeholders (i.e. SMEs, agencies, etc.)?
2. To what extent is the user guide relevant to the stakeholders needs (i.e. SMEs, agencies, etc.)?
3. To what extent is the user guide clear and complete as regards to the needs of the stakeholders (i.e. SMEs, agencies, etc.)?
4. Which updates are needed by the stakeholders (i.e. SMEs, agencies, etc.) and not included in, the current version user guide on the SME Definition?

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5. What are the Frequently Asked Questions (FAQ) which would be usefully added in the user guide?
6. Which other questions are often asked but are not necessary to be included in the user guide? This may be in order to keep a room for manoeuvre.
7. To what extent could measures be taken to improve the utility of the user guide and what measures would these be?

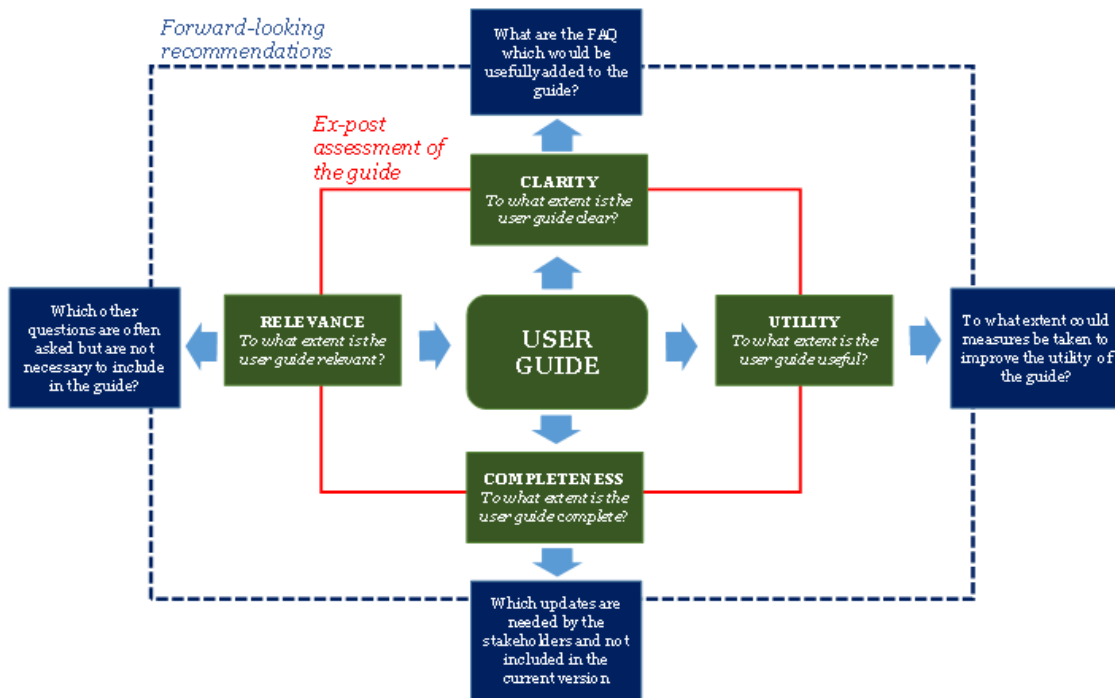
A first set of questions (1-3) aims to assess the current situation, the use of the SME Definition user guide and potential obstacles and drawbacks in its use. The answers to these questions provide an evaluation of the current user guide.

A second set of questions (4-7) rather aims to provide solutions and improvements to the obstacles that have been identified in questions 1-3. The answers to these questions will be formulated as recommendations for the Commission to take into consideration.

The figure below outlines the conceptual framework for this assignment, highlighting the key backward looking evaluation questions (in green) and the corresponding forward looking recommendations (in blue) that will emerge from the assignment.

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Figure 1: Conceptual framework



The table below outlines the indicators per evaluation question, as well as the expected source of information and methods/tools that we have used in this study.

Table 1: Indicators per evaluation question

Evaluation question	Indicators
To what extent is the user guide useful for the stakeholders (i.e. SMEs, agencies, etc.)?	<ul style="list-style-type: none"> -Satisfaction of SMEs, agencies and other stakeholders with the guide; -Level of use of step by step approach to determining SME status guide, agencies, and other stakeholders; - Level of use of model declaration by SMEs; - Examples of conflicting interpretation by different MS or by EC and MS; -Use of additional documents for the assessment of SME status; - Coverage of issues related to different types of status checks (ex-ante, ex-post, audits).
To what extent is the user	- Number of inquiries / requests for

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guide relevant to the stakeholders needs (i.e. SMEs, agencies, etc.)?	assistance by stakeholders; - Frequency of use of additional documents for the assessment of SME status; - Frequency of use of the user guide; - Number of repeat users of the guide.
To what extent is the user guide clear and complete as regards to the needs of the stakeholders (i.e. SMEs, agencies, etc.)?	- Number of gaps in coverage of the needs of SME, agencies, and other stakeholder needs; - Examples of gaps encountered by stakeholders; - Examples of misinterpretations and misunderstandings by stakeholders.
Which updates are needed by the stakeholders (i.e. SMEs, agencies, etc.) and not included in, the current version user guide on the SME Definition?	- Examples provided by stakeholders of the user guide not being up to date; - Stakeholder feedback on need to find information elsewhere; - Use of additional documents and definitions.
What are the Frequently Asked Questions (FAQ) which would be usefully added in the user guide?	- Feedback from stakeholders; - Recurrent questions registered in the information mailbox.
Which other questions are often asked but are not necessary to be included in the user guide? This may be in order to keep a room for manoeuvre.	- Feedback from stakeholders; - Recurrent questions registered in the information mailbox being out of scope or related but not relevant for the objective of the guide and the application of the SME definition.
To what extent could measures be taken to improve the utility of the user guide and what measures would these be?	- Feedback from stakeholders; - good practice examples.

4.2. Utility, relevance and effectiveness

The key research questions in this section are:

1. To what extent is the user guide useful for the stakeholders (i.e. SMEs, agencies, etc.)?
2. To what extent is the user guide relevant to the stakeholders needs (i.e. SMEs, agencies, etc.)?

This section answers these questions on the basis of the data collected as part of the study.

Primary types of users of the guide

According to the introduction of the guide, the specific target of the user guide comprises both entrepreneurs and European, national, regional and local officials that work on different SME support schemes, process applications and check that enterprises satisfy the eligibility criteria⁸.

According to several interviewees, this dual audience has been problematic for the positioning of the user guide. Indeed, the needs of enterprises in their preparation of applications for SME support are different to the needs of a managing authority that process a large number of applications and check eligibility. An enterprise needs to focus on itself and whether that specific company with related characteristics and ownership structure qualifies as an SME, while a managing authority needs to be prepared to handle a variety of different cases.

As a consequence, the text, even though adapted to a general public and modified to become as user-friendly as possible in comparison with the SME definition, remains heavy and long with many technical terms, which might be difficult for SMEs to become acquainted with, especially for smaller SMEs without a legal service. On the other hand of course, most problematic cases in terms of SME status assessment concern larger enterprises that are close to the relevant thresholds and therefore more likely to have specialised staff and resources dedicated to the task.

In addition, for the second type of user (public authorities) the guide might be too basic. A managing authority will need a significant amount of detail and precise definitions to assess the status of a company, whereas the guide provides simple and straight forward explanations and examples of linked and partner enterprises. Along these lines, the user guide has been reported to be useful for straight forward and simple ownership structures, providing for clear explanations on how to assess companies with links and partners. However, as soon as these links become complex, e.g. involving the exceptions (article 3.2. a-d), involving investment for public bodies, foreign companies etc., the guide is too superficial to provide assistance. To give an example, the Research Executive Agency has developed a modus operandi document which they use internally as additional support for their validation work. In this regard, the user guide is not providing any additional help since this document goes more into depth than the user guide.

Despite this observation, only few interviewees expressed the need for separate documents or sections targeting the two different audiences. It is true that a divided document could provide improved support for each specific audience, but it might also lead to contradicting information and different interpretations. This, in turn, could result in an increased number

⁸ P. 7 of the SME definition user guide

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of challenged decisions which would complicate the application process for SMEs and the associated administrative burden.

Primary types of use of the guide

As mentioned above, the user guide addresses different types of audiences (EU level institutions, managing authorities, enterprises) and these audiences are likely to use the guide for different purposes.

Interviews have shown that most times the guide is not used directly to assess individual cases of companies applying for SME status. Rather, EC external agencies generally use the guide as a reference point for companies and to intermediary banks (in the case of EIB and EIF). In some cases, the guide is also a tool for double-checking SME validations that have already been done.

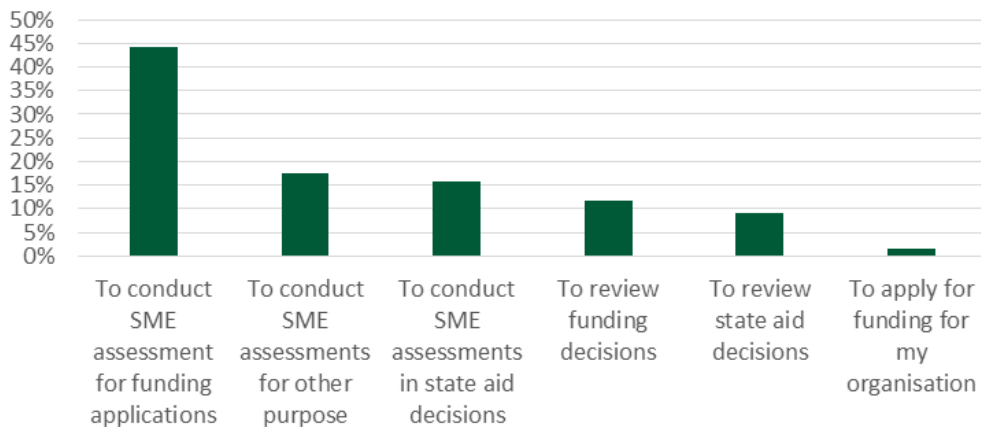
According to interviews, at present, the guide is used mostly as a reference point regarding the definition and the basic criteria, as well as an introduction to the concept of SMEs and the rationale behind SME support. However, for difficulties that may arise in individual cases, the guide is often too basic. Furthermore, once an SME or other stakeholder is familiar with the definition, there is no longer a need to consult the user guide.

In addition, one interviewee indicated that the user guide served as a basis for drawing up their own internal procedures (a tick-box list of factors to be looked at in detail in the application process) as well as a simplified version of the guide (about 15 pages) for potential beneficiaries. Various interviewees also said that the user guide and the illustrative examples provided in the guide were used for presentations aimed at informing entrepreneurs.

The figure below shows a breakdown of the different uses that are being made of the guide based on the sample of respondents to the survey conducted as part of the evaluation. In excess of 40% of respondents use the guide to conduct SME assessments in the context of funding applications, more than 15% use the guide in state aid decisions and for other purposes. Reviews of funding and state aid decisions are carried out by around 10% of respondents. Only a small share of respondents to the survey use the guide to apply for funding for their own organisations which may only reflect the smaller share of enterprises that participated in the survey.

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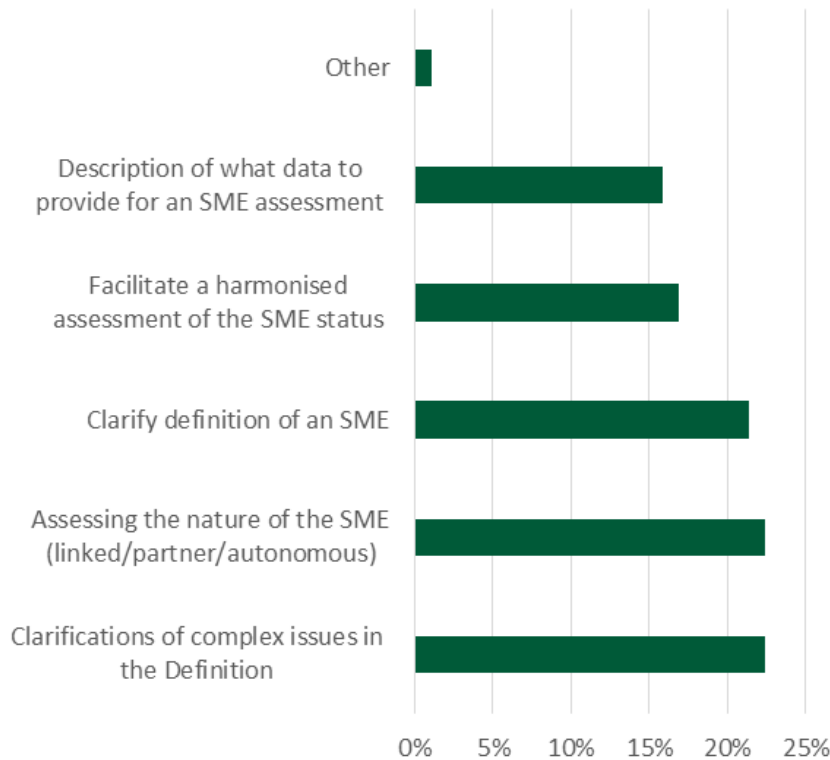
Figure 2: For what purpose do you use the user guide?



Another way of inquiring about the way in which the guide is used is to look at the main needs that respondents have in relation to applying the SME definition. The figure below lists different types of needs and it shows that clarification of complex issues in the SME definition and assessing the nature of the enterprise in terms of linked, partner or autonomous status are the most pressing needs that users face (>20% of responses). Data requirements and the need to facilitate consistent decision-making were mentioned by more than 15% of respondents.

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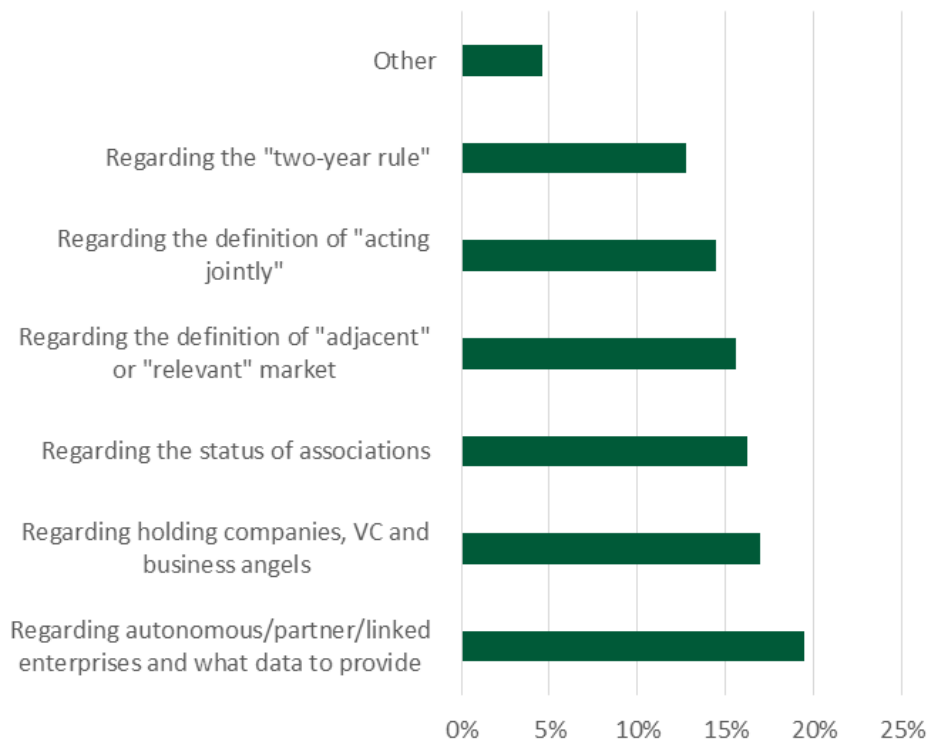
Figure 3: Out of the following points, what are your most important needs when applying the SME definition (% answering important or very important)?



Finally, a third line of inquiry looks at the most frequent difficulties respondents have encountered in applying the SME definition. Again, the status of autonomous, linked and partner enterprises has been the most frequent challenge (approx. 20% of responses), followed by the status of associations, holding companies, VCs and business angels, definition of markets and the concept of “acting jointly” (approx. 15% of responses). About 12% of respondents mentioned the two year rule as a challenge. On the whole, these results do not show one issue emerging as much more prevalent challenge than the others. Responses are fairly evenly distributed across the different potential challenges which suggests that the user guide’s broad step-by-step approach to SME status assessment, backed up by questions & answers where required is appropriate.

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Figure 4: In your experience, how frequently have you encountered the following difficulties (% answering frequently or very frequently)

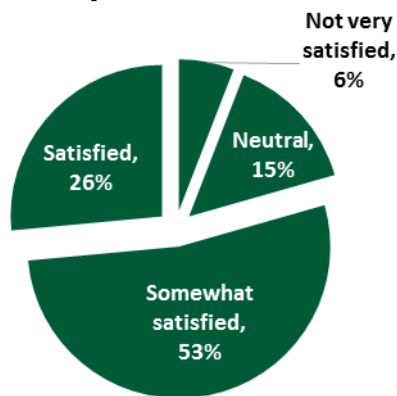


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Overall satisfaction with the guide

The first broad measure of utility, relevance and effectiveness is the general impression that stakeholders have of the user guide. The figure below shows that 79% respondents to the survey conducted as part of this study express at least some satisfaction with the guide, with only 6% indicating that they are not very satisfied. This is a strong positive result for the guide and it suggests that users find it a valuable and useful tool for them.

Figure 5: What is your overall satisfaction with the user guide?



Of course the above measure is very broad and it is important to look at the drivers of satisfaction (or otherwise) among users to identify the elements of the guide that are seen as most useful or that need improvement.

The table below has a summary of key comments provided by users to explain their level of satisfaction with the guide. As the table shows, dissatisfaction was driven mainly by requests for additional clarity or the need for additional examples. Where users were satisfied with the guide this tended to be due to a general sense that the guide is useful in their day to day work and/or in communicating with external parties. Several stakeholders also mentioned the existing examples in the guide as particularly helpful.

Table 2: Drivers of satisfaction or dissatisfaction with the guide

Drivers of satisfaction	Drivers of dissatisfaction
Without this user guide, my understanding of the definition would have been somewhat very difficult.	The very same text is understood differently by different people/services.
It's not detailed enough on complex	Some parts still need to be more

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matters.	explained, with more concrete examples.
The User guide is just a very good tool to have when reviewing SME qualifications.	It's not detailed enough on complex matters.
User guide is very useful for us, we wouldn't be able to work only with relevant legislation.	The guide could include more complex ownership structures, i.e. with more linkages and partnerships at three levels.
Gives important clarification on autonomy.	As we base ourselves mainly on the main legal text itself I do not refer/use the SME User Guide too frequently.
The current user guide provides guidance in most cases.	Clarity could be improved.
Many good examples and graphics.	First 10 pages are unnecessary or just too long for SME introduction, please reduce to a page or two in that way more interested parties stand a chance of persevering to read the key information.
Useful due to a lack of information (given in the text of the recommendation).	Could be more detailed especially for spin off case.
It has provided enough information for our requirements, although we still have to rely on direct contact with DG enterprise.	We use the Portuguese electronic certification for SMEs, so the guide would be more helpful if it provided further explanations on complex situations that are beyond an "automatic" accreditation.
The user guide clearly explains the definition and its articles. It really simplifies its understanding.	Requires more case studies and explanation of how to approach 'grey areas' and the EC's approach to incorrect identification of SME status.
The SME Definition user guide sheds light on issues not easily understood only on the basis of the text of the SME Recommendation. In addition, it contains useful illustrative examples.	Guidance on linked and partner enterprises has risk of misinterpretation.
The SME guide is a very good tool for use by both for SMEs and EMA. It provides in a user friendly way explanations on the SME definition and details some provisions included in the EC Recommendation.	It can sometimes be a bit ambiguous in definition.

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The guide helps to provide for a common understanding of the rule	Lacking definitions of legal terms and other crucial expressions.
The main legal document outlining the SME criteria is the 2003 SME recommendation. The SME User Guide appears to "translate" the SME recommendation legal language in some more easy understandable language and provides examples.	Complex issues are not fully clarified.
SME Definition user guide is very useful for us, there are a lot of useful information and examples.	I will be able to reach a conclusion with the SME definition only, but as this one is not very clear my conclusion will be potentially very different with other users' conclusions.
The guide is a useful tool to retrieve specific information and provide our customers with precise and correct information on the type of data to be provided to perform the SME assessment.	As the guide is contradictory in itself, it makes the decision more complicated. It creates thereby legal uncertainty.
The user guide gives clear and helpful examples of connecting enterprises and other kind of SME. Without the user guide, the decision whether an enterprise is SME or not, would be much more difficult.	Although useful, the underlying legal document is even more important.
The user guide is a key tool for our services. We consult it in order to provide precise information/clarifications to the applicants concerning the SME assessment we conduct, to clarify the reasons why specific documents are required, to provide examples and explain the exception established by the SME Recommendation.	
The user guide is a useful tool for simplifying SME assessment as our daily work for the eligibility for SME partnership in EU programmes.	
The SME definition is the key document that we use and advise grant recipients to use this as a tool also.	
We find the need to refer to the guide periodically where unusual	

Evaluation of the user guide to the SME Definition

cases are brought to light.	
The guide is useful to give to external parties.	
The user guide is a good help to understand the EU recommendation on the SME definition. It allows us to justify our decision (especially to refuse EIB support in specific cases) when the intermediary institution contests our reasoning.	
The user guide provides a number of illustrative examples which are very useful, in particular with regards to understanding dependency issues.	
The guide has been translated into internal process documents (linked to products addressing only SMEs according the def); the OJ definition could have been used as well, but it would have been more difficult.	
We would probably have to create a guide of our own based on the EC recommendation. However, the CCE has created a guide of its own in Croatian, based on the EC Recommendation and the guide itself.	

Related to overall satisfaction, a second question examined the extent to which the guide is crucial to the work done by its users. The figure below shows that more than 42% of respondents to the survey conducted as part of this study consider the guide essential to their work. The remaining 58% consider that they would be able to do their job also without the guide.

Interviews also confirmed that the stakeholders who do use the guide find it very useful and crucial in their work with SME support. According to the Research Executive Agency for instance, for about 90% of the enterprises they are in contact with, the user guide proves to be a helpful and effective tool. The remaining 10%, on the other hand, have a too complex structure to be able to base their assessment and application on the user guide.

Again, these results show that the guide has become an important tool for SME assessment for a large number of users and it confirms that users find the guide, on the whole, a valuable and effective tool.

Level of use of the guide

In terms of the level of use of the guide, two interesting results were found in survey and interviews:

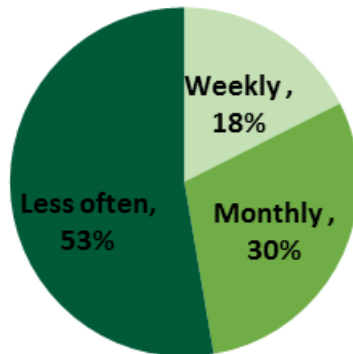
First, the majority of survey respondents use the guide irregularly and relatively infrequently (i.e. less than once a month).⁹ This was confirmed in interviews where the user guide was found not to be very well known and where it was at times difficult to find regular users. For instance, some interviewees reported that they have not used the guide, nor were they aware of the existence of the guide before being contacted in the context of the study. Some interviewees were positively surprised to discover the document, and found it to be an effective tool to be used in the future, whereas others were less enthusiastic since they already have their own structures and procedures without the user guide (see also the section on the use of additional tools below).

Enterprises in particular were rarely aware of the existence of the guide and additional promotional activity might be needed to reach out to this group. Apart from enterprises, interviews have also shown that the guide is known but rarely used by decision-making authorities (MAs, EC DGs, agencies).

At the same time, survey results show that a (perhaps surprising) 18% of respondents engage with the guide on a weekly basis and 30% use it monthly. A large share of respondents are, thus, repeat users of the guide. The fact that most users of the guide are professionals involved in SME assessment should inform the content of the document, e.g. in terms of the complexity of enterprise situations that it tackles and in terms of the density of information that it provides.

⁹ Indeed, some respondents who indicated that they use the guide less often than once a month might actually never use it.

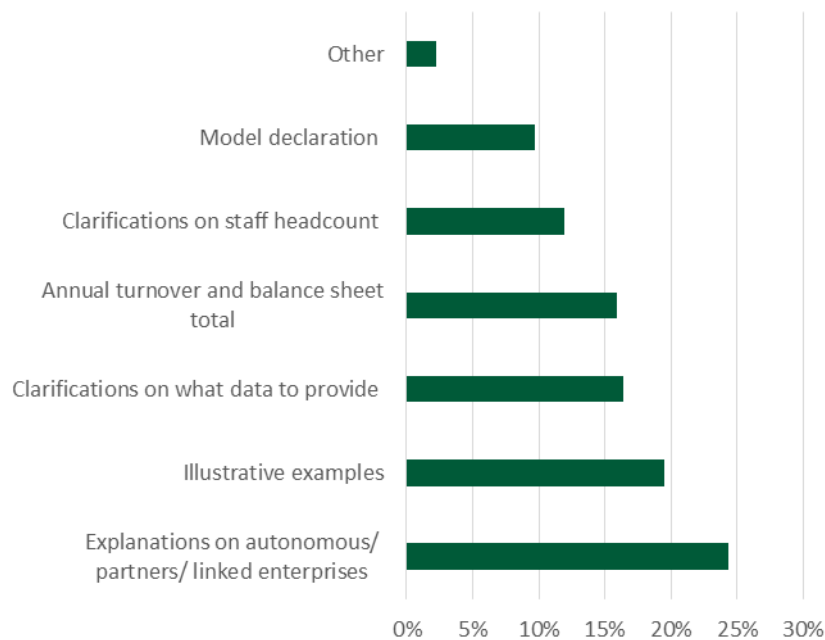
Figure 6: How frequently do you use the guide?



Second, the survey inquired about use of the different elements of the guide. The most used section of the guide relates to explanations on autonomous enterprises, partners enterprises and linked enterprises (about 25% of respondents indicated that they use this section of the document). About 20% of respondents use the illustrative examples, around 15% use the description of annual turnover and balance sheet totals and clarifications on what data to provide. Only 10% of respondents use the model declaration in the guide, and less than 5% of users refer to the remaining sections of the guide.

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Figure 7: Use of different elements of the guide (% indicating “frequently” or “very frequently”)



Use of additional documents

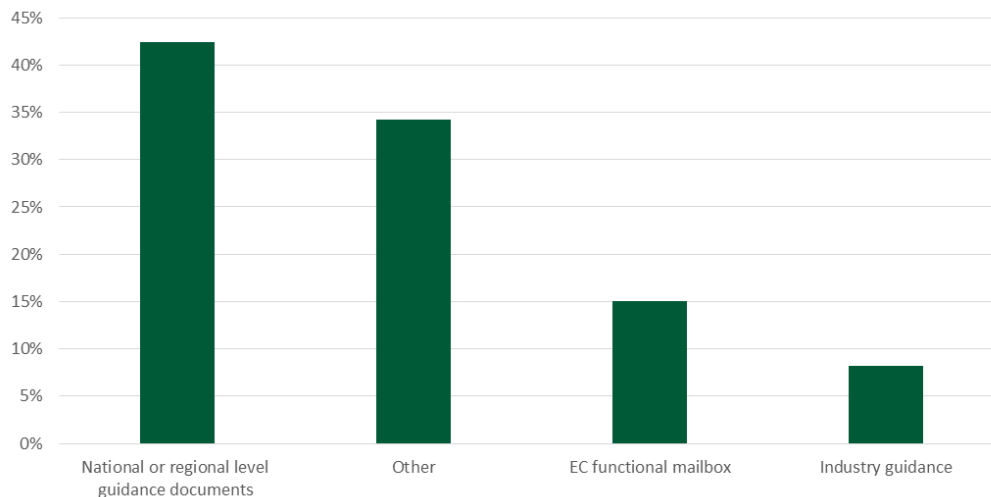
Finally, in terms of utility, relevance and effectiveness of the user guide, the survey also inquired whether respondents use additional tools when working on SME status assessments.

The use of other tools in conjunction with the guide does not necessarily mean that the guide is not effective, useful or relevant. However, the nature of these additional tools does affect the way in which the user guide adds value and gives an indication on where it could focus to ensure maximum value added.

As the figure below shows, more than 40% of respondents use national or regional tools in conjunction with the guide, 15% consider the EC’s functional mailbox a supplementary tool that they use and very few respondents use the guide together with additional industry guidance.

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Figure 8: Do you use any other documents or tools in addition to the user guide when assessing the status of an SME?



Furthermore, about 30% of respondents also use other types of tools, in many cases EU level documents, alongside the guide. The table below has a list of these "other" tools mentioned by survey respondents. The tools include EU level tools and data sources, the respondents' own tools and other external tools and data sources (including proprietary databases such as Amadeus, national level tools and data, and academic publications)

Table 3: "Other" tools mentioned by respondents

EU level tools and data sources
The SME definition (Commission Recommendation 2003/361/EC)
Our own SME "modus operandi"
Eurostat statistics
Extensive discussion with the REA/validation unit concerning SME-status and economic activity
SME test developed by the Wallonia region and DG Research and Innovation, http://smetest.uwe.be/
European Medicines Agency SME Checklist
Own tools
Internal work documents drafted on the basis of the experience accumulated upon assessment of difficult or complex cases
An internal guide with several tricks, based on our own experience
Internal documents: product description for account managers
Other external tools (including proprietary databases)

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Amadeus database of European enterprises
Portuguese electronic certification for SMEs
Belgian enterprises registration system
Literature on competition law and economics

The figure below shows the different reasons for using additional tools alongside the user guide for SME status assessments. The main reason is to improve clarity compared with the user guide, which is an interesting finding reflected also in the next section of the evaluation (on clarity and completeness).

Additionally, a large share of respondents (25%) indicate that these other documents and tools are more tailored to their specific needs. Completeness of other tools is mentioned by less than 15% of respondents whereas greater user-friendliness and flexibility are not seen as major advantages of other tools compared with the user guide.

Figure 9: Why do you use additional tools/documents?



Regarding tailored advice, interview results support the notion that case-by-case analysis remains an important part of SME status assessment and a general guide can only provide a limited amount of support in this respect. It should be noted that this is also the position of the Commission. The user guide is intended to support, not to replace decision-making on a case by case basis. A clear and concise user guide or explanatory document (e.g. the *modus operandi* document developed by the Research Executive Agency), may help in these situations.

However, interviewees also consider that the ability to consult DG Enterprise & Industry is the most helpful tool, and is being used considerably by both managing authorities and EC agencies. Advice from DG Enterprise & Industry on how to interpret a specific case or wording in

the definition has been reported as helpful in various interviews. This is true even for the Research Executive Agency, which is an agency with significant experience in the validation process of SMEs and with access to a validation panel on particularly difficult cases.¹⁰

4.3. Clarity and completeness

The key research question in this section is: To what extent is the user guide clear and complete with regard to the needs of the stakeholders (i.e. SMEs, agencies, etc.)?

Interviews have shown two different views on the clarity and completeness of the guide:

- Some users insisted on having clearer definitions and concepts, to minimise different interpretations that may result when definitions are not fully specified. This view was expressed by users applying the guide as part of a validation process, as well as by SME associations and contact points that receive enquiries from enterprises on the definition.
- On the other hand, disadvantages related to providing a user guide with precise and clear definitions on each concept were also highlighted by some interviewees. By specifying clear thresholds/definitions/requirements, this kind of prescriptive approach might reduce flexibility in decision-making on a case by case basis and open up ways to “circumvent” the spirit of the SME recommendation.

In support of the second point above, some interviewees indicated the vast majority of SME cases are very clear-cut (90% according to one interviewee with extensive experience in the process) and do not require more guidance than currently available in the guide. Of the small minority that are less straightforward, about half (5%), according to the same interviewee, are due to complex enterprise structures and, therefore, data requirements. Where there are more fundamental questions about definitions and concepts (i.e. in the remaining 5% of cases), the same interviewee considers that this is often because the enterprise at stake is not actually an SME in the sense of the SME Recommendation and that the applicant is trying to “fit” their situation around some of these key concepts in the legal text and user guide without regard to the “spirit of the law”.

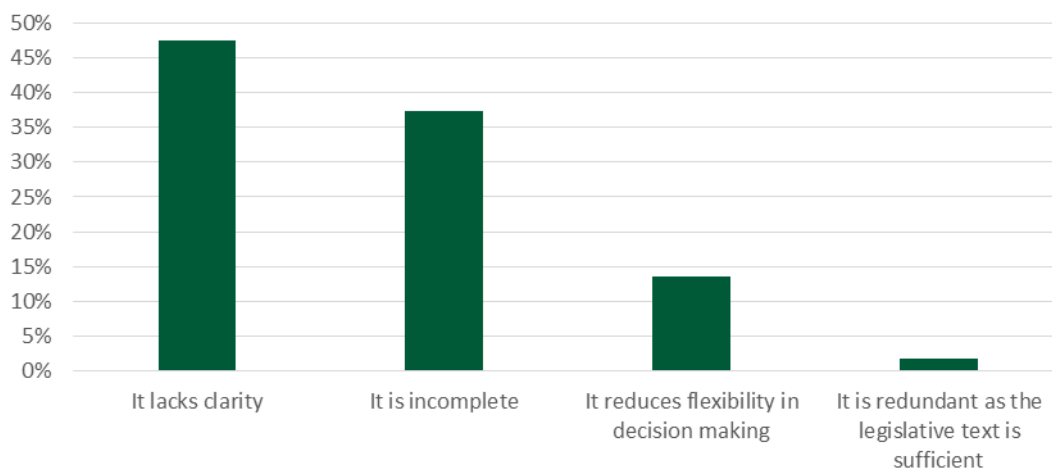
Notwithstanding these points, the survey results provide evidence of the importance that users of the guide place on improving clarity and completeness. More than 45% of respondents indicated that the guide

¹⁰ This validation panel is an inter-service consultation involving other relevant DGs that also carry out work related to the SME definition.

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lacked in clarity, more than 35% thought it was incomplete. This compares with less than 15% who indicated that the guide reduced flexibility of decisions (i.e. that it was too prescriptive) and very few respondents who thought it was redundant as a whole. Clearly these results indicate that improvements to the guide should focus on clarity and completeness in the first instance, rather than a complete overhaul of the document.

Figure 10: What is the main drawback of the guide?



Clarity of the user guide

In terms of clarity, interviewees thought that where the current user guide refers to information contained in other documents and regulations this can be confusing for the reader. For example, on p. 40 of the user guide (in the model declaration), the text refers to article 6 of the recommendation in regards to the definition of turnover. While this is helpful, it also forces the reader to search for this article and it might be easier for the reader to have the statement or definition provided directly in the declaration or in the guide itself. Even though the recommendation is provided in the annexes to the guide, it would be helpful to provide the specific article in written where relevant in the guide.

The table below summarises some of the survey respondents' key suggestions in terms of improving clarity.

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Table 4: Suggested improvements to clarity of the guide highlighted by survey respondents

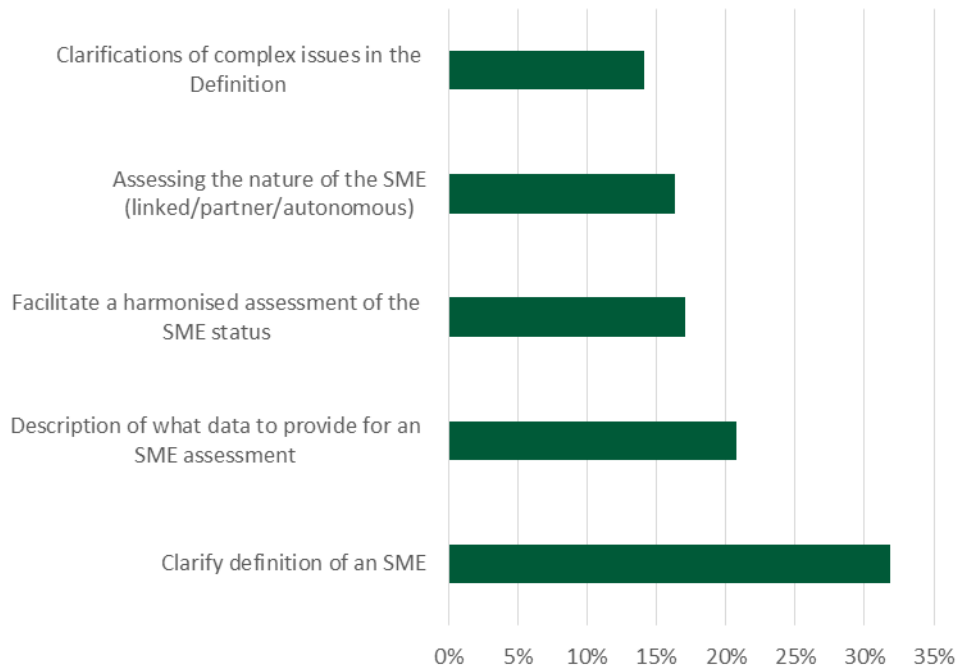
Clarity needed on the different types of enterprise (autonomous/partner/linked). The few illustrative examples currently presented are simple, whereas there are very often much more complex cases.
The "exception" paragraph (referring to art. 3.2 (a-d)) under 2.3.1 is not clear. The paragraph would need to give more explanations on the different exceptions (public/private university, institutional investors, etc.)
Clarity is needed on what data should be aggregated when more linked/partners enterprises have different year endings for their financial accounts.
Art 3.4 needs to be further clarified and explained.
Case studies or visual examples would be helpful to use in order to clarify issues such as the 2-year rule, apprentices and linked enterprises.
One difficult case in need of clarity, is the definition of dominant influence situation, linked to a contract, or to the position of major client.
The two-year rule, the lack of definitions of economic activity, 'acting jointly', natural person influence, adjacent and relevant markets leave room for interpretation. Clear definitions would be helpful.
Issues such as VCs, franchises etc. would need further clarification.

Gaps in the coverage of the user guide

The figure below shows survey respondents' perceptions on the main gaps in the user guide. As the results indicate, users think that the basic definition of SMEs is clearly and fully covered in the guide, but complex issues in the SME definition are not fully clarified. Interviews confirm that the majority of stakeholders and users thought the lack of clear definitions, or missing definitions were the main gap in the guide. These definitions include for example the concept of "dominant influence", "adjacent / relevant market", "economic activity", as well as the exceptions to linked enterprises listed in article 3.2.a-d (e.g. institutional investor, business angel, autonomous public authority etc.).

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Figure 11: Which of these needs are fully addressed by the user guide, and which are not (% indicating “fully addressed”)



The table below presents an overview of additional comments from survey respondents regarding completeness of the guide.

Table 5: Suggested improvements to completeness of the guide, highlighted by survey respondents

The user guide could contain additional examples involving:

- a linked entity to the participant which may qualify as venture capital firm (but as linked has to be taken into account) and which has other downstream linked enterprises but also partners;
- how enterprises are linked via a group of natural persons acting jointly;
- an enterprise that does not qualify as an SME due to the fact that its shares are held jointly by several public bodies;
- an enterprise having two partner downstream enterprises when the latter are linked via their other shareholder which happens to be a venture capital fund;
- an enterprise A linked to an enterprise B, when B has as partner one of the investors listed under art. 3.2 of the Annex to the SME

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Recommendation;

- examples of "the two-year rule".

In addition, further clarifications need to be included on the definitions of a venture capital firm and of institutional investors. The venture capital / private equity business and operations such as spin-off or change in the company ownership seem to be insufficiently considered in the SME definition. Additional illustrative examples would help clarifying these cases.

Some parts might need to be elaborated e.g.

- definition of enterprise and economic activity;
- how to consider foundations/non-profit organisations as applicants and in the ownership;
- how to handle trusts, foundations, dormant/silent entities, holding companies when part of the ownership;
- what to consider in the turnover when there are no product sales but other revenues streams;
- how to consider complex ownership with linked entities through indirect partner enterprises to the applicant;
- what to consider for the 'same relevant market or in adjacent markets', in particular for companies with no turnover;
- Definitions of indirect linked and partner enterprises would be helpful.

The particular case when an SME has more than one public investors, and they jointly own more than 50%. This particular example is not mentioned in the Guide, but should be clearly mentioned and clarified.

Further explanations on complex situations mainly related to linked/partner/autonomous enterprises is required. Additional illustrative examples would be the most beneficial way of doing this.

In addition to missing and unclear definitions, interviews also indicated a need for more practical advice. There was a perception among some interviewees that the current user guide is too "theoretical" in contrast with the very practical needs of enterprises and decision-making bodies. Practical additions could include, for example, a list of documents that can be used for head count and annual account, providing specific details for different countries. Advice on how to handle different accounting periods when companies are linked, advice on how to count the Annual Working Unit (AWU) and what information should be included in the business plan could also be provided in the guide according to some interviewees.

5. **STRUCTURE AND FORMAT OF THE GUIDE**

The key evaluation questions in this section are:

- What are the FAQs which would be usefully added in the user guide?
- To what extent could measures be taken to improve the utility of the user guide and what measures could these be?¹¹

It is crucial that the guide provides the information originating in the legal text in an accessible and user-friendly way, and this is not only done through adapting the language. Throughout the data collection related to this evaluation study, interviewees and survey respondents were asked to provide suggestions to make the guide more accessible and up to date.

Many interviewees thought the guide provides accurate and clear information in most cases, in particular taking into account the age of the document. However, changes to the structure of the guide were proposed on multiple occasions. The information collected at the inter-agency workshop in Parma focused in particular on possible improvements to the guide's structure.

This section reports on the suggestions that have been made by stakeholders and endorsed by the study team, in terms of the structure and format of the guide.

5.1. Structure and content of the introductory sections

The current guide is divided into five parts: an introduction is followed by a section focused on the "new" definition, another section on how to apply the SME definition, a conclusion and, finally the annexes.

Of course, the section on how to apply the guide is crucial and the illustrative examples in that section in particular, were reported to be helpful. On the other hand, the introduction and the section on the "new" definition do not provide much added value to users in the current set-up, even though they also include some important information.

Merge the section on the "new" definition with the introduction

This section of the guide outlines the purpose of the new definition which reflected general economic development since the previous definition which was adopted in 1996. While it might be interesting to mention that there was a definition prior to the current one in an introduction to the guide, having a whole section on this topic does not provide much added value to today's users, in particular since the "new" definition dates back to 2003.

¹¹ This evaluation question is also addressed in the next section on specific issues that should be addressed in a future iteration of the guide.

At the same time, the section does highlight the spirit of the SME definition and the importance of having a common European definition for SMEs.

Nevertheless, it is only on page 11 of the guide that the reader actually gets into the practical implications for enterprise assessment. Since the user guide is intended as a concise and user-friendly manual rather than a policy document, there should be a clearer focus on the practical side from the start. Interviews with stakeholders confirm that the introductory section and the section on the new definition could be merged, with most of the information referring to the “new” definition removed.

Further additions to the introduction

Based on the above, the current, very brief introduction could be further developed to include some of the information from the second section. We suggest to use this section to further highlight the overall objective of the SME definition, i.e. that the main purpose is to direct aid and support only to those enterprises that face genuine market obstacles due to their small size. A potential wording to be added is outlined below:

“Small and medium-sized enterprises play a decisive role in job creation and, more generally, act as a factor of social stability and economic drive.

However, SMEs face market failures undermining the conditions in which they operate and compete with other players in areas like finance (especially venture capital), research, innovation and the environment [...]. SMEs are confronted with structural difficulties such as the lack of management and technical skills, and remaining rigidities in labour markets at national level¹².

Having regard to those considerations, the purpose of the SME Recommendation is to facilitate the development of the economic activities of small and medium-sized enterprises, provided that such aid does not adversely affect trading conditions to an extent contrary to the common interest.”

We would also suggest that this section should explain, in an accessible language, what different features are important in assessing an enterprise, in addition to the headcount, balance sheet and turnover. In particular the concepts of partner and linked companies could already be introduced to the user at this point. The below text presents a potential wording:

¹² See for example: Think Small First”. A “Small Business Act” for Europe. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>

"The size (employees, turnover, balance sheet) of an enterprise is not the only factor to be taken into account. An enterprise can be very small in these terms, but if it has access to significant additional resources (e.g. because it is owned by, linked to or partnered with a large enterprise) it might not be eligible for SME status.

For enterprises with a more complex structure, a case by case analysis can therefore be required to ensure that only those enterprises that fall within the 'spirit' of the SME recommendation are considered SMEs."

Such a paragraph will clarify the purpose of the SME definition and the user guide to enterprises. Depending on structure and size of the enterprise in question, the reader will have a first indication on what section of the guide to look at in further detail. Smaller enterprises with simple structures will be able to focus on the basic criteria, whereas larger enterprises with more complex structures will know that they need to take into account links to other enterprises, in addition to the basic criteria.

Include a step by step overview in the introductory section

In addition to these specific additions and changes to the introductory sections, the user guide could also provide better signposts to users who are interested in the steps required in assessing the status of an enterprise.

Such guidance could be applied through different approaches. We first suggest to insert a diagram at the beginning of the guide to illustrate the overall structure of the SME assessment procedure and to indicate the relevant pages and information to focus on at each step. The objective of this overview is to guide the user to the most tailored part of the guide, without having to consult all the different sections.

5.2. Structure of the practical section on applying the SME definition

In terms of the core section of the guide (applying the SME definition), interviews have suggested that this could be further modified to increase its practical relevance, and its accessibility. In particular, the balance in the current guide between narrative versus visuals/examples and between additional detail and conciseness should be considered.

Add illustrative examples and accessible explanations in the annex to the guide

The current version of the user guide provides three illustrative examples in the annex. These examples have been highlighted as one of the most important sections of the guide by many users, and with significant room for further development.

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Based on these views, a greater number of examples focused on more complicated cases (associations, partner enterprises with various levels of ownership, ownership involving public bodies etc.) should be included in the guide. This should also include negative examples (e.g. enterprise structures which cannot be considered SMEs) to provide further clarity.

The table below highlights three cases that could be explained with illustrative examples in the annex to the guide. Two additional illustrative examples to include are provided in Appendix D.

Table 6: List of three additional examples to include

- | |
|---|
| <ul style="list-style-type: none">• An enterprise with several partners where some of them enter into the list of exceptions and are therefore not taken into consideration → partner enterprise, take into account the % of data from partners¹³• An enterprise with several partners where these are public bodies (universities, autonomous local authorities), the investment not adding up to 50% → autonomous enterprise• An enterprise with several partners where these are public bodies (universities, autonomous local authorities), their total investment exceeding 50% → not an SME |
|---|

Another example of additional guidance to enrich the guide would be to introduce a flow chart demonstrating the step by step overview in the introduction, and which could indicate on each page where the reader is situated in the assessment process.

Provide an online version of FAQ that are kept up to date based on questions received by DG Enterprise & Industry

The static nature of the guide has led to repeat queries of a similar nature from users to the EC advice service. As mentioned above, DG Enterprise and Industry SME Policy Development and SBA Unit has replied over the years received to a large number of enquiries which could be the starting point for an easy-read online Q/A tool.

A (fully anonymised) FAQ could be a solution to explaining recurring situations and providing guidance on how the SME definition can be interpreted. Such an FAQ could also provide case-by-case explanations of unclear notions or concepts, without requiring the creation of new definitions or amending legal texts. To facilitate regular updating the FAQ

¹³ Suggestion provided in Appendix D

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should be kept online and maintained by DG Enterprise & Industry. However, the guide should provide a hyperlink to these FAQs.

The advantage with an online version would be the possibility of updating these FAQs on a regular basis, building on new questions received by the Commission, new case law, or new situations that might occur. The FAQs would provide support not only for enterprises, but also for consultancies, national contact points and public authorities, as well as for agencies and Commission DGs when advising enterprises.

The table below outlines some questions to be included in the set of FAQs. This list has been elaborated based upon the data collection of the study and issues that have been highlighted as problematic.

Table 7: Questions to be included in the online FAQs

- | |
|--|
| <ul style="list-style-type: none">• How does the 2 year rule apply in case of change of ownership?• How can enterprises be linked via a group of natural persons acting jointly? Apart from family links, what else could be taken into consideration for defining that natural persons act jointly?• What is the status of an association?• What elements have to be taken into account for defining whether there is dominant influence pursuant to a contract or an agreement?• A case where a minority shareholder has the right to manage the activities of the company and to determine its business policy on the basis of the organisational structure (e.g. as a general partner in a limited partnership).• A case where an enterprise A is linked to an enterprise B, when B has as partner one of the investors listed under art. 3.2 of the Annex to the SME Recommendation. Is the investor taken into account in this case?• A company in MS 1 is 100% owned by a company in MS 2, which in turn is 100% owned by a non-EU company. Could this ownership be a problem in view of the company in MS1's application for the Commission's R&D projects?• Research and technology organisations (RTOs) are not explicitly mentioned in the guide. Can they be considered SMEs?• A small enterprise is 85% subsidised by a charitable association. In this case, does the association need to be taken into consideration for the calculation? |
|--|

The table outlines three of the above examples in more detail to show what the full FAQs might look like.

Table 8: Full examples of FAQ

1 - Q: A non-profit biotechnology organisation has declared itself to be autonomous and as such to meet the SME criteria. The company has, however, been created, and are 85% subsidised by an association. In this case, does the association – which is a charitable organisation, need to be taken into consideration for the calculation?

A: The key question is to understand whether the association is an enterprise or not. The SME definition is based on the economic activity of an entity, and does not depend on the legal form of the entity. As a consequence, a potential economic activity of the association needs to be taken into account. If the association does not perform an economic activity, it will not be included in the calculations.

If the association is engaged in an economic activity, the next step is to check whether it falls under any of the provisions of linked enterprises (article 3.3 – is there a dominant influence). If the enterprise is linked, the data of the association will need to be included in the calculations.

Upon this, it needs to be checked whether a public body is backing the association with more than 25% (article 3.4). If this is the case, the principle entity (the non-profit biotechnology organisation) immediately falls outside the SME criteria.

2 - Q: Can Research and Technology Organisations (RTOs) be considered SMEs?

A: There are a few steps to take into consideration in order to assess whether an RTO is eligible for SME support:

- Exercising an economic activity is a precondition for being considered an SME. Therefore, as a first step the economic activity needs to be taken into consideration.
- Next step is to clarify whether the RTO is directly or indirectly controlled (25% or more of the entity's capital/voting rights) by one or more public bodies (article 3.4 of the recommendation). If this is the case, the entity is not considered an SME.
- There are some exemptions to the previous point – article 3.2 a-d foresees some exceptions where enterprises can still be considered autonomous even though the 25% ceiling is exceeded. This is the case when the investments are made by universities or non-profit research centres. In these cases, an ownership up to 50% is possible.
- Finally, any relations to other partner (25-50% of capital/voting

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rights) or linked (more than 50% capital/voting rights) enterprises need to be considered. If necessary, data from these enterprises would need to be added to the calculations and checked against the SME criteria.

Depending on the above mentioned conditions, RTOs may be considered SMEs and thus eligible for SME support programmes.

3 - Q: A Romanian company is 100% owned by a Danish company, which in turn is 100% owned by a Japanese company. Could this ownership be a problem in view of the Romanian company's application for the Commission's R&D projects?

A: The nationality of the shareholders is not relevant for the SME assessment. The situation described is a clear case of linked enterprises, as a result the data from all three companies mentioned should be added and taken into account for the SME assessment of the Romanian company. The total data of all three have to be within the thresholds for the company to qualify for SME support.

Create an interactive version of the guide

Interviews have shown consensus that an updated printed version of the user guide is needed. However, it has been further highlighted that an interactive online tool for SME decisions would provide helpful assistance.

Elements of such interactive tools already exist at EU level. For instance, EMA has adopted the existing model declaration (provided in the annex to the current user guide) and developed a tick box version which opens annexes guiding the enterprise to different sections, and which calculates headcount and financial data for complex ownership. Similarly, the recently launched REA tool takes enterprises interested in H2020 projects through the full SME assessment online. The Commission should explore whether these existing EU level tools could be further developed to support SMEs and decision-making authorities in the application of the SME definition. Eventually, one such tool could be made available to users via the DG Enterprise & Industry website alongside the user guide.

At the same time, it is important to consider that SMEs and their needs can differ significantly from one enterprise to another. While larger enterprises might find an online tool very useful, smaller family driven business in a rural part of the EU might find it less helpful due to limited internet access, or limited familiarity with the internet for example. Therefore, in addition to the online version, an updated paper version of the guide should remain.

A shared online discussion platform

In addition to an updated printable version, interactive tools, illustrative examples and FAQs, interviewees suggested that a shared platform would be useful to decision-making authorities. This point was in particular discussed at the inter-agency workshop in Parma, where several EC agencies working with the SME definition were present.

Different bodies have acquired an important body of knowledge and experience with the user guide and the SME definition. Very often, more complicated cases lead to internal discussion, consultations with other organisations or DG Enterprise & Industry, or in the case of the Research Executive Agency, engagement with the validation panel.

However, very often the expertise developed based on this work is not shared across the EC. To give an example, the Research Executive Agency has developed a *modus operandi* working document based on the various difficult cases they have encountered. Such documents would be beneficial to share between relevant services, and this could easily be done through an online platform.

The online platform could be accessible to Commission services, the external agencies and managing authorities in the Member States. This platform would enable an exchange of good practice and knowledge involving all different actors that are involved in the SME validation process. At the same time it could be a forum for establishing a complete inventory of all relevant case law, rulings and documents. In addition to facilitating knowledge transfer, this platform might also result in a decreased number of enquiries to DG Enterprise & Industry's functional mailbox. The dynamic nature of this policy area requires such a platform or internal document to be updatable due to evolving case law, competition law and other relevant rulings.

6. SOLUTIONS AND SUGGESTED REVISIONS RELATED TO SPECIFIC KEY ISSUES IN THE USER GUIDE

The final part of the report investigates the key issues identified in the evaluation in greater detail, proposes solutions based on the research team's analysis and input from users, and it provides concrete suggestions for revisions of the text in the user guide. These issues were discussed in depth in a stakeholder workshop in Brussels on April 23, 2014. The section below fully takes into account the comments from that meeting.

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6.1. The 2-year rule/change of ownership

Problem	Solution	Suggested revision of the guide
The user guide does not clarify whether Art 4.2 of the SME definition also applies in case of a change of ownership (e.g. merger or acquisition) occurring between the closure of the accounting period and the determination of SME status if the change affects the shareholder structure of the enterprise. ¹⁴	Art 4.2 should not apply to enterprises that are subject to a change of ownership ¹⁵ .	<p>Insert the following text on p 16 of the guide:</p> <p>“The purpose of Article 4.2 of the SME definition is to ensure that successful SMEs that experience growth are not penalised with the loss of SME status unless they exceed the relevant thresholds for a sustained period. The Article provides stability to companies which are close to the ceilings and which risk to exceed them temporarily during an exceptional year in volatile markets.</p> <p>In line with this intention, article 4.2 does not apply in the case of enterprises that exceed the relevant SME thresholds as a result of a change of ownership, which is usually not considered temporary and not subject to volatility. Enterprises that are subject to a change of ownership need to be</p>

¹⁴ The SME definition states that “Where, at the date of closure of the accounts, an enterprise finds that, on an annual basis, it has exceeded or fallen below the headcount or financial ceilings stated in Article 2, this will not result in the loss or acquisition of the status of medium-sized, small or microenterprise unless those ceilings are exceeded over two consecutive accounting periods” (Art 4.2). The purpose of this article is to ensure that successful SMEs that experience organic growth are not penalised with the loss of SME status unless the enterprise exceeds the relevant thresholds for a sustained period. The Article should provide stability to companies which are close to the ceilings and that risk to exceed them temporarily during an exceptional year in highly volatile markets

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		assessed on the basis of their shareholder structure at the time of the transaction, not at the time of closure of the latest accounts ¹⁶ ."
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6.2. Definitions

Problem	Solution	Suggested revision of the guide
Several concepts are used but not fully defined in the SME recommendation or in the user guide. Further definitions of these terms would go beyond the original legal text and could therefore be challenged.	These terms should not be fully defined in the user guide. Rather, the guide could provide a glossary setting out how these terms can be interpreted in line with the spirit of the SME recommendation. In the glossary, reference should be made to other relevant EC documents that might provide further guidance in defining	Insert a glossary at the end of the guide with the following entries: Within the context of natural persons in article 3(3) of the definition two clarifications should be made: "Acting jointly - Previous case law has considered family links sufficient to consider that natural persons act jointly. ¹⁷ "

¹⁵ This is confirmed by the Commission's legal service which found following a 2010 parliamentary question on the SME definition (P-10540/10 Keith Taylor in case Twining), in its note SJ.C(2011) 56433 of 2 February 2011 that the 2-year rule should be interpreted teleologically (intention of the legislator) and not literally (wording), which means that an SME taken over by a large enterprise which becomes therefore partner or linked enterprise, could not benefit any longer from the SME status for two consecutive years.

¹⁶ See section 1.13.1, point (6) (e) of the Commission Decision 2012/838/EU of 18 December 2012.

¹⁷ Case C-8 - *Nordbrandenburger UmesterungsWerke* NUW in Commission Decision of 7 June 2006, OJ L 353, 13.12.2006, p. 60

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In addition, a very specific definition of these terms would reduce flexibility in decision-making on a case by case basis.	these terms. The glossary could be provided in the annex to the user guide, and should be introduced by a short text highlighting that the purpose of such a glossary is to provide explanations rather than legal definitions, and that further information can be found through the links/references provided	<p>"Adjacent / relevant market - A relevant market is understood to cover "all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products' characteristics, their prices and their intended use". Supply-side considerations may also play a role and the outcome of the exercise depends on the nature of the competition issue being examined. Each case therefore has to be looked according to its own merits and in its own particular context.¹⁸</p> <p>Adjacent markets, or closely related neighbouring markets, are markets where products or services are complementary to each other or when they belong to a range of products that is generally purchased by the same set of customers for the same end use.¹⁹"</p>
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¹⁸ Commission Notice on the definition of the relevant market for the purposes of Community competition law (see: OJ C 372, 9.12.1997, p. 5–13)

¹⁹ See also Guidelines on the assessment of non-horizontal mergers (2008/C 265/07)

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		<p>"Economic activity - According to article 1 of the recommendation, the SME status depends solely on the economic activity of the entity, irrespective of its legal form. As a consequence, an SME can also be self-employed persons, family businesses engaged in craft or other activities, as well as partnerships or associations engaging in an economic activity on a regular basis. In general, any activity consisting in offering goods or services on a given market is an economic activity. It could therefore be any legal entity involved in any form of trade or activity done for remuneration or pecuniary interest in a given market.</p> <p>The following shall not be considered economic activities:</p> <p>Activities which do not entail some sort of pecuniary offset; or</p> <p>Activities for which there is no given/direct</p>
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		<p>market; or</p> <p>Activities for which the income generated is not distinct from the personal income of its members or shareholders²⁰."</p> <p>Within the context of Article 3(3):</p> <p>"Dominant influence - Dominant influence would require a determination that the investors listed in paragraph 2(2) of the SME definition are involving themselves directly or indirectly in the management of the enterprise in question (without prejudice to their rights as stakeholders)." An example of dominant influence would include an investor with a 'veto right' over strategic decisions of the enterprise for instance.</p>
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²⁰ FP7 Rules for participation, http://ec.europa.eu/research/participants/data/ref/fp7/100581/fp7-verification-rules_EN.pdf

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		<p>"Institutional investor – This refers mainly to insurance companies, pension funds, banks and investment companies collecting savings and supplying funds to the markets, but also to other types of institutional wealth (e.g. endowment funds, foundations, etc.). Usually these have substantial assets and are experienced investors."²¹</p> <p>"Venture capital company - A private equity/venture capital investment fund is a vehicle for enabling pooled investment by a number of investors in equity and equity-related securities (such as quasi-equity) of companies (investee companies). These are generally private companies whose shares are not quoted on any stock exchange. The fund can take the form either of a company or of an</p>
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²¹ See COM(2007) 853 final

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		<p>unincorporated arrangement such as a limited partnership. In form, a private equity/venture capital company can either be a company or a limited partnership: a few are quoted on stock markets.²² In practice, venture capital companies usually invest in growth oriented, often start-up companies, always with the intention to participate in the growth of the shareholder value by gaining profits from the exit (i.e. sale of the shares). This should be included in the statutes.</p> <p>Business Angel - Business angels are individuals with a regular venture capital investment activity who invest in equity capital in unquoted companies.²³ In addition to the financial</p>
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²² See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007SC1719:EN:HTML>

²³ See also Commission staff working document accompanying the document communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - Removing obstacles to cross-border investments by venture capital funds - Glossary and expert group report {COM(2007) 853 final} /* SEC/2007/1719 final *

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		support, the characteristics of a Business Angel also imply the experience, skills and competences made available to the company by the Business Angel. Claim of business angel status can be supported by membership in a relevant association e.g. the European Business Angel Network.
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6.3. Dealing with linked and partner enterprises

Problem	Solution	Suggested revision of the guide
Lack of clarity in the rationale for including limits on public ownership	Highlight the purpose of article 3.3.4 of the definition	Insert the following text on p 21 “public ownership may give certain advantages to an enterprise, notably financial, over other enterprises that are financed by private equity capital”
Lack of clarity in the treatment of public ownership limits	Insert clarifying text in the guide	Insert the following text on p 21: “The participation of public bodies (exceeding 25% for any public body except the ones listed as exceptions, or exceeding 25% for public bodies listed as

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		exceptions) implies that the enterprise cannot be considered an SME”
Lack of clarity in the treatment of exceptions to the rules on linked enterprises regarding public bodies	Insert narrative description of procedure for assessing linked enterprise status in case of multiple investments from public bodies	Insert the following text on page 21: “This only applies in the case of the existence of one investment emanating from a public body listed in the exceptions on pages 18-19. When two or more public bodies invest in the same enterprise, and the total investment exceeds 50%, the enterprise in question will automatically fall outside of the scope of the SME definition.”
Lack of clarity regarding treatment of exceptions further upstream from the enterprise to be assessed	Insert text describing that partner enterprises further upstream remain covered by the exceptions	Insert the following text on page 21 “The exceptions in Article 2(2) only relate to partner enterprises, including partners to enterprises which are linked to the enterprise to be assessed.”
Lack of clarity on data required from partner and linked enterprises	Insert illustrative example show that all data of all linked enterprises need to be included in the SME assessment (i.e. not	Insert the following text in the guide on p 21: “The totality of data on all linked enterprises need to be included in the SME assessment. For example, if enterprise A is linked to enterprise B which is linked to enterprise C which is linked to D, E, F, the totality of data of all the enterprises (A-F) shall be included.

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	only the first 2-3 levels up- or downstream).	<p>The proportionate data of all enterprises that are partner to the enterprise to be assessed as well as partners to any linked enterprise need to also be taken into account.</p> <p>Data of a partner to a partner of the enterprise to be assessed however are not to be taken into account.</p> <p>On a case-by-case basis (e.g. consolidation by equity) further data may be required to establish the relationships between the enterprise to be assessed and potential partner or linked enterprises."</p>
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7. CONCLUSIONS AND RECOMMENDATIONS

This section presents the evaluation questions and our replies to those. It also summarises the main conclusions of the study and it presents a set of recommendations, beyond the specific revisions to the text presented in Section 6.

7.1. To what extent is the user guide useful for the stakeholders (i.e. SMEs, agencies, etc.)?

Overall, interviewees and survey respondents report that the guide is useful to them. 79% of survey respondents are satisfied with the guide, with a significant number indicating that they could not do their job without the guide.

Most users of the guide are public authorities at EU and national/regional level involved in the assessment of enterprises applying for SME support. However, the guide is also used by some industry stakeholders.

In addition to being used for the assessment of the status of an enterprise, the document is also used as a point of reference to explain assessment decisions, as a basis for the development of internal procedures within decision-making authorities, and for external information and communication sessions.

Frequency of use varies across different stakeholder groups but there is a large share of repeat users which attests to the document's general usefulness to these stakeholders. Some interviews have shown that the guide is not very well known, and some interviewees were not aware of its existence before being contacted by the study team. Furthermore, business associations reported that their members are often not aware of the guide. The lack of awareness seems greatest among enterprises, while decision-making authorities often seem aware of the guide but might use it to a small extent.

The evaluation has therefore shown that there is a significant scope for marketing the guide more effectively to increase awareness. The guide should be further highlighted on the website of DG Enterprise & Industry, and also linked to on any relevant webpage of the Commission, as well as of external organisations working with SME support.

7.2. To what extent is the user guide relevant to the stakeholders needs (i.e. SMEs, agencies, etc.)?

Overall, stakeholders report that the user guide is relevant to their needs. Clarification of complex issues and assessment of enterprise status (including autonomous, linked, partner enterprises) are the most important needs. While these issues are addressed in the current guide, they could be further explained and clarified. The visual examples that are included in the guide have been reported to be particularly useful.

While there is generally high satisfaction, some smaller enterprises with a straightforward structure, report that the guide can be quite detailed and complex. At the same time, some managing authorities report that the guide is too basic for dealing with more complex cases.

7.3. To what extent is the user guide clear and complete as regards to the needs of the stakeholders (i.e. SMEs, agencies, etc.)?

In terms of completeness and clarity, the user guide strikes a difficult balance between clarifying the SME definition and leaving sufficient flexibility for case by case decisions. As a result, more than 45% of survey respondents have indicated that the guide lacks clarity.

There are different views, in particular, on the extent to which the guide should go beyond the legal text in the SME definition. Rather than offering its own interpretation of the legal text, the evaluation suggests that the guide should aim to link to the variety of other guidance documents, case law and relevant EU level documents that already exist and try to incorporate a list of FAQs based on specific queries received by the European Commission.

However, the following additions could be made to the guide to improve clarity and completeness:

Recommendation 1: *An introductory paragraph on the varying nature of SMEs for enterprises to understand the discussion about partner- and linked enterprise at an early stage, and whether it is something they as an enterprise should take into consideration or not.*

Recommendation 2: *Practical guidance on which evidence to provide in more complex and time consuming cases requiring a lot of supporting documents. This could take the form of a list of documents/evidence that could be used to support a claim. This list could be accessed via a hyperlink in the guide, providing country-specific information. The list could be developed with the assistance from Managing Authorities in the Member States.*

Recommendation 3: *The structure of the guide should be modified so as to better guide the reader (SME/decision-maker) to the relevant parts. This can be done through an initial section presenting a step by step overview of the SME assessment process which guides the reader through the document (see section 5 of this report).*

Recommendation 4: *Finally, the guide should encourage linkages with other tools and documents at EU level. In the first instance, this could be done by raising awareness of all the different guidance documents that are available. In particular, there should be a direct (hyper) link to the REA tool in the user guide and vice versa. In contrast, the link to the (now outdated) Wallonia tool should be removed.*

7.4. Which updates are needed by the stakeholders (i.e. SMEs, agencies, etc.) and not included in the current version user guide of the user guide to the SME Definition?

Three levels of recommendations are made in the study: improved coordination across decision-making authorities, improvements to the structure of the guide and additions to its content.

Recommendation 5: *Improved coordination across decision-making authorities: the study suggests that additional efforts could be made to encourage consistency with other tools and documents at EU level that have developed over the years. A coordination effort between DG Enterprise & Industry and other Commission services will be central to facilitate this. For instance, a shared online discussion*

platform could act as a knowledge exchange tool for decision-making authorities and serve to improve consistency.

Recommendation 6: Improvements to the structure of the guide: the study suggests updates to the structure of the guide to keep it short and concise while including additional text on the purpose and "spirit" of the SME definition. Furthermore, a step-by-step overview in the introductory section would help guide users to the relevant sections depending on their specific needs. Additional illustrative examples should be included to illustrate the most common issues on dealing with partner and linked enterprises and on investments by public bodies. Additional examples are provided in Appendix D.

Recommendation 7: Specific content additions: a large share of stakeholders highlighted the lack of clear definitions, including the concepts of "dominant influence", "adjacent / relevant market", "economic activity", as well as the exceptions listed in article 3.2.a-d of the SME definition. Further key issues included a lack of clarity regarding the 2-year rule and dealing with linked and partner enterprises. A glossary should be included, an FAQ created alongside the guide and specific textual additions made on pages 16 and 21 of the guide. Additional illustrative examples should address different scenarios of linked and partner enterprises. The FAQ should focus on recurring issues in the Q&A submitted to the European Commission's functional mailbox and they should be kept online and maintained by DG Enterprise & Industry.

7.5. What are the Frequently Asked Questions (FAQ) which would be usefully added in the user guide?

FAQs should be based on the Q/As emanating from the functional mailbox of the Commission. To facilitate regular updating of such FAQ, it should be kept online and maintained by DG Enterprise & Industry. A list of suggested initial FAQs is in Section 5 of the report.

Furthermore, since the creation of the user guide a number of additional tools have been introduced and the guide should acknowledge the existence of these tools, refer users to them and encourage consistency in guidance. In particular the "REA tool" is web-based and it allows enterprises to "try out" the SME assessment procedure. This could be a useful complement to the hitherto more static user guide.

7.6. Which other questions are often asked but are not necessary to be included in the user guide?

Most of the issues that have been highlighted regarding the user guide and the recommendations are related to clarity. As set out above, questions from users are in most cases very relevant and should be dealt with through FAQs or in the updates outlined in the previous paragraph. However, it is important to maintain flexibility of case by case decisions on some issues as described in the report.

In addition, the study suggests that the section in the guide on the new definition should be dropped. However, the current introduction should remain to state clearly that the guide is based on the SME definition and that it has been drafted within the spirit of this definition.

The guide should be upfront about the fact that the SME definition deliberately does not aim to cover all potential situations to allow for flexibility in decision-making on a case by case basis within the confines of the spirit of the law (i.e. directing aid to only those enterprises that face genuine market obstacles due to their small size).

7.7. To what extent could measures be taken to improve the utility of the user guide and what measures would these be?

In addition to the recommendations in section 5 and 6, the following suggestions could further increase utility and relevance of the current user guide:

Recommendation 8: *The existence of an updated online version of the user guide should be further highlighted on DG Enterprise and Industry's Europa homepage. At the moment, the guide is "hidden" amongst a range of other information on the SME recommendation which may lead to low awareness.*

Recommendation 9: *A link to the guide should be included on all Europa websites related to enterprise funding (Regional and Urban Policy, Agriculture and Rural Development, Maritime Affairs and Fisheries, Competition, Internal Market and Services, Research and Innovation, etc.) as well as on related sites such as the Enterprise Europe Network. Commission services should also negotiate the creation of such links on the web-sites of UEAPME, Business Europe, Chambers of Commerce, managing authorities, national contact points and relevant industry associations (e.g. EVCA).*

Recommendation 10: *The structure of the guide could be improved by adding a further three practical examples. These additional examples should focus on common complex situations (see section 5 of the report for details on potential examples to include).*

Appendix A - Interview guide

Topic 1 - Introduction

How do you use the user guide in your work?

Topic 2 - Relevance

What in your view is the main objective of the user guide?

In your view, does the current user guide adequately address the needs when applying the SME definition? Please explain.

Which needs are not addressed by the current guide?

Topic 3 - Utility

Which parts of the user guide do you use?

How frequently do you use it? (e.g. every day/ every week/every month/ not very often)

Can you give examples of specific situations where the user guide was useful/not so useful?

In your experience what is the main impact of the guide? (e.g. increase speed of decisions, increase number and quality of decisions, clarify requirements of SME definition, translate requirements into a user-friendly format, reduce burdens, reduce conflicting decisions and misinterpretations)

In your experience what is the main drawback of the guide?

Do you think the current user guide needs an update? What in your view is the key update required: reduction/ increase in scope, increase in clarity, increase in user-friendliness, etc.

Topic 4 - Completeness and Clarity

What other documents / tools do you use in your work related to the SME definition? (E.g. functional mailbox, national / regional guidance documents or similar, industry guidance, other requests etc.)

Why do you use these tools? (E.g. they cover other areas/objectives of the SME definition, they are more user-friendly, they are clearer, more flexible, quicker, etc.)

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In your view are there any parts of the SME definition that should be covered by the guide but are not at the moment? Please explain.

Can you give us examples of misinterpretations/lack of clarity in the SME definition in your experience? What role did the guide play in these examples?

Balance between flexibility and clarity?

Have you encountered difficulties regarding the "two-year rule"?

Have you encountered difficulties regarding partner/linked enterprises and what data to provide?

Have you encountered difficulties regarding the status of associations?

Have you encountered difficulties regarding holding companies, VC or business angels?

Are there needs for clarifications and/or definitions regarding "adjacent markets" and acting "jointly"?

Topic 5 - Recommendations

Do you have any recommendations on how to improve the user guide? (in relation to the above mentioned difficulties encountered)

Are there any bad/good practices that you would like to share with us?

Is there anything else that you find relevant for the evaluation study and would like to share with us?

Appendix B – Interviewees and participants in workshops

Interviewee	Interviews	Workshop Brussels	Workshop Parma
DG Enterprise & Industry	1	x	x
DG Competition	2		
DG Research and Innovation / SME Executive Agency	1		
DG Research and Innovation	4		
DG Agriculture and Rural Development	1		
DG Education and Culture	1		
DG Maritime Affairs and Fisheries	1		
Research Executive Agency (REA)	2	x	x
European Medicines Agency (EMA)	1	x	x
European Investment Bank (EIB)	1	x	x
European Investment Fund (EIF)	1		x
European Chemicals Agency (ECHA)	1	x	x
European Food Safety Agency (EFSA)	1		x
European Association of Craft, Small and Medium-Sized Enterprises (UEAPME)	1		
European Small Businesses Alliance (ESBA)	1		
European Federation for Accountants (EFAA)	1		
Irish Small and Medium Enterprises Association	1		
Forum for Small and Medium Companies in Latvia	1		
Polish Craft Association	1		
Chamber of Commerce, Croatia	1		
Competition authority, Italy	1		
Research and Innovation National Contact Point, Germany	1		
Managing authority, Poland	1		
Managing authority, Spain (written)	1		
Competent authority, Portugal (written)	1		
Managing authority, Sweden	1		
Total	31	5	6

Appendix C - Document overview

Document overview

EC documents:

- Case law and other legislative texts: - P-10540/10 Keith Taylor in case Twining, Case C-8 - Nordbrandenburger UmesterungsWerke NUW, Case Law C-222/04 Cassa di Risparmio di Firenze, paras 111 and 112;
- Commission Notice on the definition of the relevant market for the purposes of Community competition law (see: OJ C 372, 9.12.1997, p. 5–13);
- Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises;
- Commission staff working document accompanying the document communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - Removing obstacles to cross-border investments by venture capital funds - Glossary and expert group report {COM(2007) 853 final} /* SEC/2007/1719 final */;
- Commission Staff Working Document on the implementation of Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, 2009;
- EC issue paper (2 February, 2011);
- EC PDF presentation on SME definition;
- Evaluation of the SME Definition, September 2012;
- FP7 rules for participations, http://ec.europa.eu/research/participants/data/ref/fp7/100581/fp7-verification-rules_EN.pdf
- Guidelines on the assessment of non-horizontal mergers (2008/C 265/07);
- Q/A from the functional mail box and other enquiries received by the Commission;
- Report from the Commission on the Implementation of the Commission Recommendation (2003/361/EC), 2006;
- SME Definition (Commission Recommendation, 2003/361/EC) ;
- "The New SME Definition – User guide and model declaration".

Additional documents and websites used by agencies and MAs

- Amadeus database for European enterprises;

Document overview

- DG Competition FAQ on General Block Exemption Regulation;
- DG Research and Innovation online SME test and SME check list, <http://smetest.uwe.be/>;
- European Chemicals Agency website and specific section for SMEs, <http://echa.europa.eu/support/small-and-medium-sized-enterprises-smes>;
- European Medicines Agency FAQ, http://www.ema.europa.eu/docs/en_GB/document_library/Other/2010/12/WC500099978.pdf;
- European Medicines Agency model declaration form (interactive pdf);
- European Medicines Agency standing operating procedure;
- European Medicines Agency website, http://www.ema.europa.eu/ema/index.jsp?curl=pages/regulation/general/wrapper_sme_how_to_apply.jsp&mid=WC0b01ac058006bd44
- Research Executive Agency online tool.

Other

- Academic articles: The big enterprise of defining SMEs in state aid cases, Mihalís Kekelekis (2008)

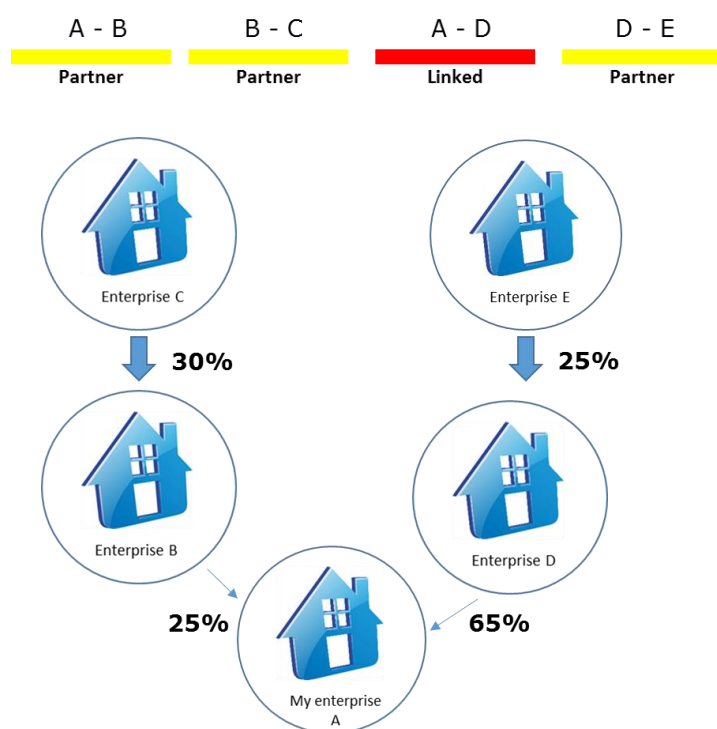
Appendix D – Additional illustrative examples

Enterprise B is partner to my enterprise A through a share of 25%. Enterprise C is partner to enterprise B through a share of 30%. Furthermore, my enterprise A is linked to enterprise D through a holding of 65%. And enterprise E is partner to enterprise D through a share of 25%.

The proportionate data of all enterprises that are partner to the enterprise to be assessed as well as partners to any linked enterprise need to also be taken into account.

Data of a partner to a partner of the enterprise to be assessed however are not to be taken into account.

My total: 100% of A + 25% of B + 100% of D + 25% of E



Enterprise B, C, and D are all partners to my enterprise A, through shares of respectively 25%, 30% and 25%.

However, enterprises B and D are a university and an institutional investor, and thus part of the exceptions (art. 3.2 a-d of the recommendation).

Therefore, those two are not to be included in the data.

My total: 100% A + 30% C

