

## **Information note of Commission services regarding ERDF support to SMEs**

This note responds to issues raised in the course of the negotiations between Commission Services and Member States on the matter of direct support to SMEs in Operational Programmes for the 2007-13 programming period.

The success of the Lisbon partnership for growth and jobs depends to an important degree on Europe's small and medium-sized enterprises (SMEs). They play a crucial role in fostering entrepreneurship, competitiveness and innovation and hence to the achievement of sustainable growth and development. The Commission implements a range of policy measures specifically to assist SMEs in Europe.

Within the framework of cohesion policy, for the 2007-2013 programming period, Article 3 (2) of the ERDF Regulation No. 1080/2006 states that the ERDF shall contribute towards the financing of "*productive investment...primarily through direct aid to investment primarily in small and medium-sized enterprises (SMEs)*". The Council decision of 6 October 2006 on the Community Strategic Guidelines on Cohesion (2006/702/EC) is also clear that cohesion policy support should focus on SMEs whether improving the RTD and innovation capacity of firms, providing business support services, or facilitating access to finance.

Support from the ERDF for investment in SMEs is aimed at creating the conditions in which small firms can be created and can thrive. If the EU is to achieve its goals in accelerating economic growth and creating more and better jobs, SMEs will be required to play a leading role.

In addition, by targeting aid on SMEs rather than large enterprises, there is less risk of support going to the relocation of economic activities within the European Community. It should be recalled that in recital 42 of the General Regulation, the Member States have asked that "*When appraising major productive investment projects, the Commission should have all necessary information to consider whether the financial contribution from the Funds does not result in a substantial loss of jobs in existing locations within the European Union, in order to ensure that Community funding does not support relocation within the European Union*".

Member States in general have already decided to focus ERDF support for investment exclusively in SMEs.

The Commission therefore recommends that in order to give practical effect to Article 3 of the ERDF Regulation:

- for each Member State and for Operational Programmes in which direct assistance to enterprises is foreseen, a substantial share of support should be directed towards assisting SMEs;
- each Operational Programme should make explicit reference to a minimum indicative threshold for direct support to SMEs as a percentage of the total amount of direct support to all enterprises to be achieved during the programming period;

- these minimum thresholds do not apply to direct support to R&D given the high importance placed on this type of investments by the Lisbon strategy for growth and jobs.

This minimum amount would not preclude Member States from allocating all direct ERDF assistance to SMEs.