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Audit preview

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EU support for the internationalisation of SMEs

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Small and medium-sized enterprises (SMEs) play a key role in Europe's economy, generating more than half of the economic output and providing two-thirds of the EU's private sector employment.

Supporting SME internationalisation in the Single Market and in third countries is a key element of the Union's overall competitiveness strategy. In 2011, the Commission issued an EU Strategy for SME internationalisation. The strategy aimed to bring coherence to the wide number of existing actions in support of European SMEs' international growth, and to set the principles that should govern any EU-level initiative in this field.

The European Court of Auditors is preparing an audit to assess coherence of the SME internationalisation strategy and how effective EU measures have been so far.

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SMEs and the EU economy

What drives the EU economy? Large multinational companies might be the first thing that comes to mind. But in fact, they make up less than half of the EU's economic output. The majority of the EU's economic output generated by the non-financial sector – around 56 % – is produced by small and medium-sized enterprises (SMEs)¹.

Around 99 % of all businesses in the EU are SMEs, and they provide around two-thirds of the EU's private-sector jobs. This means that measures aimed at helping SMEs grow can have a very significant effect on jobs and growth within the EU.

SMEs might be small, but that doesn't mean that they can't draw the same benefits from cross-border trading as other, larger companies. SMEs can grow, and thus contribute more to the EU economy, if they are able to access new markets in the EU and beyond. Given the size of the SME sector, this is crucial for Europe's economic growth. It is also an important element of the EU's overall competitiveness strategy. The ECA is preparing to carry out an audit of the EU's policies in support of SME internationalisation.

Internationalisation

“Internationalisation” means the process of increasing companies' involvement in international markets, primarily through exports, but also through imports and technical cooperation. More specifically, this audit focuses on the support provided by the EU to help SMEs gain access to international markets. These international markets can be either within the EU's single market or in non-EU countries, both of which will be covered by this audit.

Internationalisation is a significant driver of growth in the EU. As well as the immediate economic benefits which are gained when companies grow by trading internationally, internationalisation also has a positive effect on employment. Within the EU, 56 million jobs depend on intra-EU trade², while more than 36 million jobs depend on exports to non-EU countries³. Within the EU, one-fifth of export-supported jobs are located in a different Member State to the one where the exports originated. EU exports also support 20 million jobs outside the EU⁴.

Barriers to international trade

But if SMEs can benefit from trading internationally, what is stopping them? There are various internal and external factors which act as obstacles to SMEs being more active internationally. These include a lack of knowledge about international trade or business opportunities, complex regulations and administrative barriers, and limited resources.

Effectively helping SMEs to overcome these obstacles is high on the EU's agenda. A number of initiatives are in place to address SME's needs in this area.

EU-level strategy on SME internationalisation

Since SMEs are so important to the EU economy, the EU has set out a strategy and measures for helping them to reap the benefits of cross-border trading and cooperation.

The EU's overall policy towards SME internationalisation, both within the single market and outside the EU, stems from the Small Business Act (SBA)⁵, which forms the cornerstone policy document for SME support (see [Box 1](#)).

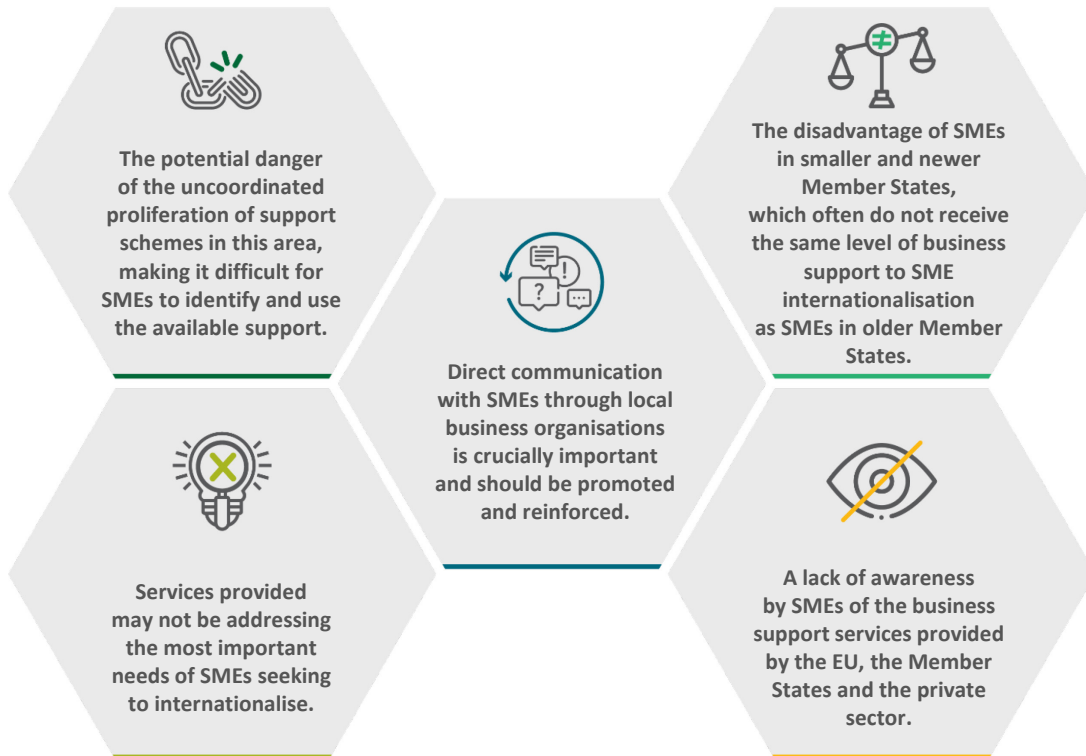
Box 1: SBA – principles for SME internationalisation

The broad objectives of the SBA are underpinned by ten principles which aim to promote SME growth by helping small businesses to tackle the obstacles that hamper their development. Two of the ten principles focus on the support to be provided by the EU and the Member States to help SMEs to benefit from the opportunities offered by the Single Market and non-EU markets (i.e. internationalisation):

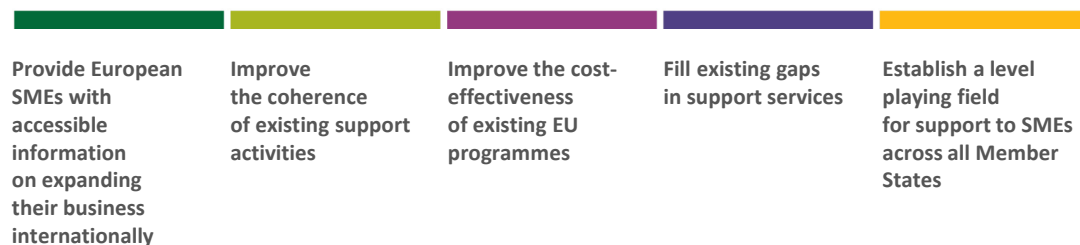
- *Principle VII: Help SMEs to benefit more from the opportunities offered by the Single Market.*
- *Principle X: Encourage and support SMEs to benefit from the growth of markets.*

In 2011 the Commission issued a Communication, "Small Business, Big World"⁶, which set out an EU-level strategy on SME internationalisation. This strategy was aimed at bringing coherence to the large number of actions which already existed to support the international growth of European SMEs. It also set out the principles which would govern EU-level initiatives in this field, and encouraged Member States to follow similar principles and priorities in their own policies supporting SME internationalisation.

The strategy identified the following **main challenges** in the field of support to SME internationalisation:



In order to address the concerns identified, the strategy set out the following **objectives**:



The Commission's strategy also established the following **key guiding principles** for EU action in this field:



Main EU instruments in support of SME internationalisation

Numerous instruments exist to support SME internationalisation, but they all have different approaches and objectives. They range from providing general information and support, including networking and partnering support, to SMEs which want to become active internationally, to financial assistance in the form of grants and financial instruments, IT tools, market access databases and helpdesks, and initiatives with a distinct thematic or geographic focus. Some instruments exclusively target SMEs (and even SME internationalisation), whereas for others, SMEs feature in just one of several support areas (Table 1 below presents the main EU instruments which will be considered for this audit).

Table 1 – EU instruments and responsible DGs/services

Type of instrument	EU Action	EC DG /EU Service
Overall support for SME internationalisation	Enterprise Europe Network (EEN)	DG GROW EASME
	Startup Europe Initiative (SE)	DG CONNECT
EU Funding Programmes (Grants)	SME Instrument	DG RTD EASME
	ESIF	DG REGIO
EU Financial Instruments	EFSI / COSME / InnovFin (2014-2020)	EIB / EIF. DG GROW. DG RTD DG REGIO
Geographical Instruments	EU Japan centre for industrial cooperation	DG GROW
	EU SME centre (China)	DG DEVCO
	ELAN network (LATAM)	DG DEVCO
	ENRICH NETWORK (Brazil, China and USA)	DG RTD
	EU Gateway / Business Mission Avenues	EC SERVICE FOREIGN POLICY INSTRUMENTS
Thematic Instruments	Eurostars Programme	DG RTD
IT tools, databases, helpdesks	Market Access Database (MADB)	DG TRADE
	European Cluster Collaboration Platform (ECCP)	DG GROW
	IPR SME Helpdesks	DG GROW DG TRADE

Source: ECA based on Commission data

Roles and responsibilities

Since there are so many actions in this field, there is a need for high levels of coherence and coordination between the European institutions and Member States, in line with the Commission's strategy. The main bodies we will be dealing with in this audit are the following.

- At EU level: Commission DGs GROW, TRADE, RTD, CONNECT, REGIO, and DEVCO; EU Delegations (European External Action Service), European Commission Service for Foreign Policy Instruments, Executive Agency for Small and Medium Enterprises (EASME), European Investment Bank, and European Investment Fund.
- At national level: national and regional trade promotion organisations (TPOs), and SME associations.

Focus of the audit

This audit will examine how coherent the EU's strategy for SME internationalisation is, how well existing action is coordinated at EU level, and how well it fits in with national initiatives.

It will also examine how two key actions directly managed by the Commission, namely the Enterprise Europe Network and the Start-up Europe Initiative, have specifically contributed to the achievement of the EU's policy goals in this area. The audit will examine their design, the achievement of their objectives, and the systems that the Commission has put in place for monitoring their activities.

Due to the key role that these two instruments should play in promoting synergies with the other EU support and funding programmes in support of SME internationalisation, the coordination of activities will be a key element of the audit.

We identified the issues underlying these areas of enquiry before the audit work commenced, they should not be regarded as audit observations, conclusions or recommendations.

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The ECA's special reports set out the results of its audits of EU policies and programmes or management topics related to specific budgetary areas.

Audit previews provide information in relation to an ongoing audit task. They are based on preparatory work undertaken before the start of the audit and are intended as a source of information for those interested in the policy or programme being audited.

If you wish to contact the team in charge of this audit, please do so through the following e-mail address:

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- ¹ Annual Report on European SMEs 2018/2019. SMEs growing beyond borders. European Commission (November 2019).
 - ² Højbjerg Brauer Schultz based on WIOT input-output tables and Eurostat. 2018 Study. 25 years of the European Single Market.
 - ³ 2018 DG Trade Study. EU Exports to the World: Effects on Employment.
 - ⁴ DG Trade, Chief Economist Note, Issue 1 2019. “Why is trade more important than you think?”
 - ⁵ Commission Communication “Think Small First”. A “Small Business Act for Europe”, COM (2008) 394 final, reviewed in COM (2011) 78.
 - ⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. “Small Business, Big World – a new partnership to help SMEs seize global opportunities”, COM (2011) 702.

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