

All big businesses start off as small enterprises, with plenty of ideas and passion but often lacking money. Although many of them go on to earn hefty valuations, becoming major companies, only very few start with large investment amounts. And even when they become sizeable, they still rely on many smaller businesses as suppliers and clients.

Smaller companies are a driving force for economic development across the globe. They create new jobs, products and services, making a significant contribution to economic growth. Europe's 23 million smaller firms represent 99.8% of non-financial businesses and provide around two-thirds of all jobs.

Small firms are also key drivers of innovation. They are usually more flexible and can embrace change quicker than bigger companies. Many small and medium-sized enterprises (SMEs) offer fresh ideas and compelling new products or services while boasting high growth potential. According to the [EIB Investment Survey](#), the coronavirus pandemic ushered in a new era of digitalisation, and European firms have been racing to catch up. At the same time, firms are starting to feel the effects of climate change, and are worried about the impact it will have on their operations and on future opportunities. In addition, the pandemic has limited the ability of some firms to finance investments with their own funds.

Targeted financial incentives could promote the transformative investment in digitalisation and climate change that Europe requires. European firms that had received incentives to digitalise in the three years preceding the survey, for example, were almost twice as likely to invest more in digitalisation as a response to the pandemic. It is therefore key to accelerate green and digital investments that will ultimately make Europe more competitive.



## FACTS AND FIGURES

In 2021 alone, the EIB Group, which comprises the European Investment Bank (EIB) and the European Investment Fund (EIF), **supported over 431 000 small and medium enterprises and mid-caps<sup>1</sup> with new financing, sustaining 4.5 million jobs**. Commitment to these firms continued to represent the Group's single largest priority area in terms of financing volume. Support for small and medium enterprises accounted for 47% of the overall EIB signature volume and almost all of the EIF's activities. In absolute terms, SME financing represented **€45 billion** out of the EIB Group's total lending of **€94.9 billion**.

## HOW THE EIB GROUP HELPS SMALL AND MEDIUM ENTERPRISES

The EIB Group supports businesses with a wide range of intermediated products, including loans, guarantees and securitisation, along with equity and quasi-equity financing. To make financing available to small and medium businesses, the EIB Group cooperates with financial intermediaries that offer products targeting small and medium firms and micro-enterprises. These intermediaries have the expertise, local knowledge and proximity to the businesses themselves.

The Group supports companies throughout their development. EIB-intermediated lending typically helps more established small businesses and mid-caps, while micro-enterprises also form part of the portfolio. The EIF, with its venture capital and guarantee instruments, focuses on enterprises in earlier stages of growth, and/or innovative enterprises.

## CORONAVIRUS PANDEMIC: THE EIB GROUP'S RESPONSE

During the pandemic, the EIB Group launched a [COVID-19 financing package](#) for loans and other measures designed to alleviate the liquidity and working capital constraints facing small and medium firms and mid-caps.

The financing package consists of:

- **Dedicated guarantee schemes based on existing programmes for immediate deployment, expected to mobilise up to €8 billion of SME financing.**
- **Dedicated liquidity lines for banks to ensure additional working capital support for small and medium firms and mid-caps.**
- **Dedicated asset-backed security purchasing programmes to enable banks to transfer risk on SME loan portfolios.**

In addition, the €25 billion [European Guarantee Fund](#) — in partnership with local lenders and national promotional institutions — supports small and medium firms and will mobilise up to €174.4 billion of investments. At least 65% of the European Guarantee Fund's investment is earmarked to support such firms.

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<sup>1</sup> In accordance with the European Commission's recommendation, the European Investment Bank defines small and medium-sized enterprises as companies with up to 250 employees, and mid-caps as firms with 250 to 3 000 employees.



## BENEFITS OF EIB SUPPORT FOR SMALL AND MEDIUM ENTERPRISES

In addition to expanding the pool of finance made available to small and medium businesses, one of the key benefits of an EIB-funded loan is that it provides favourable financing terms in the form of lower interest rates and/or longer maturities. The EIB’s financial advantage is passed on to small and medium firms directly.

## BENEFITS OF EIF SUPPORT FOR SMALL AND MEDIUM ENTERPRISES

One of the European Investment Fund’s objectives is to crowd in private sector investments alongside the EIF’s investment. Research has shown that a 1% increase in EIF-provided venture capital in a region has historically led to a 1.4% increase in other investors’ activity in the same region, one year later.

The EIF’s commitment signals the quality of the fund to private investors, often allowing venture capital funds to raise several fund generations.

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



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

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

Research has also shown that, on average, small and medium firms benefiting from EIB Group financing grow more in terms of assets and number of employees than comparable firms not receiving EIB Group support.

The EIB Group’s finance offer for small and medium firms and mid-caps is complemented by the provision of advisory services.

## PROJECT HIGHLIGHTS



Virgilio Bento, chief executive officer and founder of SWORD Health.

The EIB Group's wide range of financial intermediaries has helped hundreds of thousands of small and medium firms and entrepreneurs across Europe to start up and expand their businesses. These businesses vary in size and sector and include many different trades and professions, from bakers to plumbers, engineers and food producers.

### SWORD Health, Portugal

"Sprains, tears and back pain are only a few of the musculoskeletal conditions that cause disabilities that can ultimately turn life into a nightmare," says Virgilio Bento, chief executive officer and founder of SWORD Health, a company that seeks to help with recovery by acting a bit like a digital physiotherapist. The company offers a virtual physical therapy solution, pairing patients with doctors or physiotherapists so that they can follow therapeutic sessions from the comfort of their homes at any time of the day.

"Our technology provides a set of wearable motion tracking devices that communicate wirelessly with the cloud, looping back 5 000 impact feedback messages that allow the therapist to guide the patient from a distance. 30% of patients recover faster and better compared to onsite therapy," Bento explains.

An equity investment from Faber, a venture capital firm backed by the EIF, enabled the company to invest further in research and development and make the first step to commercialising the product. Since then, SWORD Health has experienced exponential growth, and recently became Portugal's first health unicorn.

### Matrix Pack, Greece

The EIB provided an €8.5 million five-year venture debt financing facility to the paper straw maker Matrix Pack, to accelerate research and development, capital investment and international expansion of its activities across Europe and North America. Matrix Pack, which currently produces 20 million paper straws per day, expects to increase production to 30 million paper straws a day by the time the project is completed. During the entire process, Matrix Pack has been working exclusively with European suppliers for raw materials and machinery.



## Almotive, Hungary

The EIB provided a €20 million loan for Almotive, a firm working on modular, artificial intelligence (AI)-based software for self-driving cars, as well as a virtual simulation environment to help accelerate the testing and verification of self-driving technologies. Almotive has also developed an IP chip, or processor, for high-performance, low-power AI-optimised computing. The EIB loan will enable Almotive to further mature its technology and bring automotive-grade products to the market in the coming years.

## Quantum Surgical, France

The EIB provided €15 million to the Montpellier-based medtech startup Quantum Surgical to finance the commercial launch of Epione®, a device designed to help physicians conduct minimally invasive treatment of liver cancer. Epione®'s CE mark approval, certifying that it has been assessed to meet the required safety, health and environmental standards, was announced in September. The funding will support the company's operations for the commercial launch of the medical robot, which will enable patients to benefit from liver cancer treatment through a technique that consists of inserting a needle through the skin to destroy tumours.



The EIB provided a €20 million loan for Almotive.

## Micron Agritech, Ireland

Artificial intelligence and machine-learning technology are developing fast and finding their way into every corner of our lives. It's hardly surprising, then, to find it in animal poo.

"We found that parasites are a major issue for livestock. To deal with this, farmers usually dose the entire herd," explains Daniel Izquierdo, managing director and co-founder of Micron Agritech. "And resistance to medication is a global problem."

Izquierdo, a former student from the Technological University of Dublin, teamed up with three friends to develop the Micron Kit, a solution that enables farmers

to conduct rapid tests for the presence of gut parasites in livestock. Farmers can use the machine-learning technology kit to test samples on the spot, on site, using their mobile phones. The information is relayed to the cloud, and a model built on data points identifies the parasite.

"This is our opportunity to make a positive change for both animal and human health," Izquierdo says.

An equity investment from the Yield Lab Europe, a venture capital firm backed by the EIF under the Investment Plan for Europe, helped the four friends set up their own company.



Founders of Micron Agritech (from left to right): Daniel Izquierdo Hijazi, Jose Lopez, Tara McElligott and Sean Smith.



## RESOURCES

- [SMEs and mid-caps](#)
- [EIB Group support for small businesses](#)
- [EIF: Where to access finance — EIF financial intermediaries](#)
- [European Union: Access to finance](#)
- [EIF: How to apply for EFSI financing](#)
- [EFSI and its legacy](#)
- [European Union: Small business portal](#)
- [Practical guide to doing business in Europe](#)
- [EIF publications](#)
- [EIB: Financing SMEs to drive economic growth](#)
- [InnovFin: EU finance for innovators](#)
- [EIB Investment Survey 2021 — EU overview](#)



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