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POLICY PAPER

RULES OF THE GAME

START-UPS AND SMEs

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How to Stimulate the Expansion of these Vital Growth Engines of the European Union?

Nicolas SERVEL & Fabio BERTONI

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SUMMARY

This policy paper explores ways to stimulate the growth of start-ups and small and medium-sized enterprises (SMEs), first in France and then in Europe. More specifically, this study discusses how public procurement and guaranteed loans could be solutions to promote economic growth. The study also lists a series of concrete public policy recommendations, including the need to facilitate market access through public procurement and to design loan guarantee programs with rigorous ex-post evaluation.

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INTRODUCTION

According to the EU annual report on small and mid-sized enterprises (SMEs), SMEs are the "backbone" of the European economy.[1] The term "SME" encompasses all micro, small and mid-sized enterprises that employ fewer than 250 people and have an annual turnover of not more than €50 million or an annual balance sheet total not exceeding €43 million[2]. In 2023, there were 25.8 million of these, accounting for 99.8% of all companies in the non-financial sector, and they employed 88.7 million people[3]. A start-up is a recent, innovative company with strong growth potential, whose business model is still in the experimental phase[4]. Since 2007, EU-funded start-ups are estimated to have a cumulative corporate value of over €500 bn. This has enabled the emergence of a high-impact innovation ecosystem across the continent[5]. We are aware that all start-ups are SMEs, but all SMEs are not start-ups. Unlike start-ups, many SMEs are not innovative and do not grow in a meaningful way. That being said, our analysis aims at thinking about how to support SMEs in their broader definition, from the small local craftsman to the high-growth start-up.

Given the importance of SMEs and start-ups to the European economy growth, it seems essential to develop mechanisms designed to not only foster their emergence, but also maintain their dynamic energy and growth potential. In his report *The Future of European Competitiveness,* Mario Draghi depicts a Europe suffering from a lack of competitiveness; a continent locked into an overly static industrial structure, hampered by regulations that

[1] European Commission: Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2025). Annual report on European SMEs 2024/2025 – SME performance review 2024/2025. Publications Office of the European Union. https://data.europa.eu/doi/10.2760/7714438.

[2] European Commission (2005). The new SME definition. https://www.eusmecentre.org.cn/wp-content/uploads/2022/12/SME-Definition.pdf.

[3] Translated from English to French: "Importance of SMEs in the European economy: In 2023, SMEs played a crucial role in the European Union's economy, accounting for 99.8% of all companies in the non-financial business sector. With 25.8 million SMEs employing 88.7 million people, they contributed significantly to EU-27's employment and added value".

European Commission. (2024). Annual Report on European SMEs 2023/2024. https://single-market-economy.ec.europa.eu/document/download/2bef0eda-2f75-497d-982e-c0d1cea57c0e_en?filename=Annual%20Report%20on%20European%20SMEs%202024.pdf

[4] Bpifrance. (2025). *What is a start-up?* Bpifrance Creation. https://bpifrance-creation.fr/moment-de-vie/quest-ce-quune-startup.

[5] *Start-ups and SMEs.* (2025). *EPo.org*. https://www.epo.org/fr/about-us/observatory-patents-and-technology/innovation-actors/startups-and-smes#:~:text=Les%20start%2Dups%20et%20les,et%20le%20succ%C3%A8s%20des%20entreprises.

stifle the growth potential of innovative companies[6]. On top of an economic and regulatory framework that hinders its competitiveness, the Old World now has to deal with an unstable and conflict-ridden world. These new challenges mean that it must focus its collective efforts on developing a competitive and independent economy. In Draghi's view, this will ultimately enable it to narrow the gap between itself and the two major powers on which it is heavily dependent: the USA and China.

This policy paper aims to respond to this need for strengthening the European economy. More specifically, we will explore two levers for fostering the emergence and growth of SMEs and start-ups in Europe. The first is public procurement, which will be developed by Nicolas Servel. Public procurement refers to contracts concluded for pecuniary interest by a public purchaser or licensing authority with a public service mission[7]. The second lever we will address is secured loans, analysed on the basis of the work of Fabio Bertoni. A "secured loan" means a contract whereby a guarantor partially indemnifies a financial institution in the event of losses on a portfolio of credit instruments[8].

So the questions we raise in this policy paper are as follows: *how can the growth of start-ups and SMEs be stimulated in France and Europe? How can public procurement and secured loans promote this growth?*

Initially, we will focus on the role of SMEs and start-ups in the French and European economies. Then we will examine how a public procurement-oriented policy would benefit start-ups and SMEs. Thirdly, we will analyse the role of secured loans in financing start-ups and SMEs. Lastly, we will draw up recommendations for public policies that would improve financing for start-ups and SMEs and, thus, foster European economic growth.

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[6] Draghi, M. (2024). The future of European competitiveness. European Commission. https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en#paragraph_47059.

[7] Government. (2025). Public procurement: monitoring to promote fair competition between companies. https://www.economie.gouv.fr/dgccrf/les-fiches-pratiques/la-commande-publique-une-veille-pour-favoriser-la-loyaute-de-la-concurrence-entre-les-entreprises#:~:text=la%20commande%20publique%20%3F-,La%20commande%20publique%20correspond%20%C3%A0%20l'ensemble%20des%20contrats%20conclus,de%20services%2C%20avec%20un%20ou.

[8] Bpifrance. (2025). *What is a bank guarantee?*. Bpifrance Creation. https://bpifrance-creation.fr/moment-de-vie/garanties-bancaires-quoi-sagit-il#:~:text=Une%20garantie%20est%20une%20couverture,banque%20ou%20par%20l'emprunteur.

I. THE UNDERESTIMATED ROLE OF SMEs AND START-UPS

Several reports from the OECD[9], the EU[10], the International Labour Organisation[11] and INSEE[12] confirm that SMEs account for 98% to 99% of businesses and 65% to 70% of jobs in France and Europe. It is estimated that SMEs contribute around 60% of the GDP in the majority of OECD member countries[13]. More specifically, according to France Digitale's 2025 barometer[14], there are more than 16,000 start-ups in France, representing around 1.5 million direct and indirect jobs, and over two-thirds of them plan to continue recruiting in 2026. These figures illustrate the daily impact that entrepreneurs and SMEs have on our economies. It should be stressed that these overall figures cover a wide range of very different types of entrepreneurs, from self-employed entrepreneurs to unicorns[15], and that some of these businesses create more jobs than others. Lastly, a Deloitte study carried out for the European Union[16] reveals that SMEs contributed to 85% of net job creation in the European Union between 2002 and 2010. They have been the main driver of growth over the past five years, as shown in the graph below[17].

[9] Lejárraga, I. et al. (2014) "Small and Medium-Sized Enterprises in Global Markets: A Differential Approach for Services?". OECD Trade Policy Papers, No. 165, OECD Publishing, Paris.

[10] Job creation in SMEs. (2023). Eurofound.

[11] The power of little things: unlocking the potential of SMEs (2019). International Labour Organisation.

[12] Companies in France (2020). INSEE, Edition.

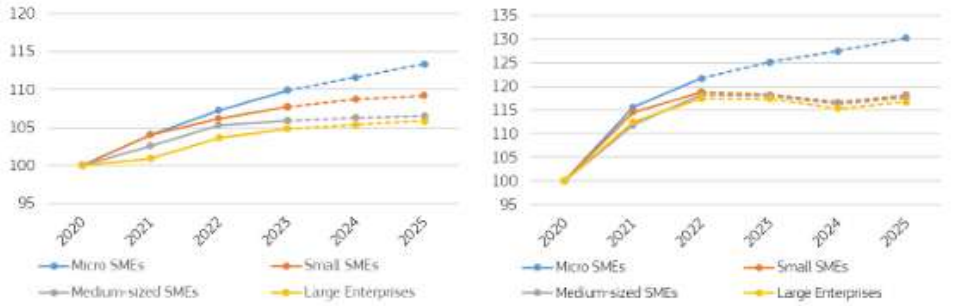
[13] Lejárraga, I. et al. (2014) "Small and Medium-Sized Enterprises in Global Markets: A Differential Approach for Services?". OECD Trade Policy Papers, No. 165, OECD Publishing, Paris.

[14] *2025 Barometer on the economic and social performance of innovation.* (2025). France Digitale. https://francedigitale.org/publications/barometre-france-digitale-ey-2025.

[15] The Larousse dictionary defines a unicorn as an unlisted start-up whose valuation, based on highly significant growth potential, exceeds one billion dollars.

[16] Deloitte. (2013). Doing business in the digital age: the impact of new ICT developments in the global business landscape - Europe's vision and action plan to foster digital entrepreneurship. Report for the European Commission DG Enterprise and Industry.

[17] European Commission (2025) Annual Report on European SMEs.



Note: The values are indexed to 2020, meaning that the base year (2020) is set at 100, and all subsequent years are expressed as a percentage of this base. The dashed lines indicate estimated values.
Source: JRC calculations based on Eurostat's Structural Business Statistics, Short-Term Business Statistics, and National Accounts Database.

Figure 1. Growth in employment (left) and real added value (right) by company size (2020-2025, indexed to 2020).[18]

Beyond the purely quantitative aspects, it is clear that today, start-ups contribute to innovation and are a factor in the growth and competitiveness of a region or country[19]. In April 2025, California's GDP, driven by its many innovative start-ups[20], overtook Japan's to become the world's fourth largest economy[21]. The report *The rise of Cambridge tech, and its role in the future of innovation*[22] discusses the influence of technology companies in the Cambridge region on global innovation. 20% of FTSE 100 companies[23] and 15% of STOXX Europe 600 companies[24] are backed by venture capital funds. As a result of this interest from investors in innovative companies, the overall value of these two stock market indexes increased by a factor of 1.4 between 2007 and 2024[25]. At the same time, the S&P 500, backed 60% by venture capital funds, increased by a factor of 3.8[26]. These figures tend to illustrate the positive impact of venture capital and innovative companies on a

[18] European Commission (2025) Annual Report on European SMEs.

[19] Sahut, J.-M., Peris-Ortiz, M. and Teulon, F. (2019). High- and hyper-growth start-ups and SMEs: understanding the challenges and reasons behind their performance. Revue de l'Entrepreneuriat/Review of Entrepreneurship, 18(2), 7-19. https://doi.org/10.3917/entre.182.0007.

[20] California, S.O. (2025). *California Governor's Office of Business and Economic Development (GO-Biz)*. California Governor's Office Of Business And Economic Development. https://business.ca.gov/

[21] Marysolvaldez. (2025). *California is now the 4th largest economy in the world*. Governor Of California. https://www.gov.ca.gov/2025/04/23/california-is-now-the-4th-largest-economy-in-the-world/.

[22] The rise of Cambridge tech & its role in the future of innovation. (2025). DealRoom.com Founders at the University of Cambridge. https://dealroom.co/reports/the-rise-of-cambridge-tech-and-its-role-in-the-future-of-innovation.

[23] Stock market index comprising the 100 biggest companies listed on the London Stock Exchange.

[24] European stock market index comprising 600 big companies from 17 European countries.

[25] The rise of Cambridge tech & its role in the future of innovation. (2025). DealRoom.com Founders at the University of Cambridge. https://dealroom.co/reports/the-rise-of-cambridge-tech-and-its-role-in-the-future-of-innovation.

[26] *Ibid*.

country's overall economic performance. The European Commission fully understands the importance of start-ups for economic growth. *The EU Start-up and Scaleup Strategy* report, published in 2025, demonstrates this:

> "It is time for Europe to become a start-up powerhouse. Our competitiveness and ultimately our prosperity depend on it. A thriving start-up and scale-up ecosystem can transform Europe's economy – by increasing productivity, creating quality jobs and attracting talent and investments."[27]

Consequently, due to its major role in economic dynamics and competitiveness, entrepreneurship has been strongly encouraged over the last 10 to 15 years, both in France and throughout Europe.

[27]European Commission (2025). EU Start-up and Scale-up Strategy.

II. A DEMAND-DRIVEN POLICY

A. A SWATHE OF MEASURES TO BE COORDINATED FOR GREATER IMPACT

France has been supporting its entrepreneurs for a decade and, as we will see, the results are convincing. Today, the landscape has changed and initiatives have accelerated, particularly since Emmanuel Macron came to power with his ambition to make France a "start-up nation".

However, despite this shift in the landscape towards fostering entrepreneurship, there is a major problem. At present, it is difficult to compile an exhaustive list of all existing initiatives, as they are divided between European, national and regional levels. In addition, in France a great many schemes and forms of funding for start-ups and SMEs are provided by public, private and non-profit organisations. Lastly, support for start-ups and SMEs is fragmented according to the sector of activity, whether innovative or more traditional, and the stage of development.[28]

In addition, there are countless local, departmental and regional schemes, which may be public or private, and take the form of grants, debt or (quasi) equity. It is impossible to list all the existing measures, as there are so many and they are constantly changing.

Faced with this plethora of schemes, start-ups and SMEs may find themselves at a loss to understand which way to turn. One solution for navigating this complex system more skilfully would be to provide artificial intelligence (AI) that directs them to the appropriate source of funding, whether public, private or non-profit. Each grant has its own eligibility criteria, level of intervention and managing body. AI could thus act as a customised guide, which sorts and filters information in order to suggest the most relevant assistance for the profile of the start-up or SME.

[28] See Appendix 1 for a simplified overview of the main forms of assistance available by type of entrepreneur and channel.

B. SUPPORT THAT PAYS OFF: BOOMING ENTREPRENEURSHIP

1. In France

To date, the most pragmatic approach for assessing the progress of France's investment in its start-ups is to look at the evolution of two leading and representative players: La French Tech and Bpifrance.[29]

La French Tech, launched in 2013, is designed to unite and structure the ecosystem of innovative companies in France. Its stated intent is to pinpoint and support the most promising start-ups through the French Tech 120 (FT120) and Next 40 schemes, launched in 2019. Both programmes aim to foster the emergence of French champions in new technologies capable of competing internationally, and ultimately becoming the future "CAC 40".

The assessment of this scheme carried out by Bpifrance[30] and the Élysée Palace[31] speaks for itself. Bpifrance, for its part, lists some 25,000 start-ups in France, which have generated over a million direct and indirect jobs. These include around 30 unicorns, whereas the initial target set by Emmanuel Macron in 2019 was 25. As a result, the funds raised by start-ups increased from €1 bn in 2012 to over €13 bn in 2022[32]. This increase in fundraising goes hand in hand with the French people's growing enthusiasm for the services provided by start-ups. It is estimated that, in 2022, three in five French people regularly use the services of companies listed in the FT120 and Next 40 rankings[33]. In 2023, the effectiveness of these measures led La French Tech to launch a scheme called "French Tech 2030", a counterpart to the France 2030 plan. The La French Tech website shows that the companies

[29] Bpifrance is a financial institution owned by the French government (50% directly and 50% through the Caisse des Dépôts et Consignations institution). Bpi's mission is to promote the financing and development of French companies, particularly SMEs, through a wide range of financial instruments, including secured loans, direct loans, R&D subsidies, investments in innovative companies and private equity funds, export credits and consultancy services.

[30] Napierala, S. (2023). La French Tech ten years on: a look back at four entrepreneurial successes. *Bpi France*. https://bigmedia.bpifrance.fr/news/la-french-tech-a-10-ans-retour-sur-4-succes-entrepreneuriaux.

[31] Macron, E. (2023). Speech by France's President at the reception held for La French Tech stakeholders at the Élysée Palace. Elysée Palace.

[32] *La French Tech keeps its head up with €13.49 bn raised in 2022*. (2023). LeMondeInformatique. https://www.lemondeinformatique.fr/actualites/lire-la-french-tech-garde-la-tete-haute-avec-13-49-mdeteuro-leves-en-2022-89230.html.

[33] Government. (2022). French start-ups: the 2022 French Tech Next40/120 list unveiled. https://www.economie.gouv.fr/starts-ups-promotion-2022-french-tech-next40120.

in this ranking "*develop strategic solutions in key areas like artificial intelligence and its applications, cybersecurity, quantum technology, robotics, electronics, space technology and infrastructure (data storage, cloud computing, connectivity).*"[34]

Thanks to effective support measures for businesses and a customer base that has embraced what start-ups have to offer, business creation in France has grown considerably over the last 20 years, despite the major crises that have arisen during this period. In 2000, just over 200,000 businesses were created. In 2022, this figure rose to nearly 1,200,000[35]. France was the most dynamic country in the eurozone between 2015 and 2022. It stood out with almost double the number of businesses registered over the period, placing it well above the eurozone average[36]. In addition, it is worth stressing that France not only created more businesses than the other countries in the eurozone but also had a lower failure rate regarding the number of creations over the same period from 2015 to 2022[37].

France's strong competitiveness is also highlighted in a 2015 report produced jointly by the World Economic Forum and the *Global Entrepreneurship Monitor*[38]. This report dwells on three types of entrepreneurs: Firstly, "early-stage entrepreneurial activities": a term describing new entrepreneurs and owner-operators of new businesses. Secondly, "ambitious entrepreneurs": those capable of employing at least 20 people within five years. Lastly, "innovative entrepreneurs": those in the start-up phase who introduce a new, unique product or service into a market. France ranked in the bottom quartile for the first type of entrepreneur, but was in the middle for the second, and fourth in the world (out of 44 countries) in terms of ambitious entrepreneurs.

[34] French Tech 2030. La French Tech, mission. https://lafrenchtech.gouv.fr/fr/programme/french-tech-2030/

[35] Appendix 2.

[36] Appendix 3.

[37] Appendix 4.

[38] WEF & GEM. (2015). Leveraging Entrepreneurial Ambition and Innovation: A Global Perspective on Entrepreneurship, Competitiveness and Development.

2. In Europe

Europe has also been supporting its entrepreneurs for a decade through funding and incubators. In terms of financing, there have been significant developments over the last 20 years. The venture capital firm Atomico's *State of European Tech*[39] report highlights this development. In 2005, venture capital investment in European new technologies was several billion dollars per year. After that it grew considerably, reaching over $40 bn in 2024, and peaking at $100 bn in 2021[40].

As a result of these investments, the number of incubators in Europe increased significantly, from around 500 in 2010 to nearly 2,500 in 2018[41]. These factors led to convincing results. In 2015, Atomico listed 7,800 technology companies in the start-up phase, 450 in the development phase and 72 with a valuation topping $1 bn (the famous unicorns). By 2024, these figures had risen to 35,000, 3,400 and 358 respectively[42].

A speaking indicator for estimating the effectiveness of an entrepreneurial ecosystem is the number of unicorns. In 2025, Europe (including the UK) was the second largest geographical area in the world in terms of the number of unicorns[43]. However, this model now seems to have reached a certain level of maturity, and the number of new unicorns per year is tending to decline worldwide, as illustrated in the graph below[44].

[39] State of European Tech. (2025*). Homepage*. https://www.stateofeuropeantech.com/

[40] Appendix 5.

[41] Appendix 6.

[42] Appendix 7.

[43] PwC. (2025). The grass is greener on the other side. Why are there more unicorn companies in the United States than in Europe?

[44] Founders Forum Group. (2025). Unicorn Companies 2025: Global List, Stats & Valuation Insights. https://ff.co/unicorn-companies-2025/.

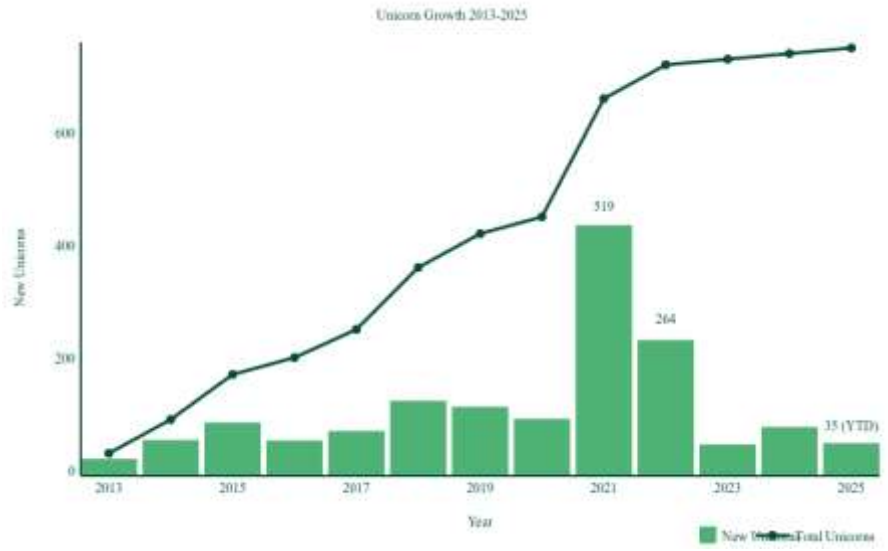


Figure 2. Global evolution in the number of unicorns.[45]

In Europe, we are seeing the same phenomenon of a decline and slowdown in creations across a wider range of companies than unicorns alone. In 2022 and 2023 respectively, 8,779 and 9,190 start-ups backed by venture capital funds were created: fewer than the 11,842 created in 2010 alone[46].

The drop in the number of start-ups supported by venture capital funds cannot be explained by a lack of funds, since this type of financing was available (see below[47]). This suggests that at present there is a gradual decline in the number of projects that are actually eligible for funding. In this respect, it seems reasonable to assume that there are diminishing returns regarding support for entrepreneurship. This is because when an ecosystem that initially received little support benefits from new funding schemes, it goes through a period of enthusiasm and powerful energy in the early years. The "novelty" factor naturally tends to fade over time, once all high-potential projects have found appropriate support. This slowdown in the creation of start-ups in Europe thus seems to reveal the limitations of the model for accelerating entrepreneurial growth. This model relies primarily on the quality of research and innovation, on funding mechanisms, and on the ability to industrialise discoveries. However, without specific incentives and stimulation, the number of researchers or innovators who want to set up a business remains limited.

[45] *Ibid.*

[46] Appendix 9.

[47] Appendix 5.

This situation highlights a structural constraint: simply increasing support mechanisms in quantitative and qualitative terms does not guarantee an increase in business creation if the pool of potential entrepreneurs is already well-supported. Moreover, according to Atomico's latest report, around two-thirds of experienced European entrepreneurs say they are satisfied with the existing support ecosystem in Europe[48]. This seems to indicate that the European ecosystem is now well-structured, and confirms our intuition that the problem lies in the ability to inspire new entrepreneurial vocations rather than in the support structure itself.

So it is reasonable to wonder what measures could be introduced to ensure the continued stimulation of this crucial ecosystem.

C. MAINTAINING THE MOMENTUM OF START-UP CREATION THROUGH NEW WAYS OF SUPPORTING ENTREPRENEURS

The European Commission seems to be aware of the maturity of the start-up support system, as it is now proposing new measures in a report entitled *The EU Start-up and Scale-up Strategy*. This report details the main measures to support entrepreneurs envisaged by the Commission, some of which aim to resolve the main point of dissatisfaction we highlighted in the previous paragraphs.

Thus, the European Commission is proposing to introduce innovation-friendly regulations by improving funding, facilitating market access, supporting talent and boosting access to infrastructures and services. This strategy looks set to form one of the main pillars of the second wave of support for entrepreneurship and innovation, which now seems vital at European level.

As we mentioned earlier, venture capital investment has increased significantly in Europe since 2005, but to date it remains insufficient compared with the US.

[48] Appendix 10.

Figure 3. Venture capital investment in American and European start-ups at different stages of development (2024).[49]

By way of an example, in January 2026, the A16Z fund announced that it had raised $15 bn:[50] around twice the amount raised in France in 2025. According to EY, French start-ups raised €7.4 bn in 2025[51].

It should be noted that this method of equity financing needs a certain amount of "capital recycling" to be sustainable. When a fund invests in a start-up, it seeks to recoup its investment in the long-term (using a multiple) in order to return it to its own investors or reinvest it. The main exit strategies for a fund are to carry out an initial public offering (IPO) or sell its stake to an industrial player.

Unfortunately, the IPO market also appears to be markedly less efficient in Europe than in the US. According to EY's latest global IPO barometer[52] for the last ten quarters, Europe has seen an average of 30 IPOs worth $4 bn on average, compared with 45 in the US worth an average of $8.5 bn. Of course, a European start-up can be floated on the stock market across the Atlantic in theory, but in practice this kind of event remains limited.

[49] Dealroom.com & Dealflow.eu. (2025). *Accelerating Europe: The State of European Innovation and Why it Matters*. https://dealroom.co/reports/accelerating-europe.

[50] Techcrunch, the venture firm that ate Silicon Valley just raised another $15 bn, January 2026.

[51] EY. (2026). EY Venture Capital Barometer.

[52] EY (2025). Global IPO Trends, Q3. https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/ipo/documents/ey-gl-global-ipo-trends-report-q3-10-2025.pdf.

The other way out for funds is through resale or merger operations with industrial players. This solution, sometimes initially developed by private equity funds as a "buy & build" strategy, can also contribute to the emergence of champions.

BlaBlaCar is a good example of this growth through successive acquisitions, which could be described as "molecular growth"[53]. This case will be discussed in more detail later in the study. In the current geopolitical environment, it could be worth considering regulatory measures or tax incentives at European level that would encourage mergers and acquisitions between companies in European Union Member States. This type of measure would not only foster the emergence of global leaders from Europe, but also—at least partly—deter killer acquisitions by non-European international players. Given that these acquisitions are facilitated when a company is listed on the stock exchange, Europe's weakness in IPOs could ultimately prove an advantage.

However, a system like this looks difficult to implement under the current circumstances. As the Institut Thomas More points out, we have European competition law designed to prevent any national technological preference. This bias is exacerbated by the very structure of this law: French law excludes any rationale involving sectoral consolidation or the strategic structuring of the market.[54] The need to find new sources of funding is thus crucial in the short term. Financing growth does not solely involve self-financing or capital increases. Debt is also a powerful lever that could be used more extensively to stimulate growth in Europe's entrepreneurial fabric.

One solution that would help overcome the difficulty of financing European start-ups would be to set up a secured loan system at French and European level. French solutions that grant this type of loan already exist, like Bpifrance, France Active and mutual guarantee societies. These organisations provide risk coverage that covers part of the bank's final loss if the borrower defaults[55]. The optimisation and wider use of this practice

[53] Chifflet, J. (2019). Start-up Moléculaire: un nouveau modèle de croissance – Promising. Université Grenoble Alpes.

[54] Dalmont, C. (2025). "Politique Numérique d'Emmanuel Macron: Le Bilan". Institut Thomas More. https://institut-thomas-more.org/2025/10/31/politique-numerique-demmanuel-macron-le-bilan/.

[55] Bpifrance. (2025). *What is a bank guarantee?* Bpifrance Creation. https://bpifrance-creation.fr/moment-de-vie/garanties-bancaires-quoi-sagit-il.

would facilitate financing for start-ups in France and at European level. This financing lever will be discussed in greater depth below.

Another solution that would foster the emergence of start-ups and SMEs would be to facilitate their access to markets through public procurement set aside for them or, at the very least, widely open to them. This strategy has been pursued in the US for some 50 years to facilitate market access and accelerate the development of SMEs. Since 1953, the Small Business Act has required a portion of federal government contracts to be awarded to SMEs, SMIs (small and mid-sized industrial enterprises) and under-represented groups like disadvantaged individuals, women and veterans. This public policy strategy works well, and the amounts allocated to SMEs and SMIs have been steadily increasing over the last few years, in terms of value and percentage alike, as illustrated in a report published in January 2025[56].

Dollars and Percent of Prime Contracts Awarded (rounded)

Category	FY24 $(B)	FY24 %	FY23 $(B)	FY23 %	FY22 $(B)	FY22 %	FY21 $(B)	FY21 %
Small Business	$183.27	28.78%	$178.62	28.35%	$162.88	26.50%	$154.24	27.23%
Small Disadvantaged	$78.10	12.26%	$76.24	12.10%	$69.93	11.38%	$62.39	11.01%
Women Owned	$31.68	4.97%	$30.92	4.91%	$28.09	4.57%	$26.23	4.63%
Service-Disabled Veteran Owned	$32.82	5.15%	$31.93	5.07%	$28.11	4.57%	$24.99	4.41%
HUBZone	$17.45	2.74%	$17.54	2.78%	$16.27	2.65%	$14.32	2.53%

Table 1. Amounts allocated to SMEs by the US federal government (2021-2024).[57]

Furthermore, supporting SMEs, SMIs and start-ups through public procurement would be a strategic investment, as their turnover grows at a far slower rate than that of large groups. According to Eurostat, between 2011 and 2018, the turnover of large companies increased by 34.7%. Over the same period, SME lending, though the main driver of European economic growth, increased by only 4.4%: nearly eight times lower[58]. Consequently, public procurement would meet two needs: unlocking funding and improving the turnover of SMEs and start-ups.

[56] US Small Business Administration. (2025). Biden-Harris Administration Awards Record-Breaking $183B in Federal Contracts to Small Businesses, Marking Fourth Consecutive Year of Growth.

[57] U.S. Small Business Administration. (2025). "Biden-Harris Administration Awards Record-Breaking $183B in Federal contracts to Small Businesses, Marking Fourth Consecutive Year of Growth", *sba.gov*, News Release. https://www.sba.gov/article/2025/01/10/biden-harris-administration-awards-record-breaking-183b-federal-contracts-small-businesses-marking.

[58] European Court of Auditors. (2022). ERDF support for SME competitiveness: design weaknesses decrease effectiveness of funding.
Appendix 10.

One counterargument could be that in France the impact of such a measure could be limited. Because according to the latest figures from the OECP (economic census of public procurement), 60% of the volume and 27.2% of the value of public procurement contracts in 2023 went to SMEs[59]. As shown in the table above, this corresponds to the percentage allocated to small businesses in the US in 2021. It is thus perfectly legitimate to question the usefulness of imposing an additional public procurement obligation.

In France, another obstacle to implementing a strategy that supports start-ups and SMEs through public procurement lies in the sheer numbers of players involved. Public procurement is divided between a huge number of contracting authorities – around 130,000[60]. In other words, public procurement falls within the remit of numerous players including local authorities, public administrations and entities that provide public services.

In such a fragmented ecosystem, it becomes difficult to introduce a coherent strategy to support start-ups and SMEs through public procurement. An initial step would be to consolidate these contracting authorities into a single organisation, with local branches overseeing public procurement throughout France.

As well as an overabundance of players, which complicates the implementation of a strategy for supporting start-ups and SMEs, there is also pressure from European law, which fosters a policy of free trade within the single market, as we indicated earlier. If the French government implemented a deliberate public procurement strategy in favour of start-ups and SMEs, this could conflict with the Treaty on the Functioning of the European Union (Article 107, §1), in that a strategy of this kind could be seen as an attempt to distort competition and hinder trade between Member States. Thus, should the government or a public authority purposely direct its procurement to favour certain national companies (e.g. SMEs or start-ups), this would be considered as State aid in disguise.

[59] OECP (economic census of public procurement) (2023). Recensement économique de la commande publique. https://www.economie.gouv.fr/files/files/directions_services/daj/marches_publics/oecp/recensement/Chiffres_recensement_2023.pdf.

[60] Sénat. (2025). Urgent action is needed to avoid going off course: Managing public procurement in support of economic sovereignty. https://www.senat.fr/rap/r24-830-1/r24-830-1.html

Nonetheless, it seems legitimate to question whether this policy line is still optimal, given the developments in the geopolitical environment.
Because as the Thomas More Institute points out, the European Union remains in thrall to a vision of free trade that is no longer relevant, while other powerful states have abandoned it to develop a strategy that supports businesses through public procurement:

> "But up till now, the EU has remained entrenched in a dogmatic interpretation of competition, rejecting any internal industrial or technological preferences. Firmly bound by the orthodoxy of the single market and multilateral WTO commitments, it abstains from turning public procurement into an instrument of industrial policy, whereas the USA, China and even Japan use it as a lever for sovereignty."[61]

It also appears that support through public procurement could provide other benefits in the long run.

Firstly, it is worth noting that the government already imposes numerous obligations on entrepreneurs, despite their being the main drivers of national growth. Introducing a measure to reserve or at least facilitate public procurement for SMEs and start-ups could thus be viewed very favourably by the whole entrepreneurial community, as this type of policy would support their development while recognising their central role in the country's economic momentum. This official recognition by the State of the role played by entrepreneurs could help strengthen ties between the latter and the public sector. Little by little, this would foster a climate of trust and collaboration that would help to accelerate the creation of innovative businesses and consolidate their growth.

Secondly, introducing mandatory public procurement would revive a practice that is in decline in France. As illustrated in the graph below, the percentage of government contracts awarded to SMEs in 2023 was lower than the average for the last ten years, which stands at 29.64%. In addition, this percentage appears to have been on a downward path since 2019.

[61] Darmont, C. (2025). "Politique Numérique d'Emmanuel Macron: Le Bilan". Institut Thomas More. https://institut-thomas-more.org/2025/10/31/politique-numerique-demmanuel-macron-le-bilan/.

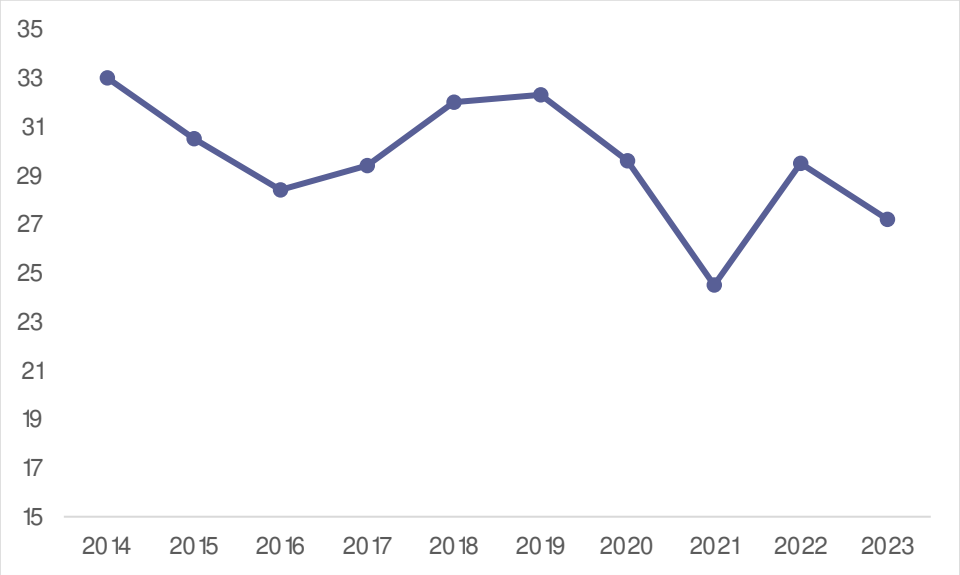


Figure 4. Variations in the percentage of government contracts awarded to SMEs (%, 2014-2024).[62]

It should also be noted that the share of government contracts awarded to SMEs falls into three categories of purchasers: the State and hospital sector, local authorities and "other". SMEs account for 18%, 36% and 24% of public procurement for each type of player respectively. In other words, the average is significantly skewed upwards by local authorities and skewed downwards by the "State and hospital sector" category. If the latter placed 30% of its orders with SMEs (aggregate average over the last 10 years), this would represent some €6 bn in additional turnover for SMEs[63].

Of course, one limitation in the awarding of public procurement contracts might be that the government's needs are not always met by the services offered by national SMEs and start-ups. In certain sectors considered sensitive, it is in fact necessary to choose solutions that have already proved their worth rather than trust a small organisation. In addition, certain government contracts might require the use of a large company because of economies of scale, as the size and operational capacity required exceed those of most SMEs and start-ups.

However, public procurement could be a real growth accelerator for an SME or start-up. Indeed, a French Senate report from July 2025 indicates that

[62] *economie.gouv.fr*. Observatoire économique de la commande publique. "Le recensement économique de la commande publique". https://www.economie.gouv.fr/daj/commande-publique/observatoire-economique-de-la-commande-publique-oecp/le-recensement-economique-de-la-commande-publique.

[63] *Ibid.*

"*public procurement represents €400 bn per year in France, according to the European Union*."[64] By way of comparison, the 11 companies listed in the Next40 in 2025, which were already present in the first wave in 2019, had a combined turnover of €2.8 bn.[65]

In this sense, public procurement could significantly boost the turnover of France's most promising start-ups, enabling them to access key markets, and helping some of them to scale up. It is easy to imagine the impact that a share of public procurement could have on high-potential scale-ups that have already proved their worth. Another example is the "Je choisis la French Tech" programme, designed to double the number of large groups' public purchasing from start-ups. Created in 2023, the programme looks set to reach a minimum of €686 M in 2026[66]. A European extension of public procurement in favour of SMEs and start-ups could be envisaged. Although public procurement mechanisms already exist at European level, they are non-specific and are not unified within a political strategy possessing a vision, objectives or quotas.

Unifying and reforming European public procurement would, for example, enable a Member State unable to find an SME or start-up that meets its needs at national level to broaden its search to European level before resorting to non-European alternatives. This kind of approach would strengthen intra-European economic cooperation and foster the emergence of innovative solutions from the continent's entrepreneurial fabric.

Likewise, if an SME in a member-State does not control the entire technological value chain required to win a tender, it could partner with another European SME that can provide the missing "building blocks" or skills. This would make it possible to pool expertise, form strong groups and boost the competitiveness of European start-ups and SMEs in the face of international rivals. In fact, we have already mentioned this need to unify

[64] Sénat. (2025). Commission of Enquiry into the actual costs and procedures of public procurement and the measurement of their ripple effect on the French economy. https://www.senat.fr/travaux-parlementaires/structures-temporaires/commissions-denquete/commission-denquete-sur-les-couts-et-les-modalites-effectifs-de-la-commande-publique-et-la-mesure-de-leur-effet-dentrainement-sur-leconomie-francaise.html.

[65] La French Tech. (2025). Year 2025 of the French Tech Next 40/120 Programme. https://www.economie.gouv.fr/actualites/la-promotion-2025-du-french-tech-next40120-confirme-le-leadership-de-la-france-dans.

[66] La French Tech Saint-Etienne & Lyon. Je Choisis La French Tech, La French Tech. https://www.lafrenchtech-stl.com/programme/je-choisis-la-french-tech/.

expertise between different European countries in the SKEMA Publika report *Artificial Intelligence and European Sovereignty*. As mentioned earlier, SMEs and start-ups could follow BlaBlaCar's example and seek mergers in order to gain market share. Since its creation, BlaBlaCar has merged with several European competitors, including Autohop and Carpooling.com in 2015, the "Less" carpooling app in 2018, and the Klaxit home-to-work carsharing app in 2023. If mergers between European players were facilitated by regulatory or tax measures, this strategy could eventually assist the emergence of "European champions" that could establish themselves in strategic sectors, thereby strengthening European sovereignty.

In short, entrepreneurs are one of the main drivers of employment, growth, innovation and, more broadly, competitiveness. Significant efforts have been made over the past decade to support them at both French and European level. The analysis carried out reflects these efforts, which have led to considerable progress in supporting SMEs and start-ups.

However, these measures are now reaching their limits. To build the France and Europe of tomorrow, start-ups and SMEs need to be a central part of the strategy. Consequently, new schemes need to be devised and rolled out to maintain the momentum observed in recent years. With this in view, France could take a leading role in implementing simple, high-impact additional measures. The introduction of a "Small Business Act" in France could help to kick-start this movement. The aforementioned French Senate report fully supports this approach by proposing the introduction of a general principle of European preference in public procurement.[67].

This initiative would initially take the form of a national priority policy and then, in a second phase, a European priority in terms of public procurement. The set-up would then be expanded to support the growth of SMEs and start-ups across the Union.

In these troubled times, a measure like this could also provide a sound basis for the emergence and maturation of strategic sectors, increasing the competitiveness of France and Europe. This was also the first

[67] Sénat. (2025). Commission of Enquiry into the actual costs and procedures of public procurement and the extent of their ripple effect on the French economy. https://www.senat.fr/travaux-parlementaires/structures-temporaires/commissions-denquete/commission-denquete-sur-les-couts-et-les-modalites-effectifs-de-la-commande-publique-et-la-mesure-de-leur-effet-dentrainement-sur-leconomie-francaise.html.

recommendation of the Franco-German summit on digital sovereignty held in November 2025:

> "1. Foster a European Preference in Public Procurement:
>
> We call for the introduction of a European preference in public procurement, understood as an incentive—not an obligation—to prefer European digital solutions in public tenders.
>
> This preference must be applied to the entire value chain, from hardware to applications, in order to foster the EU's competitiveness and resilience. Such a preference would help sustain local innovative ecosystems, reinforce trust in European technologies, and support fair competition on a global scale."[68]

Nonetheless, public procurement should not be seen as an end in itself but as a catalyst enabling SMEs and start-ups to find other markets, whether national, European or international. We will now turn our attention to another government tool for stimulating the growth of start-ups and SMEs: secured loans.

[68] Franco-German Digital Summit. (2025). From Ambition to Action: Building Europe's Digital Strategic Autonomy. https://startupverband.de/fileadmin/startupverband/mediaarchiv/Politik/Joint_Statement_in_Digital_Strategic_Autonomy_by_European_Tech_Organisations.pdf.

III. THE EFFECTIVENESS OF GUARANTEED LOANS IN BOOSTING THE GROWTH OF EUROPEAN SMALL AND MEDIUM ENTERPRISES

A. FINANCIAL CONSTRAINTS AND SMALL AND MEDIUM ENTERPRISES' GROWTH

The academic literature has long contended that young and small firms are more exposed than large established firms to financial constraints, which limits their possibility to grow and innovate. Young and small firms tend to have less collateral and shorter track records, which makes them riskier for financial intermediaries[69].

Although banks perceive the SME segment to be profitable, lending to SMEs requires the creation of specific organisational structures (e.g. dedicated departments), and the decentralisation of sales activities to bank branches, which may conflict with centralised loan approval and risk-management procedures[70]. Consequently, SMEs tend to be underserved by financial intermediaries, which, combined with their importance for innovation and job creation, as discussed in Section I, explains the activism of policymakers in creating specific policies to support them.

Based on the Survey on the Access to Finance of Enterprises (SAFE survey[71]), the share of SMEs reporting access to finance as a significant problem (7 or more out of 10) is on average around 25%, and has been higher than the share of financially constrained large firms in 23 of the last 25 semesters,

[69] Berger, A.N., Udell, G.F. (1998). The economics of small business finance: the roles of private equity and debt markets in the financial growth cycle. J. Bank. Financ. 22, 613–673. https://doi.org/10.1016/S0378-4266(98)00038-7.

[70] Beck, T., Demirgüç-Kunt, A., Martinez, M.S. (2008). Bank financing for SMEs around the world. In: World Bank Policy Res Work. Pap. no. 4785, pp. 1–43.

[71] Botsari, A., Gvetadze, S., Lang, F. (2024). The European Small Business Finance Outlook 2024. EIF working papers 2024/101.

leading to the conclusion that "*the data underscore the ongoing need for targeted policy measures to address structural barriers to SME financing*[72]".

B. LOANS AND CREDIT GUARANTEE AS A SOLUTION

1. Loan Guarantees in Europe

A policy measure that is adopted in most developed countries is credit enhancement through loan guarantees. The EU has been a grantor of credit guarantees supporting SMEs across multiple programmes for more than two decades:

- SMEG's MAP (2001–2006) and CIP (2007–2014) programmes
- COSME Loan Guarantee Facility (2014–2020)
- InvestEU SME Competitiveness Portfolio Guarantee Product (2021–2027)

In the case of EU loan guarantees, the grantor is the European Investment Fund (EIF), which oversees the selection of the financial intermediaries that will grant the loans, and negotiates the terms of the guarantee agreements. In a typical agreement, the EIF promises the financial institution that it will absorb up to 50% of the losses on any individual loan in a loan portfolio, and up to 20% of losses at the portfolio level.

The agreements generally allow intermediaries to combine EIF credit guarantees with other guarantees offered by public and private institutions, provided that the financial intermediary maintains sufficient exposure to residual credit losses on the loans. Several types of credit instruments are eligible, including term loans, revolving loans, financial leases, and subordinated loans. Credit-card products, factoring and operational leases are instead generally not eligible. Beneficiaries of EIF credit guarantees are in general SMEs, excluding those that operate in restricted sectors (e.g. alcohol, weapons…) and those that are already insolvent.

[72] Botsari, A., Gvetadze, S., Lang, F. (2024). The European Small Business Finance Outlook 2024. EIF working papers 2024/101.

2. Credit Guarantees Around the World

As mentioned earlier, EU-sponsored loan guarantees are not a unique phenomenon, and many countries around the world have developed somewhat similar schemes. In the paper, "The typology of partial credit guarantee funds around the world", Thorsten Beck, Leora Klapper and Juan Carlos Mendoza enumerate several countries that have implemented such schemes[73]. Among the countries and the funds listed, we find Argentina (Afianzar S.G.R), Canada (Canada Small Business Financing Program), Israel (ISMEA, Israel SMEs Authorities), Mexico (Banco Nacional de Comercio exterior), Lithuania (SME Guarantee Fund), and Thailand (Small Business Credit Guarantee Corporation)[74].

As mentioned earlier, in France, loan guarantee programmes are run by BpiFrance, a financial institution owned by the French government. BpiFrance's mission is to promote the financing and development of French firms through a wide range of financial instruments including loan guarantees.

In the United States, the Small Business Administration (SBA) offers partial guarantees on loans made by private lenders to small businesses. The 7(a) Loan Program encourage lenders to finance small businesses that might otherwise be considered too risky. The Department of Veterans Affairs (VA) offers guaranteed home loans for eligible veterans, reducing lender risk and allowing favourable loan terms. The Federal Housing Administration (FHA) provides mortgage insurance to approved lenders to help low- and middle-income families purchase homes. The USDA Rural Development Loans guarantees home and business loans in rural areas to promote development.

The Chinese government operates State-owned guarantee agencies that back loans for SMEs and rural enterprises. Provinces and cities often run their own guarantee funds to support local economic development. These programmes aim at encouraging risk-sharing between governments, banks, and insurance companies. In Brazil, the *Fundo Garantidor de Investimentos* (FGI) and *Fundo Garantidor para Micro e Pequenas Empresas* (FGMPE) are guarantee funds that support small and medium-sized businesses. In 2019, approximately 71,000 companies benefited from one of Bpifrance's

[73] Beck, T., Klapper, L.F., Mendoza, J.C. (2010). The typology of partial credit guarantee funds around the world. J. Financ. Stab. 6, 10–25. https://doi.org/10.1016/j.jfs.2008.12.003.

[74] *Id.*, pp. 23-24.

programmes and, among them, approximately 50,000 SMEs received a loan guaranteed by Bpifrance. This amounts to €6.8 billion worth of loan issuance, which represents 2% of aggregate business loans in France. This share reaches 5% for loans below €1 million[75].

C. LOAN GUARANTEES: A POWERFUL TOOL TO FINANCIALLY SUPPORT SMEs

Several academics have looked at SBA loans in the United States, finding a positive relationship between SBA loans and employment growth, and lending volume[76]. Evidence from the Canadian Small Business Loans Act shows that the programme improved access to loans and created jobs in beneficiary companies[77]. Public guarantees issued through the Italian "Fund for Guarantee to SMEs" determine higher debt leverage and lower debt costs for beneficiaries[78]. Similar results were found for the United Kingdom's guarantee schemes[79]. Bank credit guaranteed by a mutual-guarantee society was found to lead to higher growth and higher sales-to-assets ratios in Spain, especially during recessions[80].

Claire Lelarge, David Sraer and David Thesmar looked at a French government loan guarantee programme and found that beneficiaries raised more external finance and paid lower interest expenses but were also more likely to adopt risky strategies and, accordingly, filed for bankruptcy more

[75] Bpifrance. (2022). Assessment of the economic impact of funds

Market guarantee funds operated by Bpifrance. https://www.bpifrance.fr/sites/default/files/2022-01/Evaluation%20bpifrance%20-%20natural%20experiment%20-%20french%20version.pdf.

[76] Brown, J. D., & Earle, J. S. (2017). Finance and growth at the firm level: Evidence from SBA loans. *The Journal of Finance*, *72*(3), 1039-1080.

Bachas, N., Kim, O.S., Yannelis, C., 2021. Loan guarantees and credit supply. J. Finance. Econ. 139, 872–894. https://doi.org/10.1016/j.jfineco.2020.08.008.

[77] Riding, A.L., Haines, G. (2001). Loan guarantees: costs of default and benefits to small firms. J. Bus. Ventur. 16, 595–612. https://doi.org/10.1016/S0883-9026(00) 00050-1.

Riding, A.L., Madill, J., Haines, G. (2007). Incrementality of SME loan guarantees. Small Bus. Econ. 29, 47–61. https://doi.org/10.1007/s11187-005-4411-4.

[78] Zecchini, S., Ventura, M. (2009). The impact of public guarantees on credit to SMEs. Small Bus. Econ. 32, 191–206. https://doi.org/10.1007/s11187-007-9077-7.

[79] Cowling, M., 2010. The role of loan guarantee schemes in alleviating credit rationing in the UK. J. Financ. Stab. 6, 36–44. https://doi.org/10.1016/j.jfs.2009.05.007.

Ughetto, E., Scellato, G., Cowling, M. (2017). Cost of capital and public loan guarantees to small firms. Small Bus. Econ. 49, 319–480. https://doi.org/10.1007/s11187- 017-9845-y.

[80] Briozzo, A., Cardone-Riportella, C. (2016). Spanish SMEs' subsidised and guaranteed credit during economic crisis: a regional perspective. Reg. Stud. 50, 496–512. https://doi.org/10.1080/00343404.2014.926318.

often[81]. Jean-Noël Barrot, Thorsten Martin, Julien Sauvagnat and Boris Vallée found that recovery loans in France had positive effects on workers' employment and earning trajectories[82].

However, like most policies, loan guarantees have potential risks and pitfalls. First, reducing the downside risk for financial intermediaries could lead to excessive risk-taking. Second, the intermediary could opportunistically use the loan guarantees to shift the riskiest portion of its loan portfolio, rather than granting loans to new customers. Third, policymakers could underestimate the costs of a loan-guarantee policy, which only materialises in the long term.

It is important that loan-guarantee schemes are designed with these potential issues in mind, and that their effectiveness is assessed *ex post*, with feedback on the policy design. Several empirical works have supported the European Court of Auditors (ECA) and the EIF in assessing the effectiveness of the EU's loan-guarantee policies.

A first empirical work has been conducted on loan guarantees in France between 2002 and 2016 by Fabio Bertoni, Massimo G. Colombo and Anita Quas[83]. The study focused on the long-term effect of loan guarantees on the performance of beneficiaries. Each beneficiary has been matched to a non-guaranteed loan beneficiary with similar characteristics in terms of industry, size, capital structure, and growth rate. Their performance was then compared within the ten years following the loan event. The results are graphically summarised in the next figure.

[81] Lelarge, C., Sraer, D., Thesmar, D. (2010). Entrepreneurship and credit constraints: evidence from a French loan guarantee programme. In: International Differences in Entrepreneurship, pp. 243–272.

[82] Barrot, J. N., Martin, T., Sauvagnat, J., & Vallée, B. (2024). The labour market effects of loan guarantee programmes. *The Review of Financial Studies*, *37*(8), 2315-2354.

[83] Bertoni, F., Colombo, M. G., & Quas, A. (2023). The long-term effects of loan guarantees on SME performance. *Journal of Corporate Finance*, *80*, 102408.

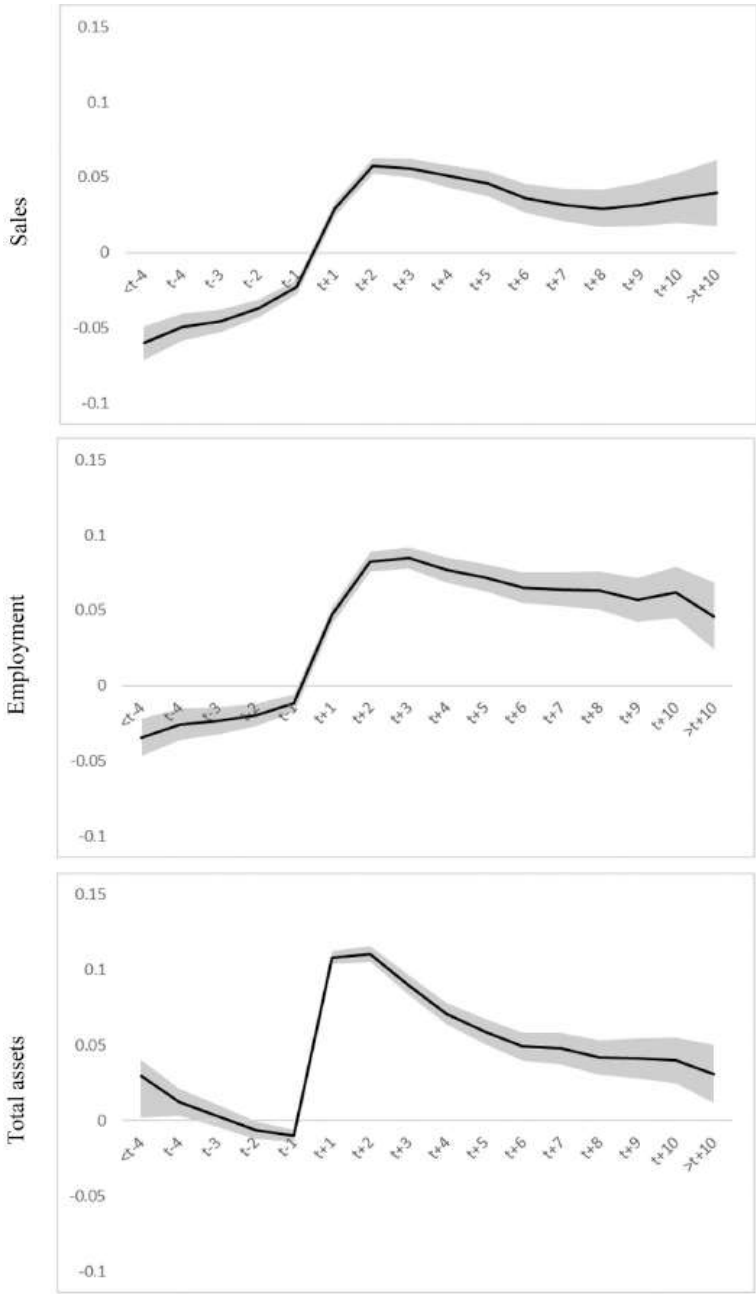


Figure 5. Effect of guaranteed loans on the performance of French SMEs.[84]

Results show that, after receiving a guaranteed loan, beneficiaries grow significantly more than firms that did not benefit from a guaranteed loan. It is worth highlighting that the growth differential is not temporary, and a size difference between beneficiaries and matched firms is still visible 10 years after the loan. So, there is no evidence of mean reversion. In other words,

[84] *Ibid*. The figure represents the estimate (and 95% confidence interval) of the treatment effect using the Sun and Abraham method (2021). The vertical axis represents the natural logarithms of sales, employment and total assets respectively. In the horizontal axis, time t refers to the year in which the guaranteed loan is received. Control units are non-beneficiaries. The regression includes the firm's age and firm and year fixed effects.

loan guarantees are effective in allowing beneficiaries to grow, and this boost in growth is not temporary.

It is also interesting to observe that the timing of the effect of guaranteed loans is different across various growth measures. Inputs, such as total assets and labour, have a more immediate growth than output (sales), which is consistent with the expected timing of a capital investment. Importantly, there is no evidence of excessive risk-taking: beneficiaries are slightly less likely to suffer from financial distress and bankruptcy than matched firms.
In terms of cost-effectiveness, the results can be used to estimate that it takes €168,000 in guaranteed loans to create one job, which is the same order of magnitude as estimates on the US Paycheck Protection Program[85]. This corresponds to a taxpayer cost of approximately €6,800 per job created (the average salary in France was between €27,212 and €37,049 over the 2002–2016 period).

This approach has been replicated in a number of different countries and time periods. Fabio Bertoni, Massimo G. Colombo and Anita Quas looked at evidence from guaranteed loans in Greece, Poland, Spain and Romania between 2015 and 2023[86]. SMEs receiving guaranteed loans in this sample experienced significantly greater growth in assets, sales, employment, and both intangible and tangible fixed assets compared to similar firms without guarantees. These effects were measured three years after the loan agreement and were statistically significant. Results in this sample are slightly larger than those in the study on France, consistently with the expectation that loan guarantees are more valuable in countries in which more SMEs are financially constrained. Additionally, beneficiaries were less likely to go bankrupt by the end of 2023, with smaller and older firms seeing the greatest improvement in survival rates.

Furthermore, several studies in the academic literature[87] point out that the effect of loan guarantees will differ depending on the characteristics of the

[85] Granja, J., Makridis, C., Yannelis, C., & Zwick, E. (2022). Did the paycheck protection programme hit the target?. *Journal of financial economics*, *145*(3), 725-761.

[86] Bertoni, F., Colombo, M. G., & Quas, A. (2025). *Economic impact assessment of the COSME Loan Guarantee Facility: Evidence from Greece, Poland, Spain and Romania* (No. 103/2025). EIF Working Paper.

[87] Briozzo, A., Cardone-Riportella, C. (2016). Spanish SMEs' subsidised and guaranteed credit during economic crisis: a regional perspective. Reg. Stud. 50, 496–512. https://doi.org/10.1080/00343404.2014.926318.

beneficiaries. Accordingly, this analysis looked at how this effect varies across classes of firms by size, age, sector, country and intangible-assets intensity. The positive impact regarding growth was especially pronounced for younger companies and those with more intangible assets, and the findings remained robust across different analytical methods and controls. The next figure illustrates the estimated growth differential between beneficiaries and matched firms by size (assets), age, industry, country and intangible-assets ratio.

Brown, J.D., Earle, J.S. (2017). Finance and growth at the firm level: evidence from SBA loans. J. Financ. 72, 1039–1080. https://doi.org/10.1111/jofi.12492.

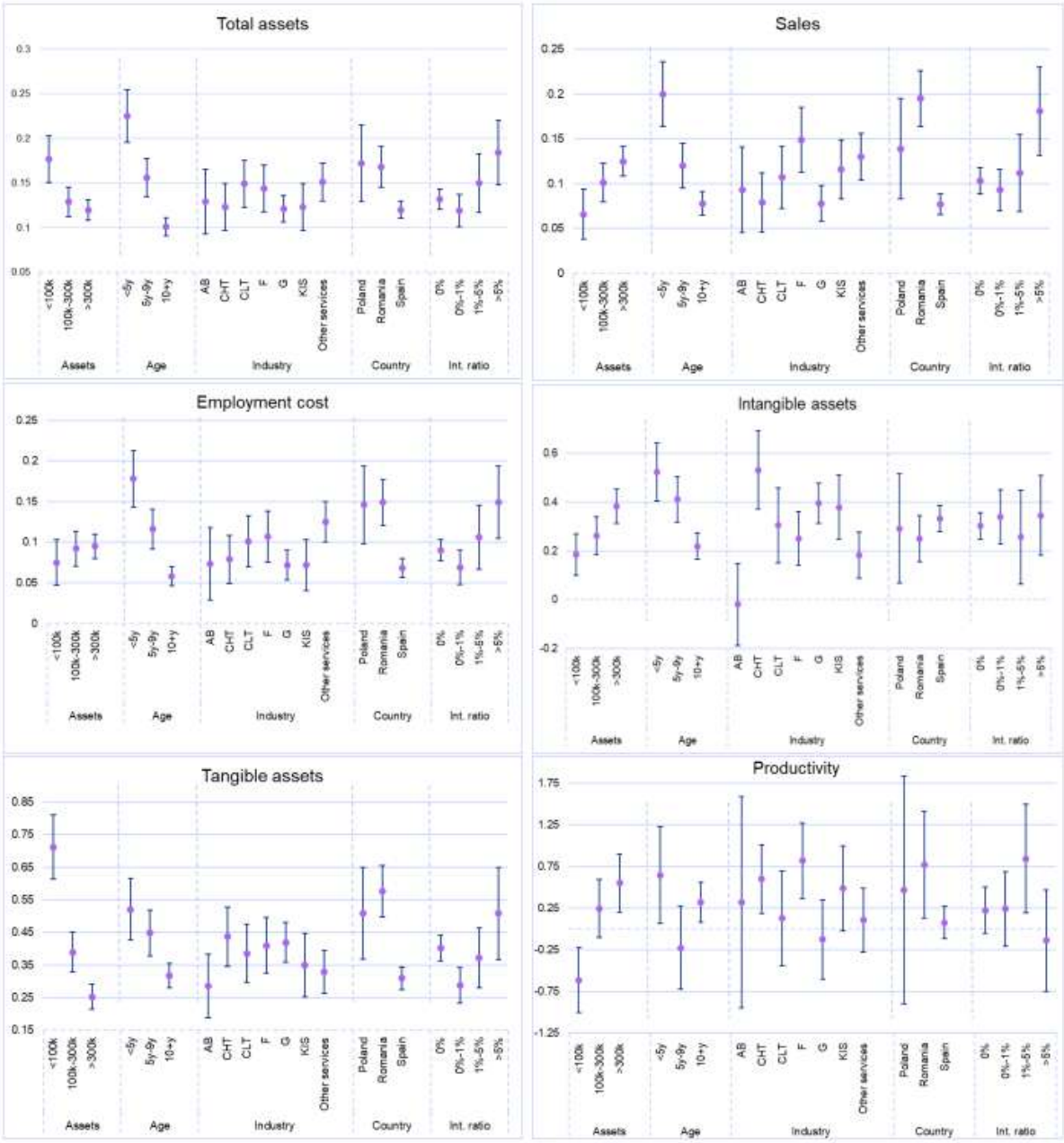


Figure 6. Estimated growth differentials between guaranteed loans beneficiaries and non-beneficiary in Poland, Romania, and Spain after a five-year period.[88]

Overall, we observe that, along all dimensions, growth differentials are larger in the group of younger firms (5 years or less), which are those that are expected to face significant financial constraints. Similarly, beneficiaries

[88] Bertoni, F., Colombo, M. G., & Quas, A. (2025). Economic impact assessment of the COSME Loan Guarantee Facility: Evidence from Greece, Poland, Spain and Romania (No. 103/2025). EIF Working Paper.

The vertical axis represents the estimated treatment effect (and 95% confidence interval) at time t+3 for different categories of firms, keeping all other characteristics at their mean.

witness larger growth differentials in Poland and Romania than in Spain, which is consistent with the fact that these countries have a larger proportion of financially constrained SMEs[89], as illustrated in the following figure that summarises the state of SME financing for each of the EU Member States in 2022 and in 2023 based on the EIF SME access to finance (ESAF), a composite indicator.

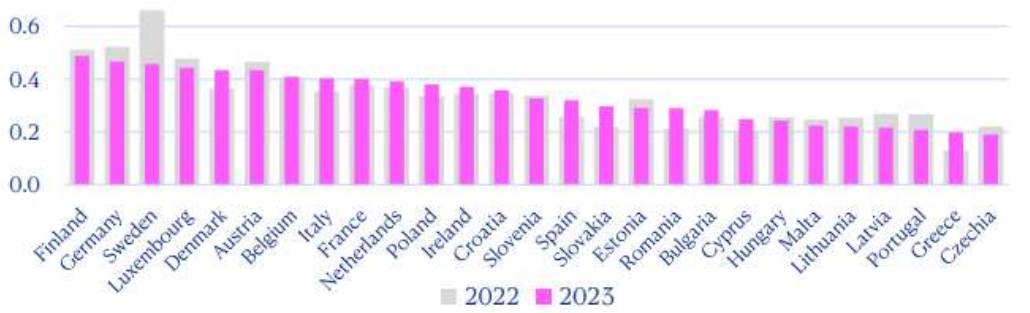


Figure 7. The EIF SME access to finance index.[90]

Fabio Bertoni, Massimo G. Colombo and Anita Quas[91] also looked at beneficiaries' growth in a sample from Belgium, France and Italy in 2015-2023. Overall, the findings are consistent with those from previous analyses: beneficiaries grow more than matched firms and the difference is not temporary. Younger firms benefit more from guaranteed loans than older ones. Results on survival indicate that beneficiaries are more likely to survive to 2023 than matched firms. The only substantial difference is that, in this sample, productivity seems to be, three years after the loan, lower in beneficiaries than in matched companies. This highlights that results on labour productivity in these studies should be taken with some caution and probably deserve special attention.

[89] Botsari, A., Gvetadze, S., Lang, F. (2024). The European Small Business Finance Outlook 2024. EIF working papers 2024/101, https://www.eif.org/news_centre/publications/eif-working-paper-2024-101.pdf.

[90] This figure is a composite indicator, which does not have an immediate interpretation. It is based on a number of statistics and normalised across European countries, so that higher means better access to finance.

Id., p. 8.

[91] Bertoni, F., Colombo, M. G., & Quas, A. (2025). *Economic impact assessment of the COSME Loan Guarantee Facility: Evidence from Belgium, France and Italy* (No. 107/2025). EIF Working Paper.

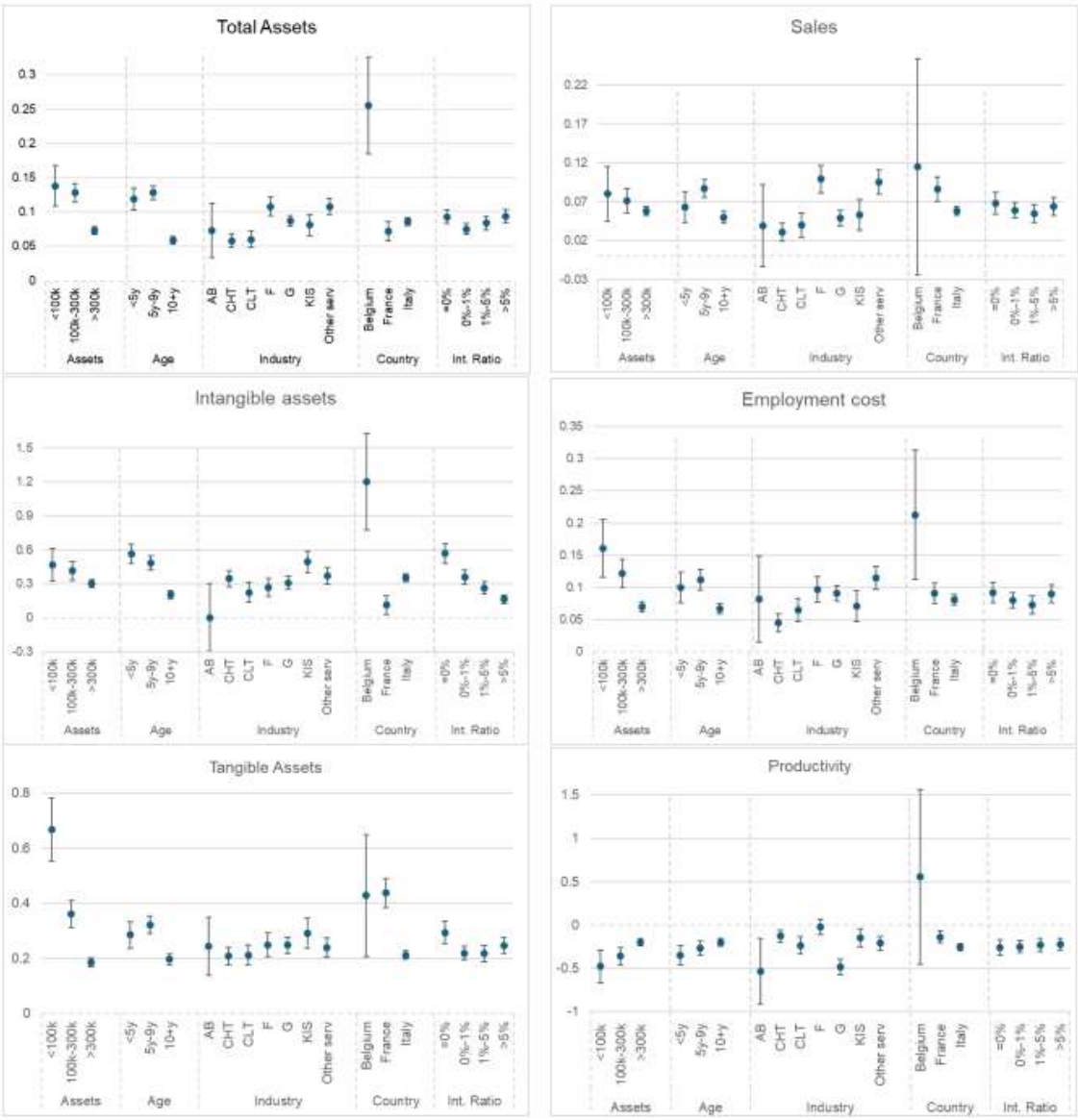


Figure 8. Estimated growth differentials between guaranteed loans beneficiaries and non-beneficiary in Belgium, France, and Italy after a three-year period.[92]

One possible criticism to this approach is that it does not allow to distinguish between the effect of a guaranteed loan and the effect of any loan. An alternative explanation to the findings reported above is that these firms are not financially constrained and receive a loan that just happens to be guaranteed, but they would have received a loan and would have grown just about the same without this policy.

[92] Bertoni, F., Colombo, M. G., & Quas, A. (2025), *op. cit.*, p. 28. The vertical axis represents the estimated treatment effect (and 95% confidence interval) at time t+3 for different categories of firms, keeping all other characteristics at their mean.

One way to address this criticism is to compare, among the firms that have received a loan, those that have received a guaranteed loan to those that received a regular loan. To the extent that the policy is effective, guaranteed loans should go to firms that are more financially constrained and would benefit more from it. This analysis is conducted by Fabio Bertoni, Massimo G. Colombo and Anita Quas by looking at firms that experience credit events (i.e. significant increases in leverage which are indicative of a loan)[93]. Results show that, among firms that experience credit events, the beneficiaries of guaranteed loans have a similar growth in terms of assets, but a significantly larger growth in terms of employment and sales. Results on total factor productivity are inconclusive, which confirm the difficulty of obtaining a clear picture of the effect of loan guarantees on productivity. Overall, this additional analysis suggests that guaranteed loans are indeed an effective policy in fostering the growth of beneficiaries.

[93] Bertoni, F., Colombo, M. G., & Quas, A. (2023). The long-term effects of loan guarantees on SME performance. *Journal of Corporate Finance*, *80*, 102408.

RECOMMENDATIONS

1. **Designing artificial intelligence** that would direct start-ups and SMEs to the appropriate source of funding, whether public, private or non-profit. AI could thus act as a customised guide, which sorts and filters information in order to suggest the most relevant assistance for the company's profile.

2. **Facilitating access to markets through public procurement** in first France then Europe, to foster the emergence of start-ups and SMEs. One inspiring model is the 1953 Small Business Act in the USA.

3. **Rationalising the organisation of French public procurement** by considering how to optimise contracting authorities within a single organisation with local branches, which would oversee French public procurement.

4. **Facilitate cross-border mergers within the European Union** to enable transnational synergies between complementary start-ups and SMEs and thus achieve a competitive size in sectors that are now largely international.

5. **Optimising the secured loan system at French and European level** by focusing on the development of different local, national and European initiatives, and enabling a more regular review of allocation criteria by refocusing them on strategic sectors and types of investment.

6. **Designing loan guarantee programmes with a rigorous assessment after the fact**. It is important for these programmes to factor in the inherent risks:
   - Reducing the risk of loss for financial intermediaries could lead to excessive risk-taking;
   - Intermediaries could opportunistically use guarantees to transfer the riskiest part of their loan portfolios rather than finance new customers;
   - Policymakers might underestimate the costs of a guarantee policy, which only become evident in the long term.

CONCLUSION

In this policy paper, we have highlighted how important SMEs and start-ups are to European growth. We have stressed that innovation is often driven by start-ups, and that it is one of the chief factors in the growth and competitiveness of a country or region.

We feel it is vital to explore mechanisms designed to not only foster their emergence but also maintain the momentum of their growth. We thus believe it essential to turn to new ways of supporting entrepreneurs so as to perpetuate the impetus of start-up creation.

We have looked at two levers for strengthening the European economy: public procurement and secured loans, which are just two of the avenues that could be explored to support entrepreneurs.

The optimisation and wider use of these practices would facilitate the financing of start-ups and SMEs in France and at European level and thus consolidate the role of these companies as pillars of the European economy.

APPENDICES

APPENDIX 1: SIMPLIFIED OVERVIEW OF THE MAIN FORMS OF ASSISTANCE AVAILABLE BY TYPE OF ENTREPRENEUR AND CHANNEL

- **Young Entrepreneurs:** SNEE (national student-entrepreneur status), JEU (young university enterprise) status, Enactus, Live For Good, Moovjee, etc.
- **"Social" aspect:**
  - Non-profit: ADIE, France Active etc.
  - Public bodies: ACRE, NACRE, ARCE etc.
- **Loans on trust:** Réseau Entreprendre and Initiative France
- **Assistance:**
  - Incubators: according to the Maddyness "Launchbase" directory, France has 500 incubators.[94]
  - BGE network shops (Management services)
- **Innovative companies:**
  - Tax schemes: JEI (young innovative company) status and CIR (research tax credit)
  - European funding: Horizon Europe, COSME (competitiveness for small and mid-size enterprises) Programme
  - National funding: BPI France
- **Local schemes:**
  - Public, through subsidies: Innov'up in the Paris region
  - Public, through competitions: i-Lab et i-Nov
- **Private schemes:**
  - *Business Angels*

[94] Fabrion, M. (2025). *France Digitale and The Machinery launch a platform to help entrepreneurs pinpoint the ideal incubator or accelerator.* Maddyness – the media outlet for understanding tomorrow's economy. https://www.maddyness.com/2025/09/30/france-digitale-et-the-machinery-lancent-une-plateforme-pour-aider-les-entrepreneurs-a-identifier-lincubateur-ou-accelerateur-ideal/.

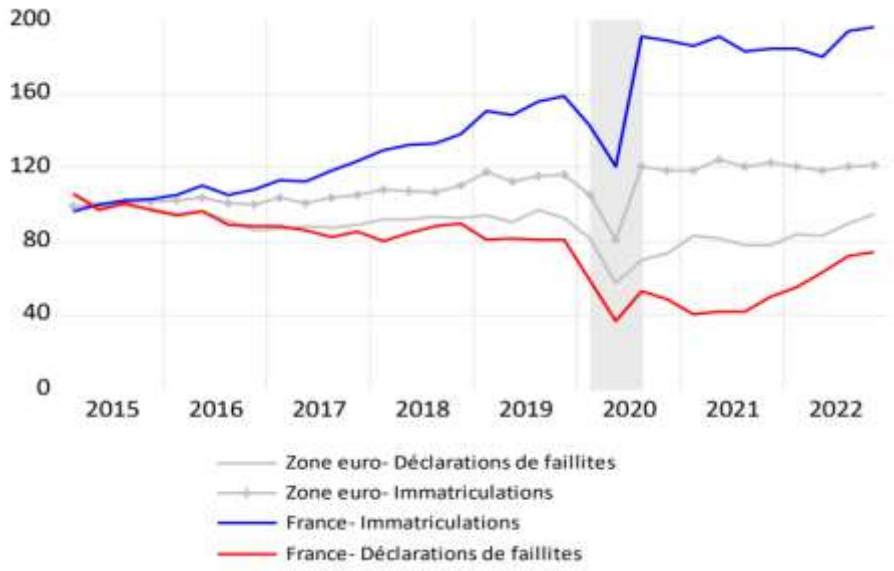
APPENDIX 2: VARIATIONS IN THE TOTAL ANNUAL NUMBER OF NEW BUSINESSES CREATED IN FRANCE (2000-2023)

Source: Entrepreneurial momentum during 2000-2022: is there something specific to France? France Stratégie, 2023

APPENDIX 3: QUARTERLY INDEXES OF BUSINESS REGISTRATIONS IN EUROZONE COUNTRIES (2015-2022)

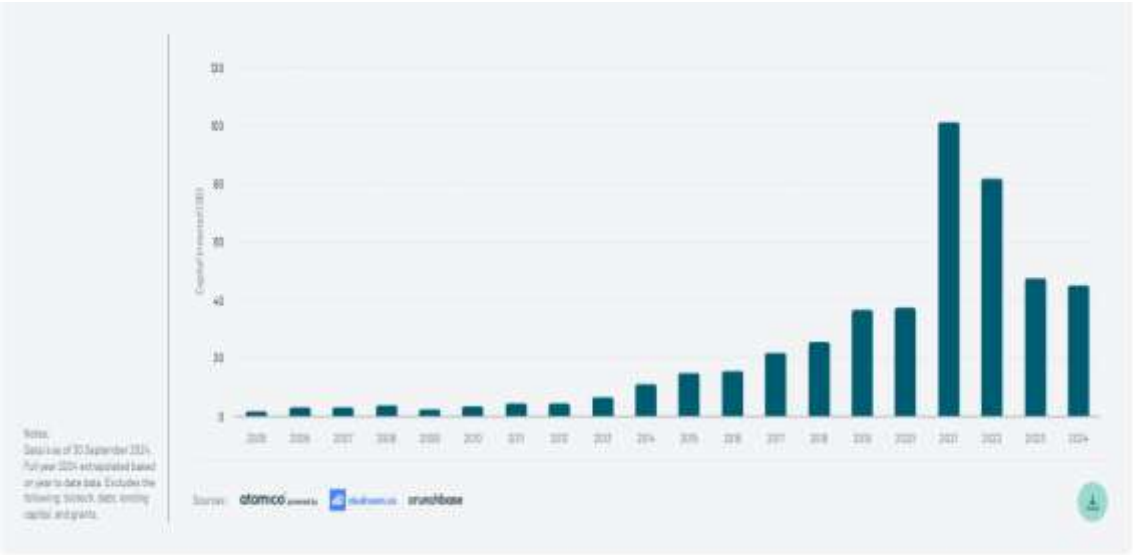
Source: Eurostat, Short Term Statistics, used by France Stratégie

APPENDIX 4: VARIATIONS IN THE NUMBER OF REGISTRATIONS AND BANKRUPTCIES IN FRANCE AND THE EUROZONE (2015-2022)



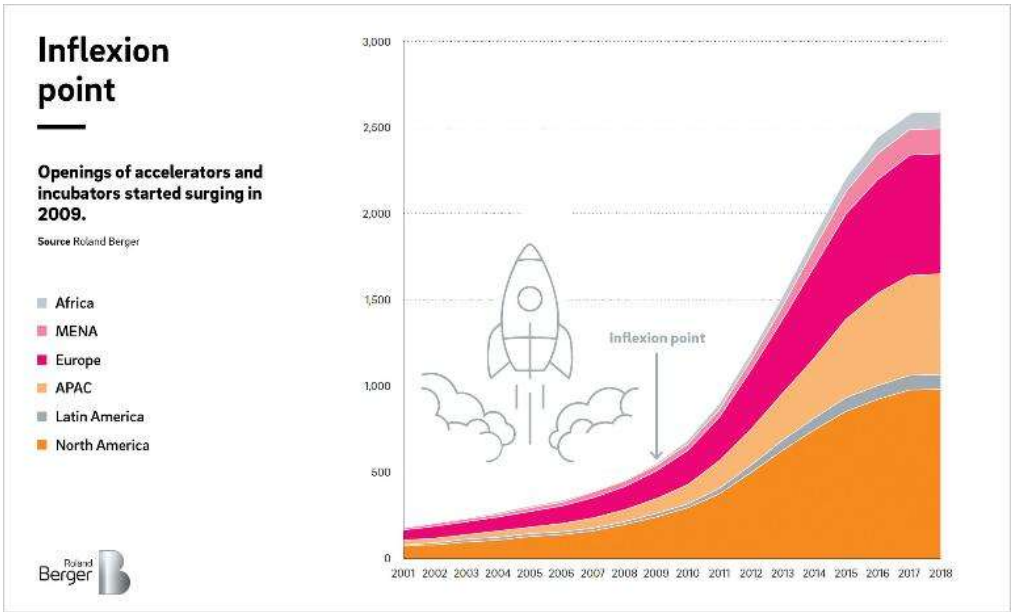
Source: Eurostat, Short Term Business Statistics, used by France Stratégie

APPENDIX 5: TOTAL CAPITAL INVESTED IN EUROPE PER YEAR (€ BN, 2005-2024)



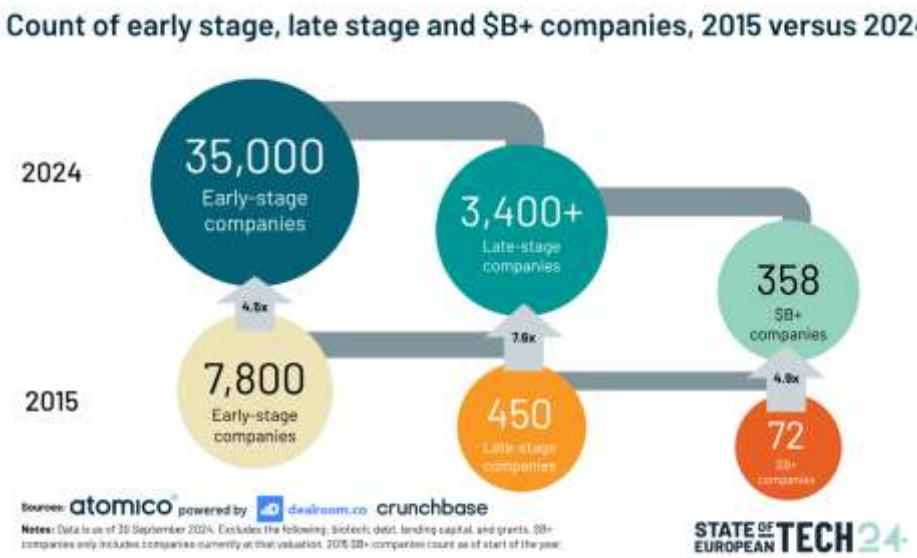
Source: The state of European Tech 2024, Atomico, Dealroom, Crunchbase

APPENDIX 6: NUMBER OF START-UP INCUBATORS WORLDWIDE (2001-2018)



Source: Revisiting the market for innovation Roland Berger

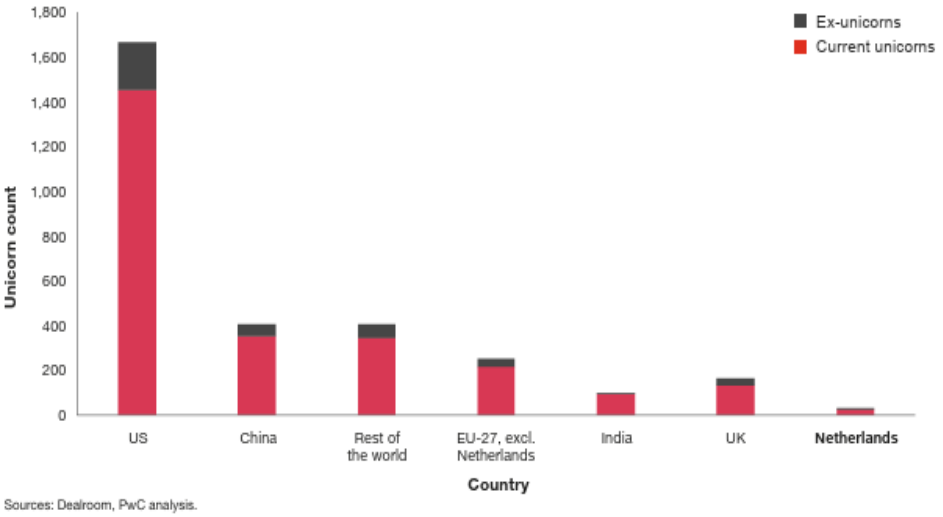
APPENDIX 7: NUMBER OF COMPANIES IN THE START-UP PHASE, ADVANCED FINANCING PHASE AND VALUED AT OVER $1 BN BETWEEN 2015 AND 2024



Source: Atomico, dealroom.com and crunchbase

APPENDIX 8: LOCATION OF UNICORN START-UPS WORLDWIDE IN 2024

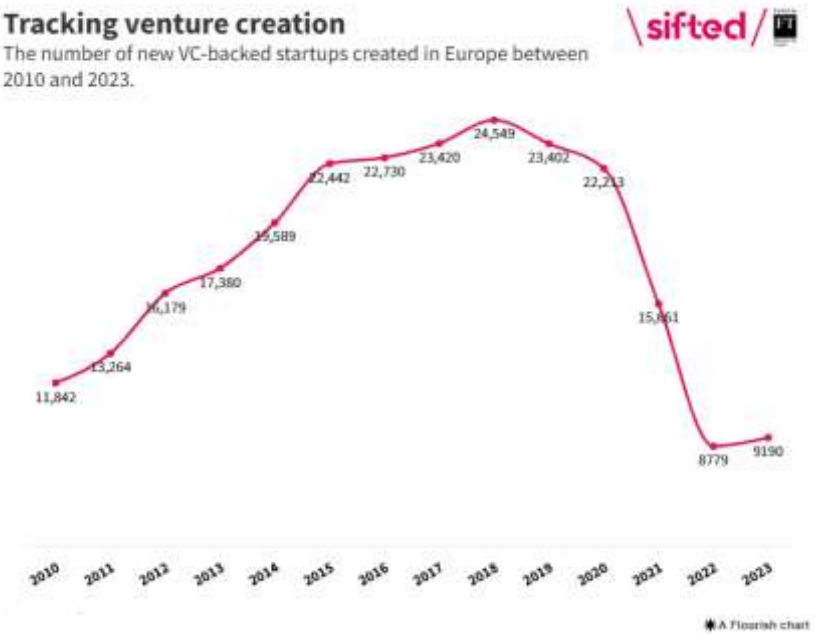
Figure 4 55% of all unicorns are located in the US



Sources: Dealroom, PwC analysis.

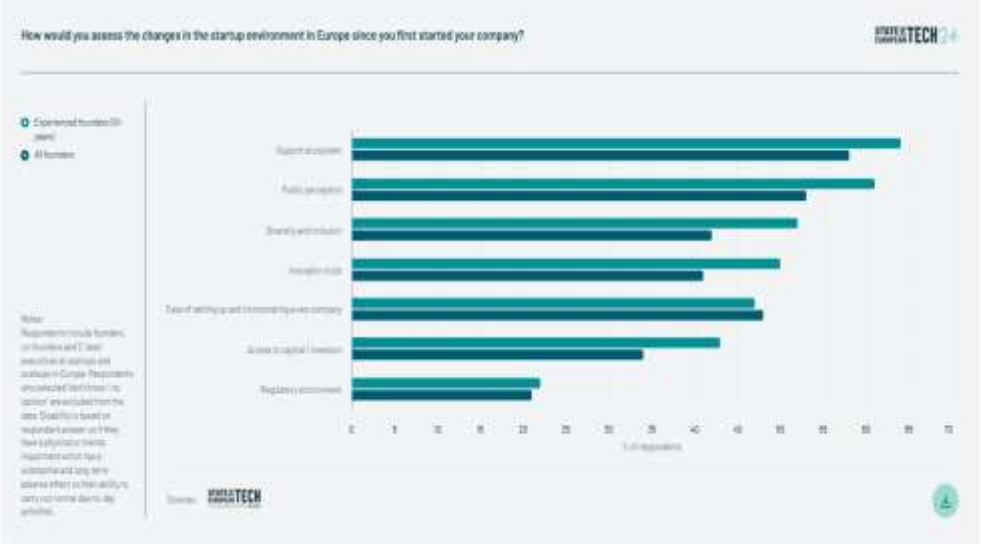
Source: Dealroom, PwC analysis

APPENDIX 9: NUMBER OF NEW VENTURE-BACKED START-UPS IN EUROPE (2010-2023). VENTURE CREATION TRACKING



Source: [The state of start-up creation in Europe, Sifted, 2024]

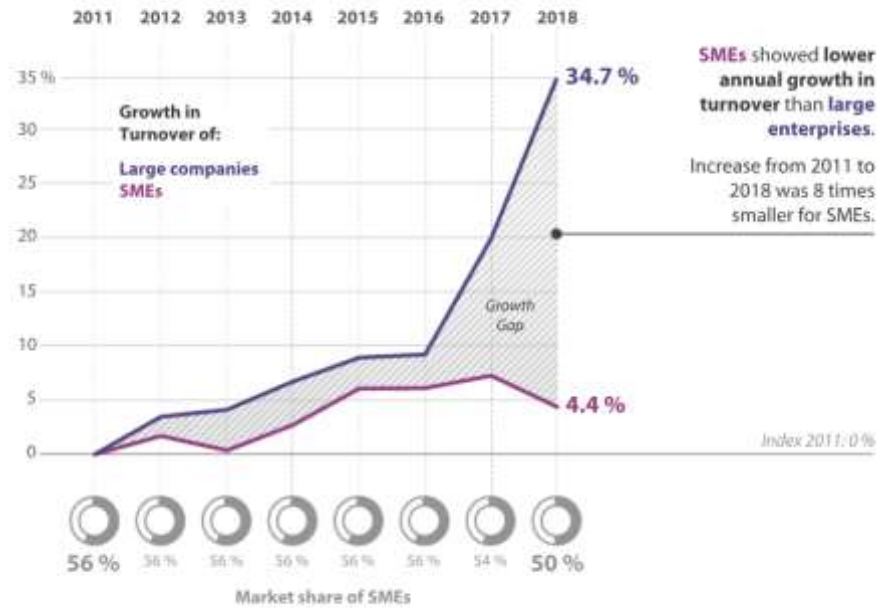
APPENDIX 10: HOW WOULD YOU ASSESS THE CHANGES IN THE START-UP ENVIRONMENT IN EUROPE SINCE YOU FIRST STARTED YOUR COMPANY?



Source: [Atomico]

APPENDIX 11: VARIATIONS IN TURNOVER RATES FOR SMES AND BIG COMPANIES (2011-2018)

Figure 1 – Growth in turnover for SMEs and large enterprises (2011-2018)



Source: ECA based on Eurostat business statistics classifying enterprises by size on number of employees and total business economy, except financial and insurance activities.

Source: Eurostat.

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