SME4SPACE

THE REPRESENTATIVE ORGANISATION OF SMES IN EUROPE'S SPACE INDUSTRY

Priorities for SMEs at MC25: Support for Product Development and NRC Funding

Introduction

For the forthcoming ESA's Council at Ministerial Level, SME4SPACE expresses its full support for the ESA Executive's ambitions. We hope these proposals will be met with substantial financial commitments that enable the sector to grow sustainably and showcase the potential of SMEs.

Based on our recent research SME4SPACE wants to emphasise two priorities: the importance of support for product development for SMEs, and a more efficient support for the investments required during the industrialisation and scale-up phases.

Strategic Importance of Product Development and Small Programming

SME4SPACE organised among its community a survey on the priorities for the ESA Ministerial Council Conference 2025[1]. The outcome confirms that product development is considered the single most important factor by SMEs for their company's success across domains. To unlock SME potential, it is necessary to expand mechanisms that link product development support to industrial competitiveness, ensuring SMEs can contribute effectively to both institutional missions and compete on worldwide commercial markets.

This emphasis on the development of products and services is in addition to the continued support for major missions.

While large programs are undoubtably an asset to the sector, European space SMEs would benefit greatly from the opportunity to work on smaller programs and from the support of their product development. These smaller programs should not only allow SMEs to contribute their own systems, products and services within ESA frameworks, but also enable them to develop their own products independently of ESA missions that they can bring to market. Supporting SME-accessible (small) programming is essential to ensure that SMEs have meaningful opportunities to grow and succeed within the broader space ecosystem.

[1] Report on the results of the SME4SPACE survey for the upcoming ESA Council at Ministeriial Level (CM25) found at https://www.sme4space.org/document/report-on-the-results-of-the-survey-for-the-upcoming-esa-council-at-ministerial-level-i-october-2025/

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Non-Recurring Cost Pre-Financing: Enabling Industrialization

The financial landscape for European space SMEs shows considerable challenges. A recent by SME4SPACE study[2] shows:

- The space sector is extremely capital-intensive, requiring significant investment to be able to successfully compete in the market, with 1 Euro of turn-over (and growth) requiring more than 1.2 Euro of investment.
- Profitability remains low (3% return on assets in 2023)

SMEs have little to no access to long term debt, and non-recurring (engineering) costs or expenses, also known as NRCs, which are one-time costs and investments required for the research, development, and testing of a new product or product enhancement, are high. These conditions make SMEs vulnerable during the industrialization and scale up phase.
Because of this, we propose as a possible solution to introduce loans by public authorities for investment in production capacity of SMEs, to be reimbursed upon successful commercialisation. This model has previously proven effective in Europe's aeronautics sector.

This financing scheme would effectively address several critical issues:

- The extremely capital-intensive nature of the space industry, including for scaling-up of production,
- New Space's long production cycles,
- Difficult access to finance and external funding,
- Non-existent room for financing through pre-payments of customers,
- The sustainability of the supply chain. This measure would strengthen Europe's production basis considerably.

Conclusion

To strengthen the role of SMEs in Europe's space sector, it is essential to take targeted action that addresses both innovation potential and structural financial challenges.

- Provide integrated product development support tied to competitiveness and financial resilience.
- Establish dedicated NRC financing schemes that support SMEs scaling up and entering industrialization.
- Improve SMEs access to finance and long-term debt.

SME4SPACE wants to bring an optimistic message on the eve of MC25.

[2] Report on the proposal for prefinancing of NRCs found at https://www.sme4space.org/document/financial-challenges-of-smes-in-europes-space-industry-proposal-for-prefinancing-of-nrc-i-june-2025/

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We are confident that, with the right financial commitments and targeted measures, CM25 can mark a turning point in empowering SMEs to fully contribute to Europe's strategic space ambitions.

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