



Broad range of targeted financial instruments needed to support of SMEs across Europe

Brussels, July 4th 2011

For many small and medium-sized enterprises (SMEs) across Europe, access to finance is still a major challenge. Therefore, financial instruments play a crucial role in addressing SME financing needs and in bridging existing market gaps. In view of the next generation of SME finance programmes, the European Investment Fund (EIF) and UEAPME, the European craft and SME employers' organisation, today have called for a comprehensive set of tailored measures to further support SMEs to obtain finance.

*"SMEs across Europe are very heterogeneous, ranging from very traditional, family-run businesses to high-tech and fast growing enterprises and start-ups. To address their specific financing needs, there is no 'one-size-fits-all' answer", said UEAPME's Secretary General **Andrea Benassi**. "Therefore, a broad range of tailored financial programmes and instruments is needed to provide targeted support to Europe's SMEs and help to improve their access to finance."*

EIF Chief Executive **Richard Pelly** stressed that a balanced mix of flexible financial instruments is essential in addressing the diverse financing needs of SMEs. *"Established revolving financial instruments such as the Competitiveness and Innovation Framework Programme and the Joint European Resources for Micro to Medium Enterprises have proven their worth and helped to stimulate entrepreneurship and innovation across the EU. We should therefore build on these initiatives. In addition, it will also be crucial to develop new mechanisms to further improve SMEs' access to finance and to foster smart, sustainable and inclusive growth."*

The demand for funding under existing programmes such as the Competitiveness and Innovation Framework Programme (CIP) which EIF manages on behalf of the European Commission outstrips current budget availability: To date, more than half of the total CIP funding available for the seven year programming period has already been

utilised through more than 50 agreements with funds and financial intermediaries and there is a strong pipeline of new intermediaries across the EU.

Under the CIP Guarantee Facility (CIP SMEG), more than 140,000 loans have been provided to businesses across Europe so far, with the majority of these loans helping entrepreneurs to start new businesses. 130,000 SMEs have benefited from CIP support to date and the majority has indicated that the financial support had a positive impact on their long-term growth prospects and their ability to carry out product and process innovation.

“Every Euro of funding under the CIP Guarantee Facility has translated into Euro 17 of SME loans; this is a good indicator for the broad impact of the programme which should be maintained in the next Financial Framework”, Richard Pelly stated.

A new guarantee instrument under structural funds, the First Loss Portfolio Guarantee (FLPG), has been developed by the EIF and is already having a significant impact on lending to micro- and small enterprises in a number of cohesion regions.

Looking forward, the EIF will be launching a risk-sharing pilot instrument to address the specific financing needs of highly innovative SMEs. Intensive work is also under way to develop an expanded range of venture and growth capital instruments.

“We are welcoming the intention to develop targeted financial instruments to address the various financing gaps SMEs face. This is particularly important for riskier activities such as start-ups, innovation and business transfer, which cannot be fully funded by classic loans and require instruments such as subordinated loans or other ‘mezzanine’ products”, Andrea Benassi said. He also suggested to include the increased use of structural funds in a form of revolving financial instruments and to seek a close cooperation with national institutions to avoid unnecessary overlaps of financial instruments at European and national level.

About the EIF

EIF's central mission is to support Europe's small and medium-sized businesses (SMEs) by helping them to access finance. EIF designs and develops venture capital and guarantees instruments which specifically target this market segment. In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. The EIF total net

commitments to private equity funds amounted to over EUR 5.4bn at end 2010. With investments in over 300 funds, the EIF is a leading player in European venture due to the scale and the scope of its investments, especially in high-tech and early-stage segments. The EIF commitment in guarantees totalled over EUR 14.7bn in close to 160 operations at end 2010, positioning it as a major European SME guarantees actor and a leading micro-finance guarantor.

For further information: www.eif.org

About UEAPME

UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 80 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: www.ueapme.com

About CIP

The Competitiveness and Innovation Framework Programme (CIP), which spans from 2007 to 2013, has been put in place to boost European productivity, innovation capacity and sustainable growth, whilst simultaneously addressing complementary environmental concerns.

Within the framework of the CIP, the European Investment Fund (EIF) has been allocated EUR 1.1bn to be split between venture capital – with the High Growth and Innovative SME Facility (GIF) - and guarantees – with the SME Guarantee Facility (SMEG). Under the SMEG, financial institutions are encouraged to enhance access to finance for SMEs. The facility offers an excellent tool to allocate additional financing volumes for those SMEs that would not otherwise have access to resources and financial engineering instruments because of the increased lending risk entailed. As such, the SMEG complements and broadens EIF's own product offering. The EU CIP SMEG Facility gives the EIF the opportunity to support sustainable job creation and entrepreneurship in European SMEs.



EIF's investment is funded by the European Union, through the Competitiveness and Innovation Framework Programme (CIP). CIP is a EUR 1.1bn facility managed by EIF, which is split between Venture Capital and Guarantees. It covers the period 2007-2013. CIP's objectives are to generate economic growth and create more jobs as well as boost productivity, competitiveness and innovation in the EU, optimising the use of European Union funds to support SME's access to finance.



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