



## **“The voice of SMEs in Europe”**

### **Press Release**

FOR IMMEDIATE ISSUE

## **Dialogue is crucial to improve SMEs’ access to finance**

**Brussels, 14 May 2007.** UEAPME, the European craft and SME employers’ organisation, welcomed the outcomes of the 5<sup>th</sup> Round Table between Banks and SMEs organised by the European Commission, which held its final meeting in Berlin on 11 May (Friday). Participants agreed recommendations for action on a number of crucial topics for SME finance such as transparency and dialogue, “mezzanine finance” and SME securitisation (1). According to UEAPME, which was involved in the discussions over the past 18 months, the Round Table contributed to a better understanding of the issues at stake and paved the way to a series of new possibilities in SME funding. UEAPME warned, however, that access to finance for SMEs will be improved in reality only if all involved parties collaborate to this end, both at EU and Member State level.

*“The Round Table conclusions come at a crucial time for the SME family”,* said UEAPME Secretary General **Hans-Werner Müller** at the meeting. *“The implementation of the ‘Basel II’ requirements will soon confront crafts and SMEs with rating procedures and credit scoring systems, while Banks are more and more reluctant to finance riskier projects with traditional credits and loans. A stronger dialogue with all involved stakeholders is of the utmost importance to build workable solutions to the challenges ahead”,* he continued.

The first report adopted focused on transparency and dialogue. UEAPME was glad to see a clear commitment from all Banks to inform SME clients in a transparent way and with an SME-friendly language. This should be valid both for rating methods and rating results, insisted Mr Müller, who also stressed the need to improve both the available information on terms and conditions and the SME-Bank relationship during the transaction process.

New instruments to back riskier projects such as start-ups, innovation-related activities and business transfers were also discussed. The second report focused in fact on “mezzanine finance”, i.e. hybrid forms of finance featuring characteristics from both debt and equity. Such instruments are gaining importance and their success ratio is quite high, but they will remain relatively unavailable unless the public sector and public promotional financial institutions help in covering the associated risks, said Mr Müller.

An additional important source of financing and risk transfer is securitisation, the process by which a portfolio of assets is transformed into securities such as bonds and notes that can be sold and traded in capital markets, which was explored in the third Round Table report. This practice, stated Mr Müller, can actually improve the use of “mezzanine finance” as Banks are able to sell their risk exposures to the financial markets thereby regaining liquidity and increasing the potential to lend more to the SME sector overall.

Finally, UEAPME emphasised the need to reproduce the Round Table mechanism at country level. Public and private financial institutions vary significantly between Member States. State-tailored financial instruments should therefore be brought on the market after a proper assessment through national dialogue. The same is true for information on rating mechanisms and for existing funding methods, affirmed Mr Müller.

*“European SMEs will enjoy a better access to a broader range of financing options, especially for their riskier projects, only if all stakeholders agree on these instruments and do their best to make them available. We therefore welcome the European Commission’s commitment to support such national dialogues”,* he concluded.

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(1) [http://ec.europa.eu/enterprise/entrepreneurship/financing/publications.htm#5th\\_round\\_table\\_2007](http://ec.europa.eu/enterprise/entrepreneurship/financing/publications.htm#5th_round_table_2007)

**EDITORS’ NOTES:** UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 81 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner. More information: <http://www.ueapme.com>

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