

SME Finance Forum

Brussels, 6 May 2010

Introduction

The protagonists for the recovery of the European economy are Europe's small and medium-sized enterprises (SMEs).

They represent our economy's future. Only they can generate new employment opportunities.

To be competitive enterprises need to invest in innovation, in this context one needs to however recognise the particular difficulties that SMEs are facing.

The crisis has made investment challenging.

To sustain recovery, the European Union has therefore to return strength to its own capital market to facilitate access to financial resources for enterprises.

Without these, SMEs cannot innovate, and cannot be competitive.

The issue of indebtedness of European SMEs also needs to be addressed: it is an element of weakness in the delicate phase of economic recovery.

Conclusions on bank lending

European banks and SMEs need to collaborate in a more constructive manner and regain mutual trust.

Access to credit is a fundamental aspect of the broader theme of access to financial resources.

In this context guarantees are key.

Credit guarantee instruments, currently used in some Member States, are an efficient way of easing SME's access to financial resources. We need to single out best practice in Europe so that these could be used in other Member States.

The European Investment Bank (EIB) has committed itself in reacting to the crisis, even through its loans to SMEs. The collaboration between the European Commission and the EIB for the benefit of SMEs needs to be strengthened with the objective of maximising the effectiveness of such interventions.

All SMEs have to be better informed on the available favourable conditions and need to be able to fully benefit from them.

The EIB has earmarked 30 billion euros for SMEs for the 2008-2011 period. It is important that SMEs benefit rapidly from these resources.

The European market for hybrid capital combining features of loans and equity (the “mezzanine market”) should be further developed to provide firms more options to access finance.

These instruments need to be supported at a European level, with a major involvement by the EIF and European financial instruments such as CIP.

With regards to the collaboration between banks and enterprises, one needs to assess moratoriums on debt capital across Europe. Such practice in some Member States has reaped good results from this which can be repeated on a European scale.

Conclusions on venture capital

The European venture capital market is suffering from the recession at a time when, on the contrary, private investors should be attracted back to investing in firms and innovative projects, also using these instruments.

The circle of public or private financial institutions, through which venture capitalists can be financed needs to be amplified and diversified.

This requires addressing the intermediation between the relatively small venture capital industry and the large institutional investors.

In order to benefit from the research activities carried out in European universities, knowledge transfer and intellectual property financing should be encouraged.

Conclusions on the regulatory environment

The changes in capital requirements and other banking regulations are designed to make the financial system safer. Their impact on bank lending flows however needs to be continually assessed with attention. The *SME test*, adopted by the European Commission in the framework of the implementation of the *Small Business Act*, needs to be applied for the various proposals made for financial markets.

The new rules on capital requirements as envisaged by “Basel 3” should be submitted to a full impact assessment of their consequences on SMEs' access to credit, on banks and on their lending capacity.

These last months have seen a number of temporary exceptions on the application of European state aid norms. Thanks to these, Member States had the opportunity to contain the impact of the crisis.

The growth phase, towards which we are heading, requires solid foundations. Now is the time to lay them. It is in this context that we need to gradually return to the normal state aid regime, thus ensuring a level playing field in Europe.

As part of the effort to regulate the alternative investment field, the specific features of venture capital need to be taken into account, in particular extending the benefits of a passport regime to venture capital.

The EU should foster institutional investors to invest in venture capital. The ability of insurance firms and pension funds to invest prudently in venture capital should be preserved.

Growing firms need access to stock markets. Listing requirements should be reviewed to make sure that firms can accede to these listings. These criteria need to be proportionate to their dimensions as well as to the type of investor they are addressing.

Protecting intellectual property in Europe is complicated and costly: the adoption of a "*European patent*" could reward those enterprises that invest in creativity and innovation.

The way forward

Europe should once again turn into a favourable location for investments and production and to make it a world benchmark for innovation and growth.

Financial institutions, be they public or private, have to do their utmost to ensure that the financial markets work for the benefit of the real economy and small and medium-sized enterprises, so that they can fully contribute to the economic recovery and growth of Europe.

As a follow-up to today's *SME Finance Forum*, a permanent forum will be set up for which representatives of financial institutions and SMEs will be invited to participate. Financial intermediaries will also be involved, such as venture capital firms, so that they can contribute to the financing of SMEs.

The meetings will be held at least quarterly under the chairmanship of European Commission Vice-President Antonio Tajani.

The conclusions represent the first step of an **Action Plan for the access to credit and financial resources for SMEs in the European Union**.

The measures in favour of SMEs provided for in the Europe 2020 strategy will be an integral part of this plan.