BUSINESSEUROPE

SPEAKING NOTES

2 December 2010

European Economic and Social Committee

Employers' Group Conference on

"Small Business Act (SBA): Happy Birthday?" – 2.12.2010

Session 2 on "Improving SME's access to finance"

Intervention of Mr Daniel Cloquet, Director for Entrepreneurship & SMEs, BUSINESSEUROPE

Today's macroeconomic picture shows some positive elements, with a recovery that is stronger than expected - but also a lot of uncertainty ahead.

A number of studies by BUSINESSEUROPE and other organisations show indeed that, as the recovery strengthens and investment starts picking up, credit constraints for companies may become a major hurdle for that recovery.

In order to remedy this situation, BUSINESSEUROPE, EUROCHAMBRES and UEAPME have looked together at some key actions to implement in the spirit of the SBA. I would like to share with you our joint conclusions on two points:

- First, the restructuring the banking sector

- Second, the need to broaden access to finance.

BUSINESSEUROPE

I. Restructuring of the banking sector

With regard to the restructuring of the banking sector, we insist that a balanced approach should be taken to the definition of the new EU regulatory provisions for banks (for example on capital requirements). Regulators should be fully conscious that disproportionate measures would negatively impact on the cost and availability of capital for SMEs.

Before further revisions to the EU Capital Requirement Directive (CRD IV) are proposed, a comprehensive impact assessment must be undertaken. This must address the cumulative impact of different measures on the availability of finance for SMEs.

II. Broader access to finance

1. Guarantees

The 2008 Council SBA action plan called on the Member States to develop guarantee systems, in order to improve the availability of credit for SMEs. Here we observe very uneven results.

Italy can be mentioned as a very good pupil in the class. Italy has set up a strong guarantee fund for SMEs, the Confidi, which dubbled its operations between spring 2009 and spring 2010, leading to a funding of 5,6 billion euro. But in other countries, things have moved at a much slower pace.

BUSINESSEUROPE, EUROCHAMBRES and UEAPME consider it therefore vital that credit guarantee instruments, both public and private, should be actively developed in all countries, resulting in an efficient and widely available guarantee system.

As you know, there are also European guarantee mechanisms. In order to foster private research and Innovation investment, the European Union, the European Commission and the EIB established in 2007 the Risk-Sharing Finance Facility (the RSFF), to improve access to loan finance. The RSFF is a debt-based finance facility to create additional financing capacity of up to 10 billions EURO in support of eligible research and innovation activities. BUSINESSEUROPE calls for the use of such risk sharing facilities to be widened.

It has to be noted that the average size of the projects benefitting from the RSFF is 50-60 million Euros. This means that supplementary tools are needed to facilitate the launch or the expansion of young companies.

2. Alternative sources of SME finance

As the lending capacity of banks will remain impaired in the medium term, we call for initiatives be taken to increase the access of SMEs to capital markets, and to devise tax incentives making risk capital investments more attractive for investors.

In particular, pooled corporate bond issuance for SMEs should be promoted.

3. Public SME finance schemes

Regarding Public SME finance schemes, we recommend that they should be boosted at both national and European level in order to address identified market failures and streamlined to improve accessibility. Particular attention should be paid to supporting the wide-spread problem of financing the first expansion of innovative companies.

Public financing should be limited to situations where market failures have been identified, which can differ from Member State to Member State. Whereas SMEs in some countries have problems for obtaining seed capital others in other countries lack venture capital for expansion. Financing of the first expansion is a general problem as there seems to be a financing "gap" between 100,000 and 1 million euros.

Looking at the EU schemes, it is vital that the EU 2014-2020 financial perspectives, which will be discussed in 2011, foresee sufficient means for financial guarantees and venture capital schemes under the following strategic initiatives in particular:

- The Commission Communication on an integrated EU industrial policy
- The" Innovation Union" flagship initiative
- The JEREMIE program.

Efforts must continue to streamline some existing European instruments so as to substantially reduce the administrative burdens associated with them.

And finally, best practice assessment should continue with a view to identifying the best models of schemes that could inspire new national and EU instruments.

* * *