Resolution on practical aspects regarding the revision of EU instruments to support SME finance in the next programming period

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The European Parliament adopted a resolution on practical aspects regarding the revision of EU instruments to support SME finance in the next programming period.

The resolution had been tabled by the EPP, S&D, ALDE, Greens/EFA, and ECR groups.

It notes that the 23 million small and medium-sized enterprises (SMEs) in the EU, which account for around 99% of all businesses and provide over 100 million jobs, make a fundamental contribution to economic growth, and that SMEs' limited ability to access finance is a major impediment to their creation and growth. This has been exacerbated by the financial crisis.

Strengthen functioning SME finance schemes: Members note that a large number of SMEs will continue to depend mainly on credits and loans when it comes to external financing. They are concerned that an increasingly capital- and risk- sensitive banking sector is asking for more collateral and higher risk premiums, both requirements resulting in insufficient financing and missed business and employment opportunities in this very large sector of the economy. **The availability of credit and loan guarantee schemes are therefore crucial** to exploiting the growth and job potential offered by SMEs. Parliament sees a need to leverage existing programmes at national and EU level and endorses the important role played by EIB SME loans.

It welcomes the creation of a new EU microfinance facility for employment (Progress Microfinance Facility),and stresses that the Union must encourage small-scale investment, give micro enterprises the chance to grow and, in particular, support those groups – for example, young entrepreneurs – that are having difficulties finding borrowing opportunities for their business ideas. The resolution strongly supports the continued implementation of guarantee instruments in the framework of the Competitiveness and Innovation Programme (CIP), the Risk-Sharing and Financing Facility under FP7 and the Structural Funds (JEREMIE). However, the proper implementation of the latter is currently being hindered by overly complex administrative procedures, and Members ask the Commission to make it easier to use the Structural Funds in connection with SME finance instruments, particularly to finance revolving funds for guarantee schemes, whilst avoiding the creation of structures which duplicate existing schemes, e.g. at national level. Funding for the CIP in particular is insufficient and the programme should be assessed in terms of its coverage. Members call for:

- provision for more effective funding of innovative financial instruments under the next multiannual financial framework;
- a significant increase in funding for innovative financial instruments under the EU budget to cater for the financing needs of SMEs.

They encourage the implementation of joint instruments with the EIB Group, in particular through risk-sharing schemes.

Address market failures: Parliament stresses the need for start-ups and innovative enterprises to have **better access to equity- and quasi-equity-based financial instruments,** which are not yet provided to a sufficient degree by the market. Statistics indicate that European SMEs remain less likely to consider the

option of equity financing than, for example, their US counterparts. The Commission is asked to ensure that the next generation of programmes place a stronger emphasis on mezzanine financial instruments and to support them with risk-sharing funds and facilities. Members also urge the Commission to take the initiative in **removing the barriers to the development of European venture capital and bond markets** , to expand risk-sharing facilities for investments in equity, to support issues of pooled corporate bonds and to encourage the Member States to support the activities of business angels by providing tax incentives to investors. Furthermore, the current structure of SME finance in many European countries on both the demand and the supply side is strongly influenced by taxation and support systems, which provide strong incentives for debt financing and disincentives for equity financing. Parliament calls on the Commission to take initiatives to increase awareness of the problems created by the wrong incentives which the regulatory framework provides and to encourage Member States to carry out the necessary reforms.

Remove administrative barriers: Parliament is concerned at the complexity of EU financial regulations and guidelines for European financial instruments, in particular when European funds are used to support individual enterprises through the provision of relatively small amounts of funding. It considers that the expense in terms of time and money involved in complying with these regulations is out of all proportion to the benefits for the final recipient of the funding. It calls for:

- streamlined management, administrative and reporting efficiency and cost-effectiveness in connection with innovative financial instruments;
- banks, intermediaries and beneficiaries not to be discouraged or deterred from using programmes and funds by the administrative burdens involved;
- the Commission to propose simplified and less costly regulations and guidelines, especially for programmes intended to support low-volume SME finance in the form of guarantees and mezzanine or equity instruments;
- the Commission to further improve cooperation with national development banks and commercial banks in order to pool experience, exchange best practices, develop synergies and identify ways in which EU SME financing programmes can be simplified and streamlined;
- the Commission to establish greater coherence between the various programmes providing guarantees and a good balance between national and EU schemes supporting the financing of innovation or the provision of venture capital to SMEs.

Lastly, Parliament asks the Commission to create a one-stop shop for the various EU financing instruments aimed at SMEs.