

Access to finance for SMEs and scale-ups

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The European Parliament adopted by 360 votes to 298, with 8 abstentions, a resolution on access to finance for SMEs and scale-ups.

Facilitating access to financing for businesses

Parliament believes it is essential to **create favourable market conditions** to enable European businesses to innovate, start up, create, grow, and scale up in Europe. Regulatory fragmentation is one of the obstacles preventing expanding businesses from fully exploiting the potential of the single market. SMEs face unequal financing conditions and requirements across Member States and regions. They therefore require **solutions tailored** to these particularities and the needs of smaller economies.

While welcoming the recognition in the Draghi and Letta reports of the need for a more competitive, less fragmented and less bureaucratic single market, Members deplored the **excessive burdens** faced by SMEs as a result of the implementation of several obligations under the European Green Deal.

Recognising the major role of traditional banking models and bank lending as the main source of external financing for SMEs, the resolution underlined the need to promote **a scale-up ecosystem** based primarily on private investment and public-private partnerships, which would help to mobilise capital and promote access to finance for businesses.

Parliament drew attention to the particular challenges faced by European scale-ups in obtaining late-stage growth financing. Many high-potential EU firms remain dependent on venture capital and foreign investors, and it is therefore necessary to **create more attractive conditions for investment** within the Union.

Parliament considered that better access to finance for SMEs and scale-ups will depend on four factors:

1) Reduce administrative and regulatory burdens

Members pointed out that many promising European start-ups and scale-ups are relocating to non-EU countries due to a burdensome, slow, fragmented, and unpredictable European regulatory landscape. They called for **further simplification efforts** and encouraged the Commission to:

- present further proposals going **beyond omnibus simplification packages** and establishing start-up-friendly regulations and frameworks that facilitate growth, scalability and cross-border operations;
- commit to **reducing bureaucracy** through a horizontal approach in all areas, and to systematically review the Union's acquis in order to identify and remove regulatory obstacles to SMEs;
- assess the effects of current regulatory rules on **SME lending** and apply the proportionality principle in banking regulation;
- assess existing regulatory obligations that are burdening companies, such as the sustainable finance framework, which is a poor fit for European SMEs, and other obligations stemming from the European Green Deal, and to develop **proportionality thresholds** to exempt SMEs from excessive obligations.

The resolution also stresses that **the ‘one-in, one-out’ approach** is insufficient and called on the Commission to propose a more ambitious simplification strategy that ensures legal certainty and predictability and allows for the revision of certain legislative texts.

2) Unlock private capital and savings

Parliament noted that the Commission intends to establish a **savings and investment union**. This union must improve investors' access to information and protection while leveraging the potential of simplified retail products to help channel household savings towards capital markets. The "Finance Europe" label should not create any additional administrative burden for businesses.

Parliament urged the Commission to encourage Member States to propose **regulatory and tax frameworks for venture capital funds** investing in SMEs. They stressed the need to improve the financial literacy of citizens and entrepreneurs in the Union and to foster better conditions for saving and investing.

The resolution called for **public funds** not to be used as subsidies, but rather as a catalyst to mobilise private financing available to SMEs. In this regard, Members stressed the need to fully exploit the potential of the European Investment Bank (EIB) Group to bring together private investment and that this group must dedicate more resources to SMEs' innovation projects, start-ups and scale-ups.

Parliament called on the Commission to relax the regulatory framework for **securitisation** and advocated for a **European marketplace** for direct secondary transactions, which would allow the trading of shares of late-stage and pre-IPO (initial public offering) start-ups.

3) Bridging the funding gap for scale-ups

Parliament believes that an **increase in the share of venture capital funds in Europe** is needed to make more financing available to scale-ups, which requires a more favourable framework for venture capital financing and safe foreign direct investment in the EU.

Members encouraged the Commission to strengthen **co-investment platforms**, attract private capital, and address persistent funding gaps in the start-up phase for high-growth, innovation-driven SMEs. It is important to create the right conditions to channel citizens' savings towards productive investment instruments that can benefit SMEs and scale-ups.

4) Reinforcement of a competitive ecosystem in the EU

Parliament considers that a competitive ecosystem in the EU must consist of both strong national markets and a robust internal market. Furthermore, healthy competition, particularly in terms of economic and regulatory approaches, between Member States encourages them to maintain a dynamic and attractive economy. The Commission is invited to: (i) focus on **enabling market conditions** and voluntary, complementary frameworks aimed at progressively reducing market fragmentation; (ii) clarify the content of the 28th legal regime; and (iii) develop guidance tools and simplified **one-stop shops** for SMEs and scale-ups.