Basic information

2012/2134(INI) INI - Own-initiative procedure	Procedure completed
Improving access to finance for SMEs **Subject** 2.50.04 Banks and credit 2.50.08 Financial services, financial reporting and auditing 3.45.02 Small and medium-sized enterprises (SME), craft industries 3.45.03 Financial management of undertakings, business loans, accounting	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	DE BACKER Philippe (ALDE)	27/03/2012
	Shadow rapporteur DORFMANN Herbert (PPE) KLEVA KEKUŠ Mojca (S&D) LAMBERTS Philippe (Verts /ALE) KAMALL Syed (ECR) KLUTE Jürgen (GUE/NGL)	

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	MCINTYRE Anthea (ECR)	14/06/2012
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	CHATZIMARKAKIS Jorgo (ALDE)	18/09/2012
REGI Regional Development	MAŇKA Vladimír (S&D)	21/06/2012
JURI Legal Affairs	TAYLOR Rebecca (ALDE)	18/09/2012

European Commission	Commission DG	Commissioner
	Financial Stability, Financial Services and Capital Markets Union	BARNIER Michel

Key events

Date	Event	Reference	Summary
07/12/2011	Non-legislative basic document published	COM(2011)0870	Summary
05/07/2012	Committee referral announced in Parliament		
18/12/2012	Vote in committee		
08/01/2013	Committee report tabled for plenary	A7-0001/2013	Summary
04/02/2013	Debate in Parliament		
05/02/2013	Decision by Parliament	T7-0036/2013	Summary
05/02/2013	Results of vote in Parliament		
05/02/2013	End of procedure in Parliament		

Technical information

Procedure reference	2012/2134(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/09746

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE496.312	19/09/2012	
Amendments tabled in committee		PE496.550	19/10/2012	
Committee opinion	JURI	PE497.893	28/11/2012	
Committee opinion	IMCO	PE496.659	30/11/2012	
Committee opinion	REGI	PE496.483	06/12/2012	
Committee opinion	EMPL	PE496.331	19/12/2012	

Committee report tabled for plenary, single reading		A7-0001/2013	08/01/2013	Summary
Text adopted by Parliament, single reading		T7-0036/2013	05/02/2013	Summary

European Commission

Document type	Reference	Date	Summary
Commission document (COM)	COM(2011)0870	07/12/2011	Summary
Commission response to text adopted in plenary	SP(2013)304	28/06/2013	

Improving access to finance for SMEs

2012/2134(INI) - 08/01/2013 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Philippe DE BACKER (ADLE, BE) on improving access to finance for SMEs, in response to the Commission's Action Plan on the same subject.

Members welcome the Commission's Action Plan and its broad set of proposals and recommendations regarding SMEs. They agree with the Commission that the European Union's economic success, excellence and cohesion largely depend on sustainable growth and job creation based on SMEs committed to providing quality products and services.

Due to the aggravating effect of the financial and economic crisis, **many SMEs have difficulty in accessing finance**, and that SMEs need to comply with new and sometimes more stringent regulatory criteria than before. Members encourage the Commission to continue its efforts in promoting national-level implementation of the **'Think Small First' principle**, which implies a further simplification of the regulatory and administrative environment for SMEs. The report stresses that banking institutions which have benefited during the crisis from state aid should be subject to targets for their financing amounts and conditions for SMEs.

Vulnerability: SMEs are often at the end of a long delivery life cycle and hence are the ones affected most by late payments and short payment periods. Members welcome the Commission's initiative of strongly encouraging Member States to accelerate the implementation of the Late Payments Directive.

The Commission is asked to subject new regulations relevant to SMEs to an **overall and inclusive impact assessment**, including a comprehensive test, taking into account the needs and challenges that SMEs have to face.

Professionalising entrepreneurship: Members note that **entrepreneurs' lack of knowledge** of basic finance limits the quality of business plans and, consequently, the success of credit applications. They call on the Member States, therefore, to provide **professional training support** for potential entrepreneurs.

The Commission and the Member States are called upon to include financial education in their education programmes without any delay. Members support in this connection the '**Erasmus for Young Entrepreneurs**' programme, designed to promote an entrepreneurial culture and develop the single market and competitiveness.

Members also consider it essential to:

- set up a **special strategy for start-ups** and financial tools to implement innovative projects and develop the creativity of young entrepreneurs;
- facilitate the implementation of **best practice** in the field of improving preparation of entrepreneurs;
- **inform entrepreneurs and potential entrepreneurs** and banks in simplified terms and on a regular basis about training initiatives, EU funding and programmes for SMEs at national, regional and local level.

Transparency: the report notes that creditors' knowledge of credit tools is generally better than that of entrepreneurs and that entrepreneurs should communicate better with creditors about their business plan and their long-term strategy. **Creditors should set clear and specific criteria on applying for finance in a transparent manner.**

Recognising that there is a need on the part of SMEs to get specially tailored advice on credit opportunities, Members call on the Commission to foster the sharing of best practices on specific solutions concerning **dialogue, cooperation and exchange of information between creditors and entrepreneurs**.

Member States are called upon to **reduce the administrative burden** at the start-up and during the lifetime of the SME, given the differences between countries in this field that are hindering the completion of the single market. Members stress that it is important to **reduce the number of days required to start up a new business** and call on the Commission to assess the possibility of introducing a **single SME identification number**, stored in a single European database for SMEs.

Variations of SMEs and new ways of funding: the report stresses that there is no one-size-fits-all mode of finance and calls on the Commission to support the development of a **broad range of tailored programmes, instruments and initiatives**, ranging across equity (such as business angels, crowd

funding and multilateral trading facilities), quasi-equity (such as mezzanine finance) and debt instruments (such as small-ticket company bonds, guarantee facilities and platforms), **in partnerships** between banks and other operators involved in SME financing (accountancy professionals, business or SME associations or chambers of commerce), in order to support businesses in their start-up, growth and transfer phases, taking into account their size, turnover and financing needs.

Members welcome the Commission's new funding programmes, which take account of the specific characteristics of SMEs. They strongly believe that the financial envelope for the debt and equity finance instruments under the COSME Programme and under Horizon 2020 should be substantially increased. They call for at least 20% of the Horizon 2020 budget to be allocated to financing innovation in SMEs.

The Commission is invited to:

- strengthen and optimise the **risk-sharing instruments** of the European Investment Bank and the European Investment Fund programmes for portfolios of equity or **mezzanine financing** granted by financial institutions (intermediaries) to SMEs;
- establish a **permanent European Guarantee Platform** under the European Investment Fund to ease SMEs' access to finance, which would improve the development of guarantees or lending products based on European guarantees and reduce bank capital requirements and risk exposure for financial intermediaries
- address ways of improving access to finance for SMEs aiming to provide innovative works, supplies or services to the **public sector**;
- emphasise the important role that the **stock market** can play in improving access to liquidity for both SMEs and investors at different stages;

The report notes that in some Member States there is a record amount of household savings in bank accounts, while in other Member States deposits are reducing because of the effects of the crisis. Members call on the Commission to come forward with a **proposal on the activation of these savings**, for example by introducing incentives based on the best practices existing in the Member States.

Improving access to finance for SMEs

2012/2134(INI) - 05/02/2013 - Text adopted by Parliament, single reading

The European Parliament adopted by 538 votes to 20, with 22 abstentions, a resolution on improving access to finance for SMEs, in response to the Commission's Action Plan on the same subject.

Recalling that SMEs account for more than 98% of Europe's businesses and provide more than 67% of jobs in the Union, Parliament welcomes the Commission's Action Plan and its broad set of proposals and recommendations regarding SMEs.

Due to the aggravating effect of the financial and economic crisis, **many SMEs have difficulty in accessing finance.** Consequently, Members encourage the Commission to continue its efforts in promoting national-level implementation of the **'Think Small First' principle**, which implies a **further simplification** of the regulatory and administrative environment for SMEs.

Parliament recalls that banking institutions which have benefited during the crisis from state aid should be subject to targets for their financing amounts and conditions for SMEs. Because of the fragmentation of the banking sector and the subsequent great divergence in lending rates and credit offer among countries, it calls for a **differentiated approach** to improving SMEs' access to funding is necessary, taking into account the country-specific circumstances.

Vulnerability of SMEs: SMEs are often at the end of a long delivery life cycle and hence are the ones affected most by late payments and short payment periods. Members welcome the Commission's initiative of strongly encouraging Member States to **accelerate the implementation of the Late Payments Directive**.

The Commission is asked to submit new regulations relevant to SMEs to an **overall and inclusive impact assessment**, including a comprehensive test, taking into account the needs and challenges that SMEs have to face.

Professionalising entrepreneurship: Parliament notes that **entrepreneurs' lack of knowledge** of basic finance limits the quality of business plans and, consequently, the success of credit applications. It calls on the Member States, therefore, to provide **professional training support** for potential entrepreneurs. The Commission and the Member States are called upon to include financial education in their education programmes without any delay. Members support in this connection the '**Erasmus for Young Entrepreneurs'** programme, designed to promote an entrepreneurial culture and develop the single market and competitiveness.

Parliament also considers it essential to:

- set up a **special strategy for start-ups** and financial tools to implement innovative projects and develop the creativity of young entrepreneurs;
- facilitate the implementation of **best practice** in the field of improving preparation of entrepreneurs;
- **inform entrepreneurs and potential entrepreneurs** and banks in simplified terms and on a regular basis about training initiatives, EU funding and programmes for SMEs at national, regional and local level.

Transparency: recognising that there is a need on the part of SMEs to get specially tailored advice on credit opportunities, the resolution calls on the Commission to foster the sharing of best practices on specific solutions concerning **dialogue, cooperation and exchange of information between creditors and entrepreneurs**.

With a view to **reducing the administrative burden** for SMEs, Members stress that it is important to **reduce the number of days required to start up a new business** and call on the Commission to assess the possibility of introducing a **single SME identification number**, stored in a single European database for SMEs.

Variations of SMEs and new ways of funding: stressing that there are different categories of SMEs with differing needs and that there is no one-size-fits-all mode of finance, Parliament calls on the Commission to support:

- the development of a **broad range of tailored programmes, instruments and initiatives**, ranging across equity (such as business angels, crowd funding and multilateral trading facilities), quasi-equity (such as mezzanine finance) and debt instruments (such as small-ticket company bonds, guarantee facilities and platforms);
- **partnerships** between banks and other operators involved in SME financing (accountancy professionals, business or SME associations or chambers of commerce), in order to support businesses in their start-up, growth and transfer phases, taking into account their size, turnover and financing needs.

Members welcome the Commission's new funding programmes, which take account of the specific characteristics of SMEs. They strongly believe that the financial envelope for the debt and equity finance instruments under the COSME Programme and under Horizon 2020 should be substantially increased. They call for at least 20% of the Horizon 2020 budget to be allocated to financing innovation in SMEs.

The Commission is invited to:

- strengthen and optimise the **risk-sharing instruments** of the European Investment Bank and the European Investment Fund programmes for portfolios of equity or **mezzanine financing** granted by financial institutions (intermediaries) to SMEs;
- establish a **permanent European Guarantee Platform** under the European Investment Fund;
- emphasise the important role that the **stock market** can play in improving access to liquidity for both SMEs and investors at different stages;

Lastly, noting that in some Member States there is a record amount of household savings in bank accounts, Parliament calls on the Commission to come forward with a **proposal on the activation of these savings**, for example by introducing incentives based on the best practices existing in the Member States.

Improving access to finance for SMEs

2012/2134(INI) - 07/12/2011 - Non-legislative basic document

PURPOSE: to propose an action plan to improve access to finance for SMEs.

BACKGROUND: Europe's economic success depends largely on the growth of Small and Medium sized Enterprises (SMEs) achieving their potential. SMEs contribute more than half of the total value added in the non-financial business economy and **provided 80% of all new jobs in Europe** in the past five years.

SMEs often face significant difficulties in obtaining the financing they need in order to grow and innovate. One of the key priorities set out in Europe 2020, the EU's growth strategy for the coming decade, as well as in the Commission's Single Market Act and the Small Business Act is to facilitate access to finance for SMEs.

The **Annual Growth Survey** has underlined the crucial role of a healthy financial system to support growth and set out priorities for action in the short-term perspective. In this context, the reform programme for financial services, implemented as a response to the financial crisis, can bring about regulatory benefits to SMEs. In addition, the Commission is proposing to release new targeted funding at EU level to address the key market failures that limit the growth of SMEs. The Commission is presenting in this Action Plan the various policies that it is pursuing to **make access to finance easier for Europe's 23 million SMEs** and to provide a significant contribution to growth.

CONTENT: difficulties in accessing finance are one of the main obstacles obstructing the growth of SMEs. There are multiple causes for such obstacles, some cyclical, some structural. Information asymmetries between the suppliers and demanders of funds play a major role.

SMEs are to a very large extent dependent on bank loans for their external financing, therefore suitable alternatives should be put at their disposal.

To respond to these challenges, the Commission has opted for a three-fold approach:

1. the Commission will use **regulation** to make SMEs more visible to investors and markets more attractive and accessible for SMEs. Regulatory changes will keep the right balance between prudential regulation and financing of SMEs, and between investor protection and tailored measures for SMEs.
2. the Commission intends to continue using the **EU budget** to facilitate access to finance for SMEs to address the key market failures (i.e. information asymmetries and fragmentation of venture capital market) that limit the growth of SMEs. EU intervention must have a clear added value complementing financial resources available at national level and mobilise additional finance (presence of a "financial multiplier effect").
3. the Commission will use its **coordinating** role, working in particular with Member States, to exchange best practices and develop synergies between actions taken at the national and EU levels.

Current and future budget: the financial instruments of the Competitiveness and Innovation Framework Programme (CIP) with a budget of €1.1 billion should enable financial institutions to provide about **€30 billion of new finance for more than 315 000 SMEs**. In 2008-2011, the European Investment Bank (EIB) provided around €40 billion of lending for SMEs, which benefitted more than 210 000 SMEs.

In the field of Cohesion Policy the Commission already adopted measures to provide investments for SMEs in 15 Member States through financial engineering instruments designed by structural funds. Assistance to enterprises provided through equity investments, guarantees and loans is estimated to amount to at least €3 billion in the current financial period.

Lastly, in order to provide better access to loan finance a specific **Risk Sharing Instrument** (RSI) is being created under the EU's Seventh Framework Programme for Research (FP7) Risk-Sharing Finance Facility as of 2012. The RSI will provide partial guarantees to financial intermediaries through a risk-sharing mechanism, thus reducing their financial risks encouraging them to provide lending between €25 000 and €7.5 million to SMEs undertaking research, development or innovation activities.

Regulatory measures: the following measures are proposed:

- present a **new EU venture capital framework** creating a genuine internal market for VC funds. The Commission invites the Parliament and the Council to adopt this legislative proposal by June 2012;
- in 2012, as part of a wider reflection on long-term investment, on the basis of technical work to be jointly done by the European Banking Authority and the European Insurance and Occupational Pensions Authority, the Commission will carry out a study on the relationship between prudential regulation and venture capital investments by banks and insurance companies;
- complete its examination of the tax obstacles to cross-border venture capital investment with a view to presenting solutions in 2013 aimed at eliminating the obstacles while at the same time preventing tax avoidance and evasion;
- review, by 2013, the General Block Exemption Regulation and a number of State aid guidelines, including on Risk Capital, to achieve Europe 2020 objectives and respond to SME needs;
- adopt as swiftly as possible, the proposal on an SME growth market label in EU capital markets legislation (MIFID);
- put in place by the end of 2012, with the assistance of ESMA, a **single access point to regulated information at EU level**. The Commission will facilitate access to high quality information on listed SMEs;

on an accounting level: (i) adoption of a legislative proposal amending the Accounting Directives in order to simplify and improve accounting rules for SMEs; (ii) revision of the Transparency Directive in order to reduce the regulatory burden for small issuers; (iii) propose, by July 2012, delegated acts in the context of the Prospectus Directive, specifying the content of a proportionate disclosure regime for SMEs and small issuers;

- consider appropriate measures addressing the issue of SMEs risk weighting in the context of the CRD IV and CRR (credit risk rating) framework;
- encourage Member States to accelerate the implementation of the Late Payments Directive in advance in respect of the transposition deadline of March 2013;
- present a new European Social Entrepreneurship Funds regime that will enable EU funds to specialise in this field and to be marketed across the EU under a specific and distinctive label. The Commission invites the EP and Council to adopt this new regulation **before the end of 2012**.

Financial measures: the Commission proposes a certain number of new financial instruments to facilitate, including long-term (2014-2020), access to finance for SMEs:

- a **reinforced and expanded EU Debt Financial Instrument to improve lending to SMEs**, including R&I-driven SMEs. The Instrument encompasses a Loan Guarantee Facility under the COSME Programme (2014-2020) and an SME Window under Horizon 2020's Debt facility;
- the EU Debt Financial Instrument will also include a **Cultural and Creative Sectors Facility** financed under the Creative Europe Programme (2014-2020), to enhance access to finance for SMEs in the European cultural and creative sectors;
- under the **EU Programme for Social Change and Innovation** (2014-2020), a specific Microfinance and Social Entrepreneurship Axis that will support notably microfinance for micro-enterprises, the build up the institutional capacity of microcredit providers and financing for the development of social enterprises;
- the European Investment Bank will maintain its SME loan activity at a sustained pace close to the 2011 level, subject to market conditions and in line with its funding capacity. The **EIB** will continue to contribute to improving loan conditions, increasing flexibility and ensuring rapid allocation. EIB and EIF will continue developing synergies through risk-sharing operations;
- a reinforced and expanded equity financial instrument to improve SMEs' access to venture capital and other risk financing, from their early stage (including seed) to their growth stage. The equity financial instrument will be funded by the Programme for the Competitiveness of Enterprises and SMEs and by Horizon 2020;
- the **establishment of funds-of-funds**, within the EU Equity Financial Instrument, to provide capital to venture capital funds that target notably investments in more than one Member State. National public financial institutions, as well as private investors, will be invited to participate in the fund;
- the EIB Group will continue supporting the growth of SMEs through its wide range of equity products and particularly the enlarged EIB Risk Capital Mandate.

Coordination measures: to better inform SMEs, the Commission proposes to:

- reinforce the financial advisory capacity of the **Enterprise Europe Network** in order to provide SMEs with better information about the different sources of finance by complementing existing national information structures;
- ensure that all the information on EU finance will be pooled and made available through a **single, multilingual online portal** covering the different sources of EU finance available for SMEs;
- banks and other financial intermediaries have declared that they will promote actions among their members to **reinforce information about EU financial instruments and public grants to SMEs**;
- work together with bank federations and will take advice from other concerned institutions (ECB, EBA) to reinforce the analytical framework for SME lending striving for better comparison and more coherent methodology;
- promote the exchange of **good practice** and encourages the banking sector and SME federations to promote the use of qualitative rating as a tool to complement the standard quantitative assessment of SMEs' creditworthiness;
- further encourage co-investments with business angels in different forms in co-operation with the EIF and Member States within the possibilities under Structural Funds;
- further develop cross-border matching between enterprises and investors, in particular *business angels*;
- improve the matching of offers and requests for venture capital within the Enterprise Europe Network;

- encourage stakeholders and stock exchanges in particular to increase their information to SMEs about the advantages of a market listing and how to go public;
- promote the establishment of an **independent institute** to promote analyses and research on listed medium-sized enterprises thereby increasing investors' interest in this segment;
- encourage Member States and stakeholder associations to establish national SME Finance fora to provide solutions for an improved access to finance;
- encourage Banks, other financial institutions and SME federations to establish national codes of conducts and guidelines to improve transparency in the lending process and, if appropriate, support **credit mediator** functions;
- take regulatory action to encourage responsible and transparent lending to SMEs.