"The voice of SMEs in Europe"

Press Release

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Growth initiative: UEAPME calls on Heads of State to include credit guarantees for SMEs

Brussels, 09th October 2003. Ahead of next weeks EU Summit, UEAPME, the European SMEs employers' association, urges the EU Heads of State to allow the European Investment Bank to channel part of its funding towards supplementary financial guarantees for European SMEs. The SME association explains that in the framework of the growth initiative for the EU, using part of the allocated EIB reserves as credit assurance for SMEs would allow a significant raise in investment in entreprises and hence enable a kick-start of the European economy.

Currently, European SMEs are suffering from changes in the finance market and the higher risk sensitivity of many banks, which are active in SME financing. This is a consequence of the anticipation of Basel II and the reduction of public guaranties for banks. Given this context, **Hans-Werner Müller**, UEAPME's Secretary General said, "it is only reasonable for the Headsof Government to hold 10% of the additional 500 Mio Euro EIB fund for SME credit guarantees. Indeed, the spending of 50 Mio Euro as loan assurance would result in a 1.5 billion investment in SMEs. This would represent the creation of no less than 30.000 new jobs".

Extending such guaranty schemes with additional EIB funds would constitute the most effective way to support immediate growth in the EU as it would have instant effects on growth and employment and Europe's SMEs are ready to invest. Furthermore, the relation between the funds needed from the EIB and the investment created out of this capital is 1 to 30 that is ten times more than with investments in venture capital funds.

Finally, in line with the aim of sustaining a growth and economic recovery, the association urges the Heads of State to put pressure on the ECOFIN to work towards including labour intensive services on the reduced VAT proposal. The reduced VAT rate experiment for labour intensive services has shown that this type of policy can play a significant part in creating employment and wealth in Europe.

An abrupt stop of the experiment and the non-inclusion of labour intensive services in the list to be agreed by the Finance Ministers would mean an increase in the VAT rates, which is likely to have a negative influence on employment and on economic recovery.

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