



"The voice of crafts and SMEs in Europe"

SME finance: good news from the ECOFIN must not be offset by the EC

Brussels, 15 September 2008 – UEAPME, the European craft and SME employers' organisation, welcomed the announcement of an increase in the European Investment Bank's lending capacity towards SME finance made at the informal ECOFIN Council that came to a close in Nice this weekend. According to UEAPME, the Ministers' decision is a step in the right direction to improve credit conditions and overcome the current financial crisis. UEAPME warned, however, that the benefits of this increase must be passed on to SMEs. It also expressed worries that these positive news might be counterbalanced by the European Commission, which is currently refusing to renew several counter-guarantee schemes for SMEs run by the European Investment Fund that have proved to be very successful so far. Economic and Fiscal Policy Director Gerhard Huemer commented:

"Increasing the European Central Bank's lending capacity towards SMEs, as UEAPME requested several times in the past months, is a wise decision at a time when Europe's economic situation is clearly deteriorating and growth is dangerously close to zero. This will allow banks to refinance their SME loans under better conditions – however, the EIB must now make sure that the benefits are passed on to small entrepreneurs via better credit conditions. At the same time, the EIB and the European Investment Fund must also continue their work in developing new financial instruments next to their loans, such as mezzanine finance for innovation activities and business transfers".

While good news for SME finance came from the Council, these might be quickly offset by the European Commission, continued Mr Huemer. The EC is currently blocking the renewal of a number of counter-guarantee schemes run by the European Investment Fund. Counter guarantees are a useful tool to reduce risk exposure and encourage creditors, explained Mr Huemer, and have proved their worth in the past years all over Europe. The EC maintains that the renewal of these schemes does not respect the so-called "additionality" criterion, which means that EU funds should only be used for additional activities and to replace existing activities financed by Member States.

"Applying the additionality clause to the prolongation of an existing scheme does not make any sense", commented Mr Huemer. "If confirmed, this approach will hamper the use of counter-guarantees in several European countries and bear negative repercussions on SME finance. We urge the European Commission to re-think its stance in this respect – failing that, the good news that came from the ECOFIN this weekend will sound much less promising to our ears", he concluded.

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EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 87 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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