



"The voice of crafts and SMEs in Europe"

Competitiveness Council: SMEs expect concrete results on access to finance

Brussels, 24 September 2008 – The European Union and its Member States must act quickly and effectively to improve small businesses' access to finance, according to UEAPME, the European craft and SME employers' organisation. Higher interest rates and tighter credit conditions triggered by the current financial crisis are putting a severe strain on SMEs' growth potential, warned UEAPME, and this is a dangerous development at a time when Europe's economic outlook is clearly deteriorating. Ahead of the Competitiveness Council meeting in Brussels tomorrow to discuss what Europe can do to stimulate growth, UEAPME called for a fast renewal of several pending counter-guarantee schemes run by the EIF, and for the development of new financial products to back riskier projects such as start-ups, innovation and business transfers. Moreover, it urged Member States to make full use of the code of good practices on public procurement and of the new block exemption rules on State aid. The goal of better access finance for SMEs cannot be achieved without additional funding, UEAPME concluded.

"The French Presidency of the EU has rightly prioritised the question of SMEs' growth and performance in the agenda of tomorrow's Competitiveness Council", commented Andrea Benassi, UEAPME Secretary General. "With Europe teetering on the brink of recession, however, it is now high time to transform discussion into action. Member States already have some powerful tools at their disposal to stimulate growth in the short term, and more can be developed in the medium term to provide stability and restore confidence in Europe's SMEs, which are suffering from a crisis they have not caused."

A first positive signal on Europe's willingness to tackle shortages in SME finance came some days ago, when the EIB announced its intention to increase its lending capacity towards SMEs. This step was necessary but will not be sufficient, stressed Mr Benassi. First of all, the renewal of several important counter-guarantee schemes must be sped up. *"Negotiations between the European Investment Fund and Member States' authorities have been lengthy and complicated so far. Both parties should now show responsibility in such a gloomy economic conjuncture"*, continued Mr Benassi. Secondly, the focus on "global loans" must not distract financing authorities from creating new products better suited to riskier projects. *"Start-ups, business transfers and innovation activities cannot be financed by classic loans – their risk ratio is higher and therefore calls for tailored financial instruments, starting from mezzanine finance"*, commented Mr Benassi.

Competitiveness Ministers will also discuss tomorrow which measures should be prioritised to boost growth in the framework of the Small Business Act for Europe. The SBA contains a set of guidelines on how to implement the existing rules on public procurement to increase SMEs' access. This would be an excellent first step, stressed Mr Benassi. Member States should also make full use of the existing "general block exemption regulation" on State aid, which allows increased aid intensities and makes it easier for small businesses to benefit from public support for investments in training, innovation, energy efficiency and other important areas. *"Member States can take action as of today, free of any obstacles, both on public procurement and State aid. They have no excuses not to act, and they should do so quickly"*, said Mr Benassi.

Finally, UEAPME warned that additional funding both from the EU and from Member States is needed. *"The existing European and national programmes will not be up to the task in such a darkening economic situation, and the lack of additional funding instruments in the Small Business Act does not bode well in this respect. The European Union and its Member States must now put their money where their mouth is"*, concluded Mr Benassi.

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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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