



Improving SMEs' access to finance

SMEs (small and medium-sized enterprises) are important to the EU economy, but are struggling due to lack of funding. In December 2011, the European Commission (EC) adopted a detailed non-legislative [action plan](#) (COM(2011) 870) presenting new ideas for finance and regulation as well as sharing of best practice. The EP is calling for support for a broader range of finance, in response to the problems of the credit crunch.

SMEs in the economy

The EU's 23 million SMEs make up 98% of its businesses and provide 67% of its jobs. They operate most often with borrowed funds, normally from banks. However, banks are reducing credit and this particularly hits SMEs.

Commission action plan

Funding instruments 2014-20

One of the key growth priorities of the [Europe 2020](#) initiative is to facilitate access to finance for SMEs: with proposals for a Loan Guarantee Facility in the [COSME Programme](#) and an SME Window under [Horizon 2020's Debt Facility](#).

The EC wants new targeted EU funding to overcome the gap between SMEs seeking finance, and lenders.

The 2014-20 EU Social Change and Innovation Programme will give support, notably for micro-enterprises.

The establishment of funds-of-funds under the EU Equity Financial Instrument would provide capital to venture capital funds.

The Structural Funds already include financial engineering instruments for SME investments in 15 Member States (MS) and a specific risk-sharing instrument has provided partial guarantees to lenders under the [Seventh Research Framework Programme](#) since 2012.

Coordination

The Commission plans an improved [Enterprise Europe Network](#) to better inform SMEs about sources of finance; to put in place a single, multilingual online portal with pooled information on EU finance; and to encourage the exchange of good practice throughout the SME sector.

Regulation

A new EU venture capital framework is proposed, the [Transparency Directive](#) will be revised to lighten it for small issuers, while the revised [Prospectus Directive](#) requires less disclosure for SMEs.

EP report

The Economic Affairs Committee [report](#) (Philippe De Backer, ALDE, Belgium) says that there are significant variations amongst SMEs (micro and social enterprises to high-tech growth firms) so the approaches to assisting them should also reflect this.

On [financing](#), no single mode is appropriate. The EC should support a broad range of solutions including "alternative financing". The European Investment Bank's (EIB) inclusion of new and non-conventional financial intermediaries for SME lending is welcomed, while the European Investment Fund (EIF) should have a permanent European Guarantee Platform. The report says that, as banks recently benefited from public aid, they should be subject to lending and contract terms targets, and need to be more open to dialogue with SMEs. Despite the action plan highlighting venture capital for growth firms, the report sees this as relevant for only a small number of SMEs.

MS should provide basic entrepreneur [training](#) including how the market, economy and finance work. Guidance and early discharge for bankrupt entrepreneurs is needed.

Stakeholder reactions

[UEAPME](#), [BusinessEurope](#), and [EuroChambres](#) liked the entrepreneurship priorities in the action plan, though the latter commented that that many Europeans prefer 'safe' employment positions and are reluctant entrepreneurs.

The European Economic and Social Committee (EESC) supports the 2020 strategy's flagship initiative for a better SME business environment. The EIB and EIF have key roles in investing in SMEs. The EESC wants more alternatives to bank lending.