European Parliament
2014-2019

Plenary sitting

A8-0222/2016

29.6.2016

REPORT

on access to finance for SMEs and increasing the diversity of SME funding in a Capital Markets Union
(2016/2032(INI))

Committee on Economic and Monetary Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on access to finance for SMEs and increasing the diversity of SME funding in a Capital Markets Union
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The European Parliament,

– having regard to its resolution of 5 February 2013 on improving access to finance for SMEs[1],

– having regard to its resolution of 27 November 2014 on the revision of the Commission's impact assessment guidelines and the role of the SME test[2],

– having regard to its resolution of 28 April 2016 on the European Investment Bank (EIB) – Annual Report 2014[3],

– having regard to its resolution of 25 February 2016 on the European Central Bank Annual Report for 2014[4],

– having regard to its resolution of 9 July 2015 on building a Capital Markets Union[5],

– having regard to its resolution of 25 November 2015 on tax rulings and other measures similar in nature or effect[6],

– having regard to its resolution of 19 January 2016 on the Annual Report on EU Competition Policy[7],

– having regard to its resolution of 19 January 2016 on stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union[8],

– having regard to its resolution of 8 September 2015 on family businesses in Europe[9],

– having regard to the debate of 13 April 2016 on the basis of the oral questions on behalf of the PPE, S&D, ECR, ALDE and GUE/NGL on the review of the SME supporting factor[10],

– having regard to the Commission communication of 7 December 2011 entitled 'An action plan to improve access to finance for SMEs' (COM(2011)0870),

[1] OJ C 24, 22.1.2016, p. 2.
[2] Texts adopted, P8_TA(2014)0069.
[3] Texts adopted, P8_TA(2016)0200.
[4] Texts adopted, P8_TA(2016)0063.
[5] Texts adopted, P8_TA(2015)0268.
[6] Texts adopted, P8_TA(2015)0408.
[7] Texts adopted, P8_TA(2016)0004.
[8] Texts adopted, P8_TA(2016)0006.
[9] Texts adopted, P8_TA(2015)0290.
[10] http://www.europarl.europa.eu/sides/getDoc.do?type=CRE&reference=20160413&secondRef=ITEM-024&language=EN&ring=O-2016-000060.

– having regard to the Commission communication of 30 September 2015 entitled ‘Action plan on building a Capital Markets Union’ (COM(2015)0468),

– having regard to the Commission communication of 28 October 2015 entitled ‘Upgrading the Single Market: more opportunities for people and business’ (COM(2015)0550),

– having regard to the Commission communication entitled ‘Guidelines on state aid to promote risk finance investments’ (2014/C 19/04),

– having regard to Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions[1],

– having regard to the December 2015 European Central Bank ‘Survey on the Access to Finance of Enterprises in the euro area – April to September 2015’,

– having regard to the second consultative document of the Basel Committee on Banking Supervision on Revisions to the Standardised Approach for credit risk of December 2015,

– having regard to the Commission report of 18 June 2015 on the evaluation of Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards (COM(2015)0301),

– having regard to the Commission staff working document entitled ‘Crowdfunding in the EU Capital Markets Union (SWD(2016)0154),

– having regard to Commission recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro-, small and medium-sized enterprises[2],

– having regard to the European Central Bank monthly bulletin of July 2014[3],

– having regard to the Commission communication of 28 January 2016 entitled ‘Anti-Tax Avoidance Package: Next steps towards delivering effective taxation and greater tax transparency in the EU’ (COM(2016)0023),

– having regard to the Commission proposal of 30 November 2015 for a regulation on the prospectus to be published when securities are offered to the public or admitted to trading,

– having regard to the European Banking Authority’s report on SMEs and the SME supporting factor[4],

– having regard to the Commission communication of 22 July 2015 entitled 'Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe' (COM(2015)0361),

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[1] OJ L 48, 23.2.2011, p. 1.
[2] OJ L124/36, 20.5.2003,
[3] https://www.ecb.europa.eu/pub/pdf/other/art2_mb201407_pp79-97en.pdf.
[4] EBA/OP/2016/04, 23.03.2016.

– having regard to the Commission Alert Mechanism Report 2016 of 26 November 2015 (COM(2015)0691),

– having regard to Rule 52 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets, the Committee on Regional Development and the Committee on Culture and Education (A8-0222/2016),

A. whereas micro-, small and medium-sized enterprises and mid-caps play an important role for the European economy in terms of employment and growth, with SMEs accounting for 67 % of total employment, 71.4 % of the increase in employment and 58 % of the value added in the non-financial business sector in the EU in 2014[1];

B. whereas no single express definition of SMEs, other than the categorisations 'small undertakings' and 'medium-sized undertakings' under the Accounting Directive, is currently stated in the legislation of the Union;

C. whereas European SMEs are very diverse and include a vast number of micro-enterprises, which often operate in traditional sectors, and a growing number of new start-ups and fast-growing innovative enterprises; whereas these business models face different problems and, therefore, have different financing needs;

D. whereas most European SMEs operate mainly at national level; whereas relatively few SMEs are involved in cross-border operations within the EU, while those which export outside the Union constitute a tiny minority;

E. whereas 77 % of outstanding SME funding in Europe is provided by banks[2];

F. whereas the financing of SMEs should be as broadly based as possible in order to ensure optimal access to finance for SMEs at every stage of the development of an enterprise; whereas this includes an adequate regulatory environment for all funding channels such as bank financing, capital market financing, promissory notes, leasing, crowdfunding, venture capital, peer-to-peer lending, etc.;

G. whereas institutional investors such as insurance companies make an important contribution to SME financing through the passing and transformation of risks;

H. whereas in its report on SMEs and the SME supporting factor (SF) of March 2016 the EBA found that there is no evidence that the SME SF has provided additional stimulus for lending to SMEs compared with large corporates; whereas, however, it recognised that it may be too early to draw any strong conclusion, given the limitations of its assessment, in particular limitations as regards the data available, the relatively recent introduction of the SME SF, the fact that overlaying developments might have hampered the identification of the SME SF effects and the use of large corporates as the control group; whereas the EBA found instead that, in general, better capitalised banks lend more to SMEs and that smaller and younger firms have a higher probability of

[1] Commission annual report on European SMEs 2014/2015.
[2] ECB survey on the Access to Finance of Enterprises in the euro area – April to September 2015.

being credit constraint than large and older firms; whereas it also notes that the SME SF was introduced by the legislator as a precautionary measure in order not to jeopardise lending to SMEs;

I. whereas the financing of micro-, small and medium-sized enterprises, despite having recently registered some improvement, suffered more from the crisis than the financing of large enterprises, and whereas SMEs in the euro area have experienced, and still continue to some extent to face, a tightening in banks' collateral requirements[1];

J. whereas, since the first round of the surveys on the access to finance of enterprises (SAFE), 'finding customers' has remained the dominant concern for euro area SMEs, while 'access to finance' has ranked lower in terms of concerns; whereas the latest survey, published in December 2015, showed that the availability of external funding for SMEs differs significantly across countries in the euro area; whereas access to finance remained a larger concern for SMEs than for large enterprises;

K. whereas national/regional promotional banks play an important role in catalysing long-term finance; whereas they have stepped up their activities, with the aim of counterbalancing the necessary deleveraging process in the commercial banking sector; whereas they also play an important role in implementing EU financial instruments beyond the scope of the European Fund for Strategic Investments;

L. whereas improving access to finance for SMEs should not lead to a lowering of financial standards and regulation;

M. whereas, in Switzerland, the WIR Bank constitutes a complementary currency system that serves SME businesses mainly in hospitality, construction, manufacturing, retail and professional services; whereas the WIR offers a clearance mechanism in which businesses can buy from one another without using Swiss francs; whereas, however, WIR is often used in combination with the Swiss franc in dual-currency transactions; whereas trade in WIR has a share of 1-2 % of Swiss GDP; whereas the WIR has proved to be counter-cyclical with GDP, and even more so with the number of unemployed;

N. whereas, as of April 2015, the 2011 Late Payment Directive had reportedly been correctly transposed by only 21 of the 28 Member States, despite the deadline having passed over two years hitherto;

O. whereas the Commission warns in the Alert Mechanism Report 2016 that, on the one hand, 'growth has become more reliant on domestic demand sources, in particular a more pronounced recovery in investment' and, on the other hand, 'although consumption has recently strengthened, domestic demand remains subdued partly in light of significant deleveraging pressures in several Member States';

P. whereas Council Directive 2004/113/EC prohibits gender discrimination in access to goods and services, including financial services; whereas access to funding has been found to be one of the main barriers experienced by female entrepreneurs; whereas women entrepreneurs tend to start off with less capital, borrow less and use family rather than debt or equity finance;

[1] ECB survey on the Access to Finance of Enterprises in the euro area – April to September 2015.

Diverse funding needs of a diverse SME sector

1. Acknowledges the diversity of SMEs, including micro-enterprises, and mid-caps in the Member States, which is reflected in their business models, size, geographical position, socioeconomic environment, stages of development, financial structure, legal form and different level of entrepreneurial training;

2. Recognises the challenges that SMEs are facing, owing to differences in financing conditions and needs for SMEs between Member States and regions, notably as regards the quantity and cost of available funding, which are influenced by factors specific to SMEs and to the country and regions in which they are established, including economic volatility, slow growth and higher financial fragility; notes also other challenges for SMEs such as access to customers; highlights that capital markets are fragmented and regulated differently across the EU and that some of the integration achieved has been lost due to the crisis;

3. Underlines that the need for diverse and improved public and private funding options for SMEs does not end after the start-up phase, but that it continues throughout their lifecycle, and points out that a long-term strategic approach is required in order to safeguard business funding; stresses that access to finance is also of importance for the transfer of businesses; calls on the Commission and the Member States to support SMEs in this process, including in the first years of operation; notes the need for a diversified, tailor-made approach in terms of regulation and in terms of initiatives to be supported; points out that there is no one-size-fits-all model of finance, and calls on the Commission to support the development of a broad range of tailored programmes, instruments and initiatives, in order to support businesses in their start-up, growth and transfer phases, taking into account their size, turnover and financing needs; notes that women's enterprises are more often than men's enterprises in services and otherwise based on immaterial resources; notes that the low proportion of women running SMEs is partly due to more difficult access to finance; regrets that the European Progress Microfinance Facility, whose objective is to promote equal opportunities for women and men, had a 60:40 male-to-female ratio for microloans in 2016; calls on the Commission therefore to make sure that its programmes aimed at facilitating access to finance for SMEs do not disfavour women entrepreneurs;

4. Calls on the Commission to assess discrimination faced by SMEs run by other vulnerable groups of society;

5. Believes that a diversified, well-regulated and stable financial services sector offering a wide range of cost-efficient tailor-made funding options best serves the actual funding needs of SMEs and the real economy, enabling long-term sustainable development; underlines the importance of traditional models of banking, including small regional banks, savings cooperatives and public institutions in this regard; notes in this respect the need to ensure equal focus on improving access to finance for micro-enterprises and sole traders;

6. Encourages SMEs to consider the whole EU as their home market and to use the potential of the single market for their financing needs; welcomes the Commission's initiatives supporting SMEs and start-ups in an upgraded single market, and urges the Commission to continue drafting proposals tailored to the needs of SMEs; believes that

the Startup Europe initiative should assist small innovative companies by supporting them until they become operational; underlines, in this context, the importance of convergence of rules and procedures across the Union and the implementation of the Small Business Act; calls on the Commission for a follow-up to the Small Business Act which would further assist businesses in overcoming both physical and regulatory barriers; recognises, in this context, that innovation is a key driver of sustainable growth and employment in the EU and that specific attention should be given to innovative SMEs; emphasises the potential role of EU cohesion policy and the EU regional fund as a source of SME funding; calls on the Commission and the Member States to ensure coordination, consistency and synergies between European instruments and programmes for SMEs such as the European Structural and Investment Funds; calls on the Commission and the Member States to promote a holistic approach to the dissemination of information on all EU funding opportunities; urges the Member States and the Commission to make significant progress towards further simplification so as to make funding more attractive for SMEs;

7. Recalls that a more harmonised legal and business environment supportive of timely payments in commercial transactions is key for access to finance; underlines, in this context, the financial problems suffered by SMEs and the situation of uncertainty experienced by suppliers generated by late payments of larger companies, public institutions and authorities; calls on the Commission to assess during the review of the Late Payment Directive the introduction of specific measures aimed at easing payments for SMEs; calls on the Commission to make public its report on the implementation of the Late Payment Directive, expected for 16 March 2016 and, if appropriate, to formulate new proposals to minimise risk to cross-border payments and of disruption to cash flow, in general;

8. Welcomes the Commission's initiative to restart work on the establishment of a genuine European market in retail financial services with the publication of the Green Paper on Retail Financial Services (2015); asks the Commission to pay particular attention to the specificities of SMEs and ensure that cross-border activities in the field of retail financial services lead to better access to finance for SMEs;

9. Notes that start-ups and micro-enterprises in particular find it difficult to obtain appropriate funding and to identify and meet regulatory financial requirements especially at the development stage; notes the lack of harmonisation in national SME-creation legislation; encourages the Member States to continue their efforts to reduce administrative hurdles and to create one-stop shops as hubs for all regulatory requirements for entrepreneurs; encourages the Member States, the EIB and national promotional banks, in this context, to provide information on financing options and loan guarantee schemes;

10. Welcomes the Commission’s initiative to identify undue barriers and obstacles to the financial sector in order to provide funding to the real economy, in particular SMEs, including micro-enterprises; stresses the fact that achieving a well-functioning European capital market is one of the most important initiatives for the financial sector; underlines the importance of simplifying or modifying rules which gave rise to unintended consequences for SMEs or inhibited their development; stresses that this should not lead to an unnecessary lowering of financial regulatory standards, while allowing

simplification of legislation; underlines further that new proposals from the Commission must not lead to more complex regulation that can affect investments negatively; believes that a European approach to financial regulation and the Capital Markets Union should duly take into account international developments in order to avoid unnecessary divergences and duplications in legislation and keep Europe as an attractive place for international investors; stresses that the European economy must be attractive for a high level of foreign direct investment (FDI), including greenfield FDI, stimulating not only capital markets but also private equity industry as well as venture capital and investments in European industry; believes further that the Commission and the Member States should adopt a strategic plan to support SME financing with a view to their internationalisation;

11. Reiterates that revised public procurement and concession contract rules should not hamper SMEs' and micro-enterprises' access to the procurement market;

12. Calls on the Commission and the Council to pay more attention to the demand-side concern of SMEs, to reflect it in a more appropriate manner in the recommendation on the economic policy of the euro area, in the country-specific recommendations and in the ex-post assessment of the Member States' compliance with the recommendations;

Bank lending to SMEs

13. Acknowledges that bank lending is traditionally the most important external financing source for SMEs in the Union, as bank funding accounts for over three quarters of SME financing, compared with under a half in the US, making SMEs particularly vulnerable to a tightening of bank lending; notes that the financial crisis contributed to a fragmentation in bank funding and bank lending conditions; deplores the existing, albeit gradually decreasing, gaps between credit conditions for SMEs located in different euro-area countries, which also reflect differences in risk perception and economic conditions; notes the contributions of the Banking Union in addressing this fragmentation; invites the Member States to fully implement Directive 2004/113/EC and to collaborate with the financial sector regarding their obligation to ensure full and equal access to bank lending for SMEs; underlines the important and well-developed role of banks with specific regional and local knowledge in providing funding to SMEs owing to their long-term relationship with these companies; stresses that, where there are well-developed local banks, they have proven effective in lending to SMEs and avoiding losses; underlines therefore the importance of developing local banks;

14. Underlines that while digitalisation is advancing and therefore new sources of financing are emerging, the local presence of traditional credit institutions especially in islands and archipelagos, as well as in rural, remote and peripheral areas, remains essential for SMEs' access to finance;

15. Encourages banks to consider the whole EU as their home market and to use the potential of the single market to provide financing to SMEs, including SMEs that are not based in the same Member State as the bank in question;

16. Encourages the Commission to study the possibility of introducing ‘funding for lending’ programmes that would make ECB money available to banks with the sole purpose of lending to SMEs; calls on the Commission to assess the possibilities of developing new

initiatives for attracting investments;

17. Highlights the important role of national and regional promotional banks and institutions in financing the SME sector; recalls their central part in the EFSI SME window and the role they play in the involvement of Member States in EFSI projects; considers the EFSI to be an important source of funding for SMEs; believes that the EIB/EIF should step up their efforts to provide SMEs with expertise to access funding and tools to facilitate contacts with investors such as, inter alia, the European Angels Fund; calls on the Commission to assess the role of the national/regional promotional banks as a catalyst for long-term finance for SMEs, and in particular to identify and disseminate best practices and to encourage Member States where no such entities currently exist to set up national/regional promotional banks on this basis; calls on the Commission and the Member States to promote inclusive growth and to ensure enhanced coordination and consistency among all EU investment policies targeted at SMEs including the EFSI, EU regional funds and the European Investment Fund (EIB);

18. Reiterates that it is also important to enhance the SME lending capacity of banks and to increase their ability to lend to SMEs; points out that financing by capital markets alone will not succeed in providing sufficient funding and appropriate financing solutions including access to capital for SMEs; notes that a diversification of credit sources would lead to greater stability of the financial sector;

19. Highlights that a healthy, stable and resilient banking sector and Capital Markets Union is a prerequisite for strengthening SMEs' access to finance; notes that the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV), and in particular the higher level and quality of capital, are a direct response to the crisis and form the core of the renewed stability of the financial sector; welcomes the fact that the Commission considers lending to SMEs to be one of its priority areas in the CRR Review; notes that the Commission explores possibilities for all Member States to benefit from local credit unions to operate outside the scope of the EU's capital requirements rules for banks; highlights the need for prudent legislation for credit unions that ensures both financial stability and opportunities for credit unions to provide credit at competitive rates;

20. Notes multiple regulatory requirements for banks and its possible negative effects on lending to SMEs, while recalling that the requirements were put in place as a response to the financial crisis; emphasises the need to avoid double reporting requirements and multiple reporting channels, and more generally an unnecessary administrative burden on credit institutions, in particular smaller banks; calls on the Commission to assess the effects of regulatory requirements for banks as regards SME lending, with the support of the EBA and the Single Supervisory Mechanism (SSM);

21. Notes that lending to SMEs was not the cause of the financial crisis; recalls the decision of the co-legislators to introduce the SME supporting factor into the CRR/ CRD IV framework and that it was designed to leave the capital requirements for SME lending consistent with Basel II rather than Basel III levels; emphasises the importance of the SME supporting factor for maintaining and increasing bank lending to SMEs; notes the EBA report of March 2016 on the SME supporting factor; is concerned about the possible negative impact of its removal; welcomes the Commission's intention to keep

the supporting factor, to further assess it and to examine whether the threshold should be raised in order to further increase SMEs access to bank lending; calls on the Commission to examine the possibility of recalibrating the supporting factor, including size and threshold, and to examine possible interactions with other regulatory requirements, as well as external elements such as geographical position and socioeconomic environment, with a view to raising its effect; calls on the Commission to explore the possibility of making the factor permanent; calls on the Basel Committee for Banking Supervision (BCBS) to back the SME supporting factor and to consider lowering the capital charges for exposures on SMEs;

22. Stresses that prudent risk assessment and the evaluation of qualitative information is one of the banks' major strengths, in particular for complex SME lending; takes the view that knowledge and awareness of SMEs' particularities within the banking community should be further enhanced; underlines the confidential nature of credit information that banks receive when assessing the creditworthiness of SMEs;

23. Welcomes the various ongoing initiatives to improve the availability of standardised and transparent SME credit information, which have the potential to enhance investors' confidence; stresses nevertheless the need to apply the principle of proportionality when requesting such credit information;

24. Underlines that proportionality is a guiding principle by which the European institutions, the European supervisory authorities and the SSM are bound when developing and implementing regulations, standards, guidelines and supervisory practices; calls on the Commission to provide, in agreement with the co-legislators, further guidance to the European supervisory authorities and the ECB/SSM on how the proportionality principle should be applied, and to urge that it be maintained, without lowering current regulatory standards, while allowing legislation to be simplified;

25. Highlights the benefits of third-party guarantees in loan agreements for entrepreneurs; demands that greater account be taken of these third-party guarantees when it comes to the evaluation of credit ratings as well as prudential rules and supervisory practices;

26. Recalls that credit institutions must, upon request, provide SMEs with an explanation of their rating decisions; calls on the Commission to assess the implementation of this provision and to strengthen the provisions outlined in Article 431(4) of the CRR, and to encourage giving feedback to SMEs; notes the Commission's ongoing discussions with relevant stakeholders with a view to improving the quality and consistency of such feedback; notes that this feedback might be the starting point to find sources of information and advice on non-bank finance;

27. Notes that credit ratings are an important and sometimes determining element of investment decisions; draws attention to the existence in some Member States of in-house credit assessment systems (ICAS) managed by the national central banks in order to assess the eligibility of collateral and which enable SMEs to obtain an assessment of their creditworthiness; calls on the Commission, the ECB and national central banks to further investigate whether and how these systems can be used in order to help SMEs access capital markets;

28. Calls on the Commission and the EBA to provide more guidance on the implementation

of the current forbearance regulation; asks the Commission to conduct an impact assessment on the current forbearance regime for non-performing loans, recalls that non-performing loans on banks' balance sheets are hampering the delivery of new loans, especially for SMEs; stresses that the introduction of a de minimis limit for minor violations would help to prevent an unnecessary and unjustified drop in the creditworthiness of the SME; notes the ongoing consultation of the Basel Committee on Banking Supervision (BCBS) on definitions of non-performing exposures and forbearance;

29. Notes that limits to the purchase of government bonds by banks or an increase in the weighting of these bonds could increase credit costs and increase the competitive gap in the EU unless it is done under certain conditions;

30. Takes note of the measures adopted by the ECB on 10 March 2016 and, in particular, the new series of four targeted longer-term refinancing operations (TLTRO II), which will incentivise bank lending to the real economy; underlines that monetary policies alone would not be sufficient to boost growth and investments and that they have to be accompanied by appropriate fiscal policies and structural reforms;

31. Stresses the importance of public institutions as an alternative to private banking as a source of funding for SMEs;

32. Calls on the Commission to consider proportionality as regards the early repayment of loans across the EU, such as a cap to limit costs for SME's and more transparency in contracts for SMEs;

Non-bank sources for SME funding

33. Calls on the Member States to foster a risk-taking and capital market culture; reiterates that financial education for SMEs is not only key to increasing bank lending but also to expanding the use and acceptance of capital market solutions as well as to encouraging women and young people to start and expand their businesses, allowing for a better assessment of costs, benefits and the associated risks; stresses the importance of clear financial information requirements; encourages the Member States to include the basic principles of financial education and business ethics in the pre-university and university curricula, fostering young people's involvement in SMEs' activities; calls on the Member States and the Commission to enhance the financial literacy and access to financial skills and knowledge of SMEs and to ensure that best practices are shared; points out, however, that SMEs themselves also bear a responsibility in this regard;

34. Highlights the benefits of leasing for SMEs by releasing a company's capital for additional investment in sustainable growth;

35. Notes that the Capital Markets Union represents an opportunity for filling both the regulatory gaps in the current framework and for harmonising cross-border regulation; points out that where bank lending does not fulfil the financial and business needs for SMEs, a vacuum in capital is created; points out that the ongoing development of the CMU and Banking Union must be accompanied by recurring efforts to converge EU processes and procedures and to evaluate the existing financial regulatory framework, in particular with regard to its effects on SMEs and overall macro-financial and

macroeconomic stability; stresses that such an evaluation should be done taking into account recommendations as to the practicality of introduced measures; calls on the Commission to provide an appropriate, tailored regulatory framework for issuers of funding to SMEs that does not prove burdensome for them and also wins investors' confidence; believes that in a comprehensive and well-designed Capital Markets Union all market participants with the same relevant characteristics should face a single set of rules, have equal access to a set of financial instruments or services and be treated equally when they are active in the market; welcomes the Commission's CMU Action Plan, which aims to ensure easier access for SMEs to more diverse funding options; highlights that bank-based and capital-based financing models should be complementary;

36. Recalls the sizeable cost for SMEs to access capital markets such as debt and equity markets; stresses the need for a proportionate regulation, with less complex and burdensome disclosure and listing requirements for SMEs to avoid duplication, and to reduce the cost of their access to capital markets, but without putting investor protection or systemic financial stability at risk; notes the introduction of a minimum disclosure regime for SMEs in the Commission proposal for a new Prospectus Regulation currently under discussion; notes that the regulation should not create too high hurdles when moving from a one-size category to another, for example, or between listed and non-listed companies; is therefore of the opinion that a staged approach with gradually increasing regulatory requirements should be preferred; refers in this context to the SME growth markets provided for through MiFID II, and urges the rapid implementation of this instrument;

37. Emphasises the importance of the transparency, standardisation and public availability of SME financing information for banks, investors, supervisors and other stakeholders in order to understand the risk profile and take informed decisions and to reduce financing costs; believes that the creation of a European database collecting information on business strategies and financing needs of SMEs, where they could voluntarily insert their data and keep them up to date, could serve this purpose; calls on the Commission to consider a single SME identification number; draws further attention to the potential offered by structures associating banks and non-bank actors in order to provide support to SMEs; welcomes the Commission’s SME information strategy, especially the identification of the most relevant support and advisory capacities for SMEs seeking alternative funding in each Member State and promoting best practice examples at EU level and the investigation of possibilities to support pan-European information systems matching SMEs and alternative funding providers;

38. Recalls that accounting standards are crucial inasmuch as they frame the way information is provided to supervisors and investors and insofar as the administrative burden imposed on companies differs depending on the accounting standards applying; takes note of the ongoing discussions on the expediency of designing specific common accounting standards for SMEs and looks forward to further reflections being conducted on this issue;

39. Underlines the potential of new innovative financial technology (FinTech) for better matching SMEs with potential investors; calls on the Commission and the Member States to encourage the development of FinTech initiatives and to explore potential risks

and the need for an appropriate harmonised EU regulatory framework without stifling innovation;

40. Highlights the need to foster innovation through lending platforms; encourages banks to regard the use of such innovative technologies as an opportunity; stresses that alternative funding sources offer solutions for start-ups, female entrepreneurs and innovative SMEs in particular; calls on the Commission to explore the need for, and potential of, a harmonised EU framework for alternative funding sources with a view to increasing the availability of this type of funding across the EU for SMEs; recalls that for the system to be efficient both the SME and the lender must be fully aware of the potential risks/opportunities linked to the funding mechanism; notes that the existing laws and rules on crowdfunding differ significantly across Member States and do not appear to have promoted cross-border activities; welcomes the Commission's assessment of the existing framework for crowdfunding; supports the approach taken of continued market monitoring and monitoring of regulatory developments and encouraging a closer alignment of regulatory approaches, sharing of best practice and facilitating cross-border investment; recalls, at the same time, that crowdfunding and peer-to-peer lending should not be overregulated, as this would impede their development; calls on the Commission to encourage new platforms for private equity financing such as mezzanine finance and business angels; calls on the Commission to encourage safe lending to companies by private individuals through peer-to-peer lending or retail bonds; stresses the need to ensure that these new forms of financing are fully compliant with relevant tax and financial legislation, so that they do not become a tool for tax avoidance or financial opacity; stresses the need to review current legislation in this regard;

41. Notes the Commission’s proposals for a framework for simple, transparent and standardised (STS) securitisation and the calibration of the prudential requirements for banks; notes that there may be both risks and benefits associated with SME securitisation; notes the possible impact of these proposals on bank lending to and investment in SMEs; stresses the need for transparency as regards the underlying risks and the need to contribute to the stability of the financial system;

42. Notes that the heterogeneity of national insolvency legislation and the related legal uncertainty constitute one of the barriers to cross-border investment in SMEs and start-ups; believes that simplified and harmonised rules in the area would support start-ups, micro-, small and medium-sized enterprises and improve the EU's business environment; welcomes therefore the Commission’s decision to address this issue through a legislative proposal, as stated in its CMU Action Plan, and looks forward to this future proposal; believes that the Commission should consider various options for implementing an EU insolvency framework and deliver recommendations for Member States so that they can adopt or implement legislation for effective and transparent insolvency regimes and a timely restructuring process and for removing the administrative and regulatory burdens imposed on SMEs as stated in the country-specific recommendations;

43. Underlines the potential of venture capital and risk capital finance, especially for non-listed start-ups and innovative SMEs; notes that these markets are underdeveloped in the EU; welcomes the Commission’s initiative to revise the EuVECA and EuSEF

legislation; underlines furthermore the urgent need for the Commission to tackle the fragmentation along national borders in the whole European investment funds sector;

44. Underlines the influence of the design of corporate and income tax structures and possible tax reliefs on the internal financing capacity of SMEs; draws attention to the fact that in many Member States taxation of SMEs and of some multinational undertakings varies widely, which adversely affects the competitiveness of SMEs and significantly reduces the effectiveness of financing of SMEs from various sources; points out that, owing to unfair tax practices by some multinational companies, SMEs experience up to 30 % more taxation than they would do in the event of fair tax practices, which consequently affects their internal financing capacity; welcomes, in that context, the Commission's Anti-Tax Avoidance Package with a view to achieving simpler, more effective and fairer taxation in the EU; points out that Member States should strive for a fair, effective and transparent taxation system that attracts finance and investments in order to create better possibilities for SMEs to start up and grow; highlights the need to introduce financial exemptions for SMEs, primarily in their initial phase, to enable them to have enough funds for the subsequent periods of their lifecycle; underlines the need for a taxation policy that reduces the overall tax burden and lowers taxes for work and enterprises; stresses the importance of addressing the debt equity tax bias;

45. Points out that direct state aid, which does not distort the benefits of competition, is sometimes necessary in order to provide the funds needed for start-ups, micro-, small and medium-sized enterprises, especially where the socioeconomic conditions do not allow for another source of access to finance; underlines the importance of transparency regarding public schemes and state aid supporting investment in SMEs, as well as the emergence of new institutions for financing and investment;

46. Urges the Member States to examine and build on the experience of the Swiss WIR founded in 1934 and which rests on a credit clearing association between SMEs, given that the WIR acts successfully as a macroeconomic stabiliser in times of tightening of credit or liquidity crises;

47. Calls for the Commission to deliver an annual report to the European Parliament, outlining the status of implementation initiatives and its impact on the improvement of access to financing for SMEs in Europe; calls on the Commission to include its own assessment of the strategic direction and recommended changes where applicable;

48. Calls on the Commission to audit the existing instruments such as the structural funds and other relevant programmes as to the adequacy of their financial support to SMEs with respect to the pursued objectives and, where appropriate, as to their cushioning impact of the crisis on SMEs;

49. Recognises the increasing importance of micro-enterprises and SMEs in the cultural and creative sectors for investment, growth, innovation and employment, but also in their key role in preserving and promoting cultural and linguistic diversity;

50. Emphasises that, with the publication of the results of the Commission’s ‘Survey on access to finance for cultural and creative sectors’ in October 2013, it has emerged that cultural and creative enterprises have huge difficulties in obtaining access to credit

and an estimated financial shortfall of between EUR 8 billion and EUR 13.3 billion;

51. Underlines that Eurostat figures show that 2.9 % of the EU's workforce, i.e. 6.3 million people, were employed in the cultural and creative sectors in 2014, which is comparable to the proportion of the workforce employed in the banking and insurance sector; stresses furthermore that the cultural and creative sectors make up nearly 4.5 % of the European economy, with nearly 1.4 million small and medium-sized businesses generating and distributing cultural and creative content all over Europe, and that employment in the cultural and creative sectors has continuously increased since 2008, while being among the fastest growing sectors of the European economy, generating about 4.2 % of total EU GDP;

52. Recognises that culture and innovation are crucial factors in helping regions attract investment; highlights the fact that employment in the cultural and creative sectors is unlikely to be offshored, as it is connected to specific cultural and historical competences which also contribute to safeguarding a wide range of traditional arts and crafts; highlights the importance of supporting SMEs that operate in minority or lesser-used languages, which protect and promote the cultural and linguistic diversity of Europe, and the importance of support for start-up projects by young people concerned with cultural protection and heritage;

53. Stresses that further promoting and investing in cultural and creative industries will be beneficial in creating new jobs and combating the youth unemployment rate, given the large number of young people pursuing studies in this area; notes that, according to a recent study, the cultural and creative sectors employed more 15-29-year-olds than any other economic sector (19.1 % of total employment in these sectors versus 18.6 % in the rest of the economy)[1]; encourages the Member States to enhance the development of cultural and creative competences and to set up business skills development networks between educational and training systems, creative companies and cultural and arts institutions in order to foster an interdisciplinary approach; encourages the EU and the Member States to expand solutions to encourage talent and skill development within the cultural and creative sectors by, for instance, providing innovative and flexible grants for supporting creativity and innovation and talent development;

54. Points out that, according to the survey conducted in 2013 by the Commission, barriers to access to finance in the cultural and creative sectors have very specific characteristics, in that they have greater difficulty in attracting capital and investment owing to a limited database, a lack of readily available information on sources of funding, a lack of business skills, dependence on public investment schemes, and a lack of sufficient information resulting from problems in assessing risks and valuing intangible property such as intellectual property rights;

55. Stresses therefore that, in order to improve access to finance in the cultural and creative sectors, sector-specific solutions to accessing finance are needed, namely the development of expertise in assessing the specific risks posed by a lack of tangible collateral, a dependence on intangible assets and the uncertainty of market demand in times of digital change; notes that this expertise is needed in both micro-enterprises and SMEs and in financial institutions; stresses that intellectual property rights can be

[1] Cultural Times – The first global map of cultural and creative industries, December 2015.

accepted as collateral; underlines the importance of a harmonised legislative framework with provisions on tax and intellectual property in the EU, which could help to attract investment and funding for cultural and creative SMEs;

56. Welcomes the launch of the Guarantee Facility of the Creative Europe programme, despite the fact that it has been extensively delayed, as this is one of the key means of addressing the pressing need for accessing loan financing for innovative and sustainable projects in the cultural and creative sectors, encompassing micro-enterprises, SMEs, smaller non-profit associations and NGOs, and one of the key means for guaranteeing the necessary fair remuneration of the creators; welcomes the initiative of the integrated training scheme of the Guarantee Facility offered to bankers and financial intermediaries; strongly recommends that the necessary measures be put in place over the course of 2016, as in the original Commission proposal; recalls that the financing gap is expected to exceed EUR 1 billion per year according to the Commission's ex-ante assessment, and that this gap is the amount in investments lost as companies with sound business strategies and good risk profiles are either refused a loan or decide not to apply for one altogether because they lack sufficient collateral assets;

57. Welcomes the new report published by the Member States expert group on access to finance for the cultural and creative sectors, a report drafted through the open method of coordination, and emphasises that the recommendations made therein are to be implemented by the Commission so as to create more efficient and innovative instruments and also to facilitate access to finance;

58. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Diverse funding needs of a diverse SME sector

Small and medium sized enterprises (SMEs) and mid-caps form a substantial part of the EU economy. Access to finance for SMEs has therefore been a long-standing theme on the policy agenda.

The access to financing for SMEs was more constraint during the crisis than the one of larger companies. The strong reliance of SMEs on bank lending and the deleveraging of banks triggered by the crisis have contributed to this. The Capital Markets Union (CMU) initiative made therefore the diversification of funding options for SMEs to one of its priorities.

The variation of SMEs in the EU is considerable. Different Member States have different types of SMEs, depending on business model, size, stage of development, financial structure and legal form. In addition, country specific factors including the economic environment, structural factors such as the legal framework and cultural issues have a strong influence on the financing needs and availability of funding options. All these SME and country specific factors affect the productivity, profitability as well as the risk profile of SMEs. This heterogeneity means also a high complexity of SME financing. Given this multiple factors, it is difficult to assess the influence of a single factor. This has to be taken into account when developing appropriate policy measures aiming at a diversification of cost-efficient funding options for SMEs.

The rapporteur considers it important to support access to finance for SMEs during the whole life cycle. The transfer of business is an important step for an enterprise. Appropriate measures should be taken in order to support SMEs in the preparation of transferring business. The measure could also entail taxation incentives.

Bank lending to SMEs

Bank lending constitutes still the most important source of funding for SMEs. Lending to a SME is often built on a long-term relationship. Banks with regional and local knowledge can adapt to the specific funding needs of the diverse SMEs in the best way. Banks have expertise in assessing the credit risk of SMEs and can build their assessment on the credit history of the enterprise. The rapporteur therefore underlines that addressing and fostering the bank lending channel is the most effective way to ensure and improve access to finance for SMEs. Measures to improve the capacity of the banking system to provide the needed SME funding are therefore supported by the rapporteur.

As direct consequence of the financial crisis, the prudential and supervisory framework for banks has been considerably strengthened and re-enforced aiming at ensuring financial stability. The Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) constitutes the core of this renewed single rulebook for banks.

In order to mitigate possible negative consequence for SMEs the so-called SME supporting factor was introduced. Art 501 CRR stipulates that capital requirements for SME credit risk exposures shall be multiplied by 0,7619. This factor constitutes an important part in ensuring and fostering bank credit to SMEs. The review of this provision is currently under way and is

part of a broader review of the CRR/CRD which the Commission is currently undertaking with the support of the EBA. This review should also assess the size and the threshold requirement for this factor. The findings of the review should build the basis for possible policy actions. The rapporteur stresses the importance of the supporting factor and considers it necessary to explore whether this factor could be maintained on a permanent basis.

The rapporteur welcomes the recognition of the importance of bank funding for SMEs in the Capital Market Unions (CMU) initiative of the Commission. He is of the opinion, that bank financing will also remain in future the preferred funding choice for the large majority of SMEs. Nevertheless, it is important to diversify the funding options for SMEs to allow for a wide range of choices.

Complementing non-bank sources for SME funding

The rapporteur supports the proposals made in the CMU Action Plan of better connecting SMEs with a wide range of funding options. However, there are still many obstacles for SMEs in order to use market-based and other more innovative means of funding. The rapporteur supports therefore the initiative of the Commission to examine and assess barriers and obstacles for SMEs to tap capital markets. Based on a thorough analysis, these barriers have to be addressed appropriately by the Commission in a timely manner.

The public availability of financial information about SMEs is key for their successful capital market access. Investors must be able to assess the profitability and riskiness of their investment regardless if they are banks, institutional or retail investors The rapporteur stresses that it is important to ensure proportionality of reporting and information requirements for SMEs by considering both, the financing needs of SMEs and the informational needs of investors.

Securitisation could offer a possibility to increase the lending capacity of banks to SMEs. In recent years, various initiatives have been launched in order to revive the securitisation market. The legislative initiative for simple, transparent and standardised (STS) European securitisations is supported.

Getting listed is associated with considerable costs, often preventing SMEs from becoming listed in the first place. Besides making listings for SMEs easier, alternative ways like public offerings might offer a solution.

For non-listed SMEs crowdfunding and peer-to-peer lending might provide some suitable solutions. National fragmentation might hinder the development of these markets. The rapporteur considers it therefore worthwhile to examine benefits of a harmonized EU framework. Possible steps in this directions should however be based on a detailed examination of the existing EU and national regulation.

The use of new and innovative technologies could also provide new funding opportunities for SMEs. It has to be carefully assessed what kind of financial regulation might be needed to insure an appropriate level of investor protection and financial stability.

It is important to increase the knowledge of SMEs about the complementing market-based funding sources. The rapporteur considers it in the first place of utmost importance to enable SMEs to understand the costs, benefits and the associated risks of these often complex forms

of external finance. Increasing the financial literacy of SMEs is therefore a prerequisite to create a capital market culture with entrepreneur's willing to consider the use of capital market solutions.

The taxation system has a strong influence on the internal finance capacity of SMEs. The rapporteur underlines that a simple and fair taxation system, which is ensuring a level-playing field for all enterprises is the best way to ensure the development of SMEs. He underlines that not only corporate taxation but also income taxation plays an important role.

MINORITY OPINION

pursuant to Rule 56(3) of the Rules of Procedure

Paloma López Bermejo, Fabio De Masi, Rina Ronja Kari, Miguel Viegas, Marisa Matias, Matt Carthy, Dimitrios Papadimoulis

European SMEs account for over half of European GDP, employing around 75 million workers and providing a fundamental anchor between the private economy and local production.

Because of their size, SMEs are disproportionately affected by the effects of economic volatility and stagnation. Also, they are highly vulnerable to the power of the private oligopolies that dominate production and credit.

Initiatives such as the Capital Markets Union will aggravate the problems faced by European SMEs -including access to finance. This is so because they will enhance the *financialization* of the economy, reducing macroeconomic stability and growth. But also because they transfer microeconomic risk from large financial players to SMEs, who become dependent on increasingly complex and opaque financial instruments.

We believe that the problems of SMEs are rooted in the same neoliberal policies afflicting workers all over the EU. Hence, they would benefit from a recovery in demand through higher public spending and better wages and labour conditions. But improving access to finance for SMEs will also require curbing the power of the financial sector by strengthening public banking institutions and regulation -thus ensuring public control over the financial sector and a clear link between credit activity and real production.

23.5.2016

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Economic and Monetary Affairs

on access to finance for SMEs and increasing the diversity of SME funding in a Capital Markets Union
(2016/2032(INI))

Rapporteur: Zbigniew Kuźmiuk

SUGGESTIONS

The Committee on Budgets calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Stresses that both the Commission and the European Central Bank recognise that access to financing is the second most serious problem facing SMEs, and it is therefore crucial that the EU budget should further facilitate access by SMEs, whatever their legal status, to funding and markets, and should promote a sufficiently diversified range of equity instruments across the Union, as these are needed along a company's growth path; underlines that SMEs, as the backbone of the European economy, contribute to a great extent to the creation of jobs and growth across the EU;

2. Believes that major dysfunctions persist on the financial market as regards the granting of loans, in particular, when it comes to financing for newer and smaller enterprises; believes also that the differences in interest rates are still too high between the various Member States, which makes it difficult for SMEs to access credit, especially in those countries most affected by the crisis, and feels that this should be rectified;

3. Notes that bank lending is still one of the most important sources of financing for European SMEs and therefore calls for a healthy and stable banking sector in order to strengthen SMEs' access to finance; backs, in this context, the SME Supporting Factor which should be implemented on a permanent basis, ensuring that regulations abide by the proportionality principle and acknowledge the specific role played by small local banks in SME finance;

4. Notes that young entrepreneurs and women in particular face additional barriers in accessing finance and emphasises that more should be done to unlock their potential as job creators and drivers of economic growth; believes that this should be considered by

the Commission as a measure of success or failure in its reports to Parliament;

5. Notes that SMEs in Member States that do not have public investment banks may be at a disadvantage compared to those in countries with functioning publicly owned investment banks, as the assessment of public interest is not a priority for private banking institutions;

6. Welcomes the introduction and the performance of COSME as the first EU programme specifically benefitting SMEs; strongly believes that the current COSME appropriations, as well as those for other well-performing EU funding programmes, such as the SME Instrument or InnovFin under Horizon 2020, should be reinforced for the remaining years of the current MFF, as Parliament has constantly sought to do; stresses the importance of entrepreneurship coaching, guidance and training measures for all COSME population groups, particularly young people, women and older entrepreneurs, in order to promote gender equality;

7. Welcomes the fact that EUR 75 billion of the total investment catalysed by EFSI over three years will go to SMEs and mid-caps via the European Investment Fund in order to cover more justified SME financial needs; will closely monitor the leverage created by its financing and its geographic distribution; notes the success of the SME window and calls, as appropriate, for full use to be made of the flexibility clause provided in the regulation to increase this envelope; invites the Commission to tackle the issue of unequal geographical spread in the 28 EU Member States when designing further products to be launched;

8. Welcomes the further opening of ESIFs to SMEs and the design of new dedicated schemes as a mitigating measure to facilitate SMEs' access to finance; recalls the importance of structural funding for SMEs, including for attracting further private investment; emphasises that grant funding should be maintained where it is playing a critical and necessary role in the promotion of innovation, development and research, which are highly important for job creation and the future economic success of Europe; recalls the importance of structural funding for attracting further private investment to the benefit of SMEs in less developed, poorer and more remote regions, especially in southern and south-eastern Member States, which demand greater attention due to their higher lending rates;

9. Supports the Commission's increased use of financial instruments as this is necessary for mobilising additional investment from the private and public sectors and for reaching out to crucial target groups such as microenterprises and SMEs; calls on the Commission to simplify access to these financial instruments for microenterprises and SMEs and to provide them with coaching activities, business and financial advice;

10. Believes that the rules governing SME access to these instruments should be further simplified and made more flexible; calls on the Member States and the Commission to spare no effort to that end; calls also on the Member States, regional authorities and local business organisations to use available EU funding tools to increase the financial literacy of SMEs;

11. Believes that action should be taken to boost information and training channels for small businesses and entrepreneurs on the various European funding possibilities that they can access, so that they can acquire information on all the financial instruments provided for them by the European budget, such as those available under the LIFE+ and Creative

Europe programmes and funds for social entrepreneurship by social businesses, or European Investment Bank instruments, since these can provide financing that is more targeted and appropriate to their needs, based on the sector in which the SME carries out its activities; welcomes, in this context, the creation of the SME access to finance portal, www.access2finance.eu;

12. Welcomes the addition of the European Investment Advisory Hub as Europe's gateway to investment support, but believes more could be done to develop signposting and support for SMEs to access relevant EU funds;

13. Takes the view that both the EU and the Member States must continue to develop and expand European 'business angels' networks and the various ways of increasing 'crowd-funding' potential in the EU, to ensure that the survival of this type of enterprise does not depend solely on financing from banks.

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	23.5.2016
Result of final vote	+: 21 –: 4 0: 0
Members present for the final vote	Jean Arthuis, Lefteris Christoforou, Jean-Paul Denanot, José Manuel Fernandes, Bernd Kölmel, Zbigniew Kuźmiuk, Vladimír Maňka, Ernest Maragall, Sophie Montel, Liadh Ní Riada, Jan Olbrycht, Younous Omarjee, Urmas Paet, Paul Rübig, Patricija Šulin, Eleftherios Synadinos, Paul Tang, Daniele Viotti, Auke Zijlstra
Substitutes present for the final vote	Georgios Kyrtsos, Andrej Plenković, Ivan Štefanec, Nils Torvalds
Substitutes under Rule 200(2) present for the final vote	Laura Agea, Rainer Wieland

26.5.2016

OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT

for the Committee on Economic and Monetary Affairs

on access to finance for SMEs and increasing the diversity of SME funding in a Capital Markets Union
(2016/2032(INI))

Rapporteur: Marc Joulaud

SUGGESTIONS

The Committee on Regional Development calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Emphasises the key role of SMEs (including micro-enterprises), as the backbone of our economy, in generating growth and employment in EU regions, providing two thirds of private-sector jobs and more than half of the added value created by EU enterprises; stresses that access to financing is one of the most important components for the creation, sustainability, performance, competitiveness and growth of SMEs, together with their access to the global market; notes that, during the current crisis and in a climate characterised by budgetary constraints, strong bank dependency and declining investor confidence, inter alia, have hampered the flow of finance into the real economy, and especially into long-term investments; stresses that, in this context, cohesion policy represents one of the main sources of support for SMEs and is important for boosting their economic activity, developing new businesses, supporting active businesses and enhancing entrepreneurial skills and the business environment;

2. Recalls the important role of SMEs in creating high-quality employment, and their potential to boost future-oriented sectors of the economy (including the Circular Economy), being guided by green public procurement as the appropriate tool to achieve these goals; believes that opportunities for innovation should be recognised and promoted as sustainable job opportunities;

3. Welcomes initiatives designed to diversify sources of funding and to facilitate access to finance through credit and guarantee schemes for SMEs, given that many economically significant SMEs cannot obtain financing from banks or other sources owing to structural market characteristics; believes that interest rate differentials between Member States are still quite high, which hinders access to credit for SMEs; stresses the need to make EU

funding more attractive to SMEs and to improve the way in which capital markets fund the real economy, by developing alternatives to bank loans; believes, therefore, that Capital Markets Union (CMU) initiatives should be prepared in such a way as to lower the transaction costs of raising capital for SMEs, and that regulatory proposals connected to the CMU should not lead to excessive regulatory burdens on SMEs or limit the benefits this sector could reap as a result of the creation of a single capital market;

4. Considers that both the EU and its Member States must continue to develop European networks of 'business angels', and to increase the potential of 'crowdfunding' so that the sustainability of SMEs does not rely solely on bank financing; encourages the Commission to foster the establishment, not least at regional level, of new financial services providers offering financial solutions to established businesses and start-ups; points out that the Commission proposal for a regulation on the prospectus to be published when securities are offered to the public or admitted to trading (COM(2015)0583) may help to make it easier and less expensive for SMEs to raise capital on the capital market as an alternative to bank loans; highlights FinTech as an innovative financial technology which could increase access to finance for SMEs by allowing investors and SMEs alike to better navigate and identify more targeted and more beneficial partnerships;

5. Recalls, however, that bank lending is traditionally the most important external financing source for SMEs, and that regional and local banks (including cooperative banks) and credit institutions are at the forefront in financing SMEs, as they have better knowledge of local and regional economies and unique methods of assessing the credit risk of local businesses; stresses that bank-based and capital-based financing models should be complementary, while avoiding the imposition of multiple regulatory requirements and barriers on credit institutions such as small banks; emphasises the importance of the SME Supporting Factor in maintaining and increasing bank lending to SMEs, and calls on the Commission to explore the possibility of making this factor permanent;

6. Recalls that the coexistence of public and private parties presents challenges and that in some Member States interests and expectations are unaligned from the outset, with both sides lacking the necessary knowledge, and notes, therefore, that in these cases managing authorities do not know the financial market and its mechanisms, and private stakeholders are not well-informed about regulation, State aid or public procurement;

7. Points out that the European Council of 20-21 March 2014 reiterated that strengthening the competitiveness of European industry was a top priority for growth and employment policies, stressing the need for this to be mainstreamed in all EU policies; calls on the Commission, the Member States and regions to provide a business-friendly environment, to remove unnecessary administrative, legal (e.g. inconsistent guidance) and regulatory burdens, to build efficient public administrations and modern infrastructure, to facilitate the inclusion of SMEs in production clusters and to provide effective advisory support; stresses the need to guarantee enhanced coordination, consistency and synergies among all EU investment policies, instruments and programmes which support SMEs, such as the European Structural and Investment Funds (ESI Funds), Horizon 2020, COSME, Erasmus+, Life, Creative Europe and funds for social entrepreneurship by social businesses, and with the various tools offered by the European Investment Bank for SMEs; welcomes the Investment Plan for Europe (the Juncker Plan) and draws SMEs' attention to the opportunities offered by the European Fund for Strategic Investments

(EFSI, in particular as part of its SME Window), although this ought not to replace cohesion policy as the main instrument supporting SMEs in the EU, and should therefore continue to complement the ESI Funds;

8. Stresses that the complexity of the rules and the amount of red tape involved in obtaining ESI funding, including administrative costs disproportionate to a business's size as well as obstacles to timely consideration of funding requests and subsequent payments, affect SMEs in particular; calls for a thorough simplification of the process, with proper attention being paid to the need to combat fraud and errors; welcomes, in this context, the activities of the High Level Group for the simplification of cohesion policy; notes the need for local and regional development agencies to facilitate SMEs' access to revolving instruments; urges the Commission to clarify how the rules governing the ESI Funds and the rules on State aid coexist, especially where socio-economic conditions do not allow another source of access to finance; recalls that SMEs are often disadvantaged in comparison with large firms as regards access to State aid;

9. Calls on the Commission and the Member States to promote a holistic approach to the dissemination of information and advisory support in connection with all EU funding opportunities (including the Banking Union, the Capital Markets Union and, last but not least, the ESI Funds, including the conditions governing eligibility and the allocation of funding) at European, national, regional and local level for investors, supervisors and other stakeholders; highlights the Enterprise Europe Network as an important source of information for SMEs and start-ups on how to tap into EU funding opportunities; welcomes the Commission's SME information strategy;

10. Stresses the importance of collecting data on the market response to specific changes (e.g. new management costs and fees) for the purpose of supporting future decision-making;

11. Notes that, setting aside the issue of size, each SME is different and there are many factors which determine their financial needs and the ease with which they can obtain funding, such as where they are based (e.g. in metropolitan, urban, rural, remote, sparsely populated, cross-border, mountain, island, peripheral or outermost regions), their legal form, socio-economic environment and financial structure, the business sector in which they operate and the stage they have reached in their development, in particular their degree of internationalisation; calls on the Commission, the Member States and regional and local authorities to take these factors into account in coming up with cost-efficient financing arrangements which, in particular, use the scope for combining subsidies and financial instruments and are adjusted to the needs of various types of SMEs (e.g. micro-enterprises, start-ups, scale-ups and family, artisanal or industrial enterprises), notwithstanding the scale of the tax burden on, and the reluctance of investors and banks to lend to, some of these SME types;

12. Believes that significant dysfunctions persist on the financial market as regards lending, especially when it comes to financing young enterprises and small companies; recalls the need to step up efforts to fill the gender gap, as identified in the Small Business Act, and to encourage the participation of women in enterprises, start-ups and all other entrepreneurial activities, in particular where the ESI Funds are involved; believes it is essential to support business projects for women and young people in rural areas, thereby helping to create jobs, increase revenue and prevent rural depopulation;

13. Asks the Commission to come forward with a report or study on the uptake of financial resources in different parts of Europe, including a territorial analysis on a country-by-country basis and an analysis of differences between the availability and the uptake of financial resources in less developed regions, transition regions and more developed regions;

14. Encourages, given the high youth unemployment rates, the boosting of entrepreneurial spirit among younger generations, and consequently recalls the need to develop entrepreneurship-focused education in school and university curricula, following the approach of the Small Business Act; calls on the Member States to foster a risk-taking and capital market culture; reiterates that financial education and financial literacy for SMEs are key to increasing the use and acceptance of capital market solutions, allowing a better assessment of costs, benefits and the associated risks.

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	24.5.2016
Result of final vote	+: 34 –: 7 0: 0
Members present for the final vote	Franc Bogovič, Victor Boştinaru, Mercedes Bresso, Steeve Briois, Rosa D'Amato, Iratxe García Pérez, Michela Giuffrida, Krzysztof Hetman, Ivan Jakovčić, Constanze Krehl, Sławomir Kłosowski, Andrew Lewer, Louis-Joseph Manscour, Martina Michels, Iskra Mihaylova, Jens Nilsson, Andrey Novakov, Younous Omarjee, Stanislav Polčák, Julia Reid, Liliana Rodrigues, Fernando Ruas, Monika Smolková, Ruža Tomašić, Monika Vana, Matthijs van Miltenburg, Lambert van Nistelrooij, Derek Vaughan, Joachim Zeller
Substitutes present for the final vote	Salvatore Cicu, Ivana Maletić, Miroslav Mikolášik, Sophie Montel, Dimitrios Papadimoulis, Tonino Picula, Maurice Ponga, Branislav Škripek, Davor Škrlec, Hannu Takkula, Damiano Zoffoli, Milan Zver

3.6.2016

OPINION OF THE COMMITTEE ON CULTURE AND EDUCATION

for the Committee on Economic and Monetary Affairs

on access to finance for SMEs and increasing the diversity of SME funding in a Capital Markets Union
(2016/2032(INI))

Rapporteur: Luigi Morgano

SUGGESTIONS

The Committee on Culture and Education calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Recognises the increasing importance of micro-enterprises and SMEs in the cultural and creative sectors (CCS) for investment, growth, innovation and employment, but also in their key role in preserving and promoting cultural and linguistic diversity;

2. Emphasises that, with the publication of the results of the Commission's 'Survey on access to finance for cultural and creative sectors' in October 2013, it has emerged that cultural and creative enterprises have huge difficulties in obtaining access to credit and an estimated financial shortfall of between EUR 8 billion and EUR 13.3 billion;

3. Underlines that Eurostat figures show that 2.9 % of the EU's workforce, i.e. 6.3 million people, were employed in the cultural and creative sectors in 2014, which is comparable to the proportion of the workforce employed in the banking and insurance sector; stresses furthermore that the cultural and creative sectors make up nearly 4.5 % of the European economy, with nearly 1.4 million small and medium-sized businesses generating and distributing cultural and creative content all over Europe, and that employment in the cultural and creative sectors has continuously increased since 2008, while being among the fastest growing sectors of the European economy, generating about 4.2 % of total EU GDP;

4. Recognises that culture and innovation are crucial factors in helping regions attract investment; highlights the fact that employment in the cultural and creative sectors is unlikely to be offshored, as it is connected to specific cultural and historical competences which also contribute to safeguarding a wide range of traditional arts and crafts; highlights

the importance of supporting SMEs that operate in minority or lesser-used languages, which protect and promote the cultural and linguistic diversity of Europe, and the importance of support for start-up projects by young people concerned with cultural protection and heritage;

5. Stresses that further promoting and investing in cultural and creative industries will be beneficial in creating new jobs and combating the youth unemployment rate, given the large number of young people pursuing studies in this area; notes that, according to a recent study, the cultural and creative sectors employed more 15-29-year-olds than any other economic sector (19.1 % of total employment in the CCS versus 18.6 % in the rest of the economy)[1]; encourages the Member States to enhance the development of cultural and creative competences and to set up business skills development networks between educational and training systems, creative companies and cultural and arts institutions in order to foster an interdisciplinary approach; encourages the EU and the Member States to expand solutions to encourage talent and skills development within the cultural and creative sectors by, for instance, providing for innovative and flexible grants for supporting creativity and innovation and talent development;

6. Points out that, according to the survey conducted in 2013 by the Commission, barriers to access to finance in the CCS have very specific characteristics, in that they have greater difficulty in attracting capital and investment owing to a limited database, a lack of readily available information on sources of funding, a lack of business skills, dependence on public investment schemes, and a lack of sufficient information resulting from problems in assessing risks and valuing intangible property such as intellectual property rights;

7. Stresses therefore that, in order to improve access to finance in the CCS, sector-specific solutions to accessing finance are needed, namely the development of expertise in assessing the specific risks posed by a lack of tangible collateral, a dependence on intangible assets and the uncertainty of market demand in times of digital change; notes that this expertise is needed in both micro-enterprises and SMEs and in financial institutions; stresses that intellectual property rights can be accepted as collateral; underlines the importance of a harmonised legislative framework with provisions on tax and intellectual property in the EU, which could help to attract investment and funding for cultural and creative SMEs;

8. Underlines the need to foster better interaction between the EU and the Member States and to facilitate exchanges of best practices among the Member States, and proposes that there should be more data analysis in order to increase awareness and understanding of the investment and business opportunities offered by companies in the CCS such as measures to encourage digitalisation;

9. Welcomes the launch of the Guarantee Facility of the Creative Europe programme, despite the fact that it has been extensively delayed, as this is one of the key means of addressing the pressing need for accessing loan financing for innovative and sustainable projects in the cultural and creative sectors, encompassing micro-enterprises, SMEs, smaller non-profit associations and NGOs, and one of the key means for guaranteeing the necessary fair remuneration of the creators; welcomes the initiative of the integrated training scheme of the Guarantee Facility offered to bankers and financial intermediaries;

[1] Cultural Times - The first global map of cultural and creative industries, December 2015.

strongly recommends that the necessary measures be put in place over the course of 2016, as in the original Commission proposal; recalls that the financing gap is expected to exceed EUR 1 billion per year according to the Commission's ex-ante assessment, and that this gap is the amount in investments lost as companies with sound business strategies and good risk profiles are either refused a loan or decide not to apply for one altogether because they lack sufficient collateral assets;

10. Welcomes the new report published by the Member States expert group on access to finance for the CCS, a report drafted through the open method of coordination, and emphasises that the recommendations made therein are to be implemented by the Commission so as to create more efficient and innovative instruments and also to facilitate access to finance;

11. Proposes that the financing gap in the CCS can be offset by increasing the interest of the private sector, for which the EU will require a regulatory framework that allows for cross-border equity financing opportunities within the EU;

12. Considers it to be crucial, against the background of cuts in public funding for the cultural and creative sectors, that the EU and its Member States, and its regional and devolved governments and authorities, put in place the preconditions for direct access to capital markets and broaden the range of financing instruments available to micro-enterprises and SMEs in the cultural and creative sectors with new and innovative financing schemes – in the mutual interests of consumers, creators, distributors and publishers – such as microcredits, repayable contributions, crowdfunding, business angels, peer-to-peer lending, tax deductions, risk capital finance, venture capital and the development of public guarantee schemes; notes the importance of investigating the possibilities of innovation procurement under Horizon 2020, and notably by providing incentives for setting up PPPs (public-private partnerships); stresses that information on the available sources of funding should be made available and easily accessible;

13. Notes that together with the capacity building of expertise and credit risk protection, the financial intermediaries will propose promotion plans in their application to the European Investment Fund to help fund sustainable and innovative projects for micro-, small and medium-sized enterprises, including – under specific conditions – cultural public institutions;

14. Welcomes the Commission's ongoing project on crowdfunding for the cultural and creative sectors, and notes that, in accordance with good CCS finance practices in the Member States, policy and regulatory frameworks should focus on reward-based and donation-based crowdfunding, which have been the methods most frequently used by SMEs in the creative sector;

15. Points out that much more can still be done to bring about the more effective interaction between the European Structural and Investment Funds and other European programmes outlined for the 2014-2020 programming period, with specific reference to Erasmus+ and Creative Europe, in points 4.6 and 6.4 of Annex I to the Common Provisions Regulation[1],

[1] Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and

through the provision of better information on an EU-wide basis and by means of much more resolute implementation in the Member States and their regions;

16. Emphasises the role of exchange programmes, in particular mobility in vocational education and training, which enable cooperation between different business lines, combine creativity with business skills and allow participants to better understand the real needs of enterprises; calls therefore for widening the financial opportunities from which CCS SMEs can benefit in order to provide high-quality mobility opportunities.

Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320); Annex 1: Common Strategic Framework, ibid., p. 412.

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	30.5.2016
Result of final vote	+: 17 –: 0 0: 2
Members present for the final vote	Isabella Adinolfi, Andrea Bocskor, Nikolaos Chountis, Mircea Diaconu, Giorgos Grammatikakis, Petra Kammerevert, Svetoslav Hristov Malinov, Curzio Maltese, Sabine Verheyen, Julie Ward, Bogdan Brunon Wenta, Bogdan Andrzej Zdrojewski, Michaela Šojdrová
Substitutes present for the final vote	Rosa D'Amato, Sylvie Goddyn, Ilhan Kyuchyuk, Ernest Maragall, Emma McClarkin, Hannu Takkula

RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

Date adopted	21.6.2016
Result of final vote	+: 46 –: 8 0: 2
Members present for the final vote	Gerolf Annemans, Hugues Bayet, Pervenche Berès, Udo Bullmann, Esther de Lange, Fabio De Masi, Markus Ferber, Jonás Fernández, Neena Gill, Roberto Gualtieri, Brian Hayes, Gunnar Hökmark, Danuta Maria Hübner, Cătălin Sorin Ivan, Petr Ježek, Barbara Kappel, Othmar Karas, Georgios Kyrtsos, Alain Lamassoure, Philippe Lamberts, Olle Ludvigsson, Notis Marias, Fulvio Martusciello, Marisa Matias, Costas Mavrides, Bernard Monot, Luděk Niedermayer, Stanisław Ożóg, Dimitrios Papadimoulis, Pirkko Ruohonen-Lerner, Alfred Sant, Peter Simon, Theodor Dumitru Stolojan, Kay Swinburne, Paul Tang, Michael Theurer, Marco Valli, Cora van Nieuwenhuizen, Beatrix von Storch, Jakob von Weizsäcker, Pablo Zalba Bidegain, Marco Zanni, Sotirios Zarianopoulos
Substitutes present for the final vote	Andrea Cozzolino, José Manuel Fernandes, Ashley Fox, Ildikó Gáll-Pelcz, Sophia in ‘t Veld, Ramón Jáuregui Atondo, Syed Kamall, Krišjānis Kariņš, Paloma López Bermejo, Siegfried Mureşan, Michel Reimon, Antonio Tajani, Lieve Wierinck