



## Supporting SMEs for Growth, Innovation and Jobs

The EIB Group (EIB and EIF) is making sustained efforts to help European small and medium-sized enterprises (SMEs), by providing them with continued access to finance in the current challenging economic environment and by constantly developing its range of more targeted products. Our goal is to promote stable long-term growth in this important beneficiary group, considered to be the engine of Europe's economy.



*SME financing has become the single largest policy priority of the EIB Group*

## How do we support SMEs?

SMEs have been hit hardest by the crisis. The credit squeeze has had a significant impact on this sector as SMEs are more dependent on external funding than larger corporates and the deleveraging trend in the banking sector has made it more difficult for them to obtain funds.

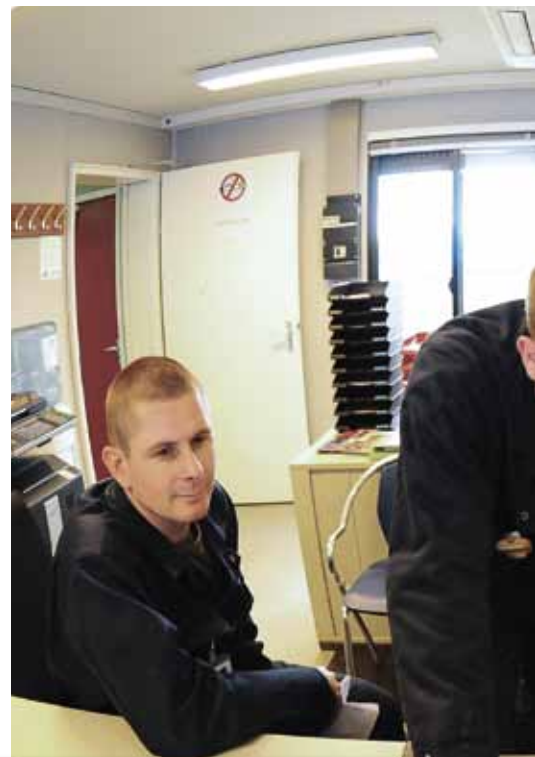
We are responding to their needs for continuous access to finance at affordable costs:

- with **dedicated products** (loans, equity and mezzanine investments and guarantees);
- through a **diverse range of intermediaries** (e.g. banks, public and promotional banks, other financial institutions,

leasing companies, microfinance institutions, private equity funds);

- by providing the right **financing for all stages of business development**, such as business start-up and early-stage risk finance, microfinance loans, loans to support growth-related investment in tangible and intangible assets and working capital;
- by **increasing the volume of our activity** and encouraging additional bank lending to SMEs.

We are teaming up with the European Commission and other key players to improve SME access to finance.



A new focus for the EIB Group is supporting youth employment

## Skills and Jobs – Investing for Youth

### Swift response to a salient EU policy priority

The EIB Group has responded quickly to the new EU policy priority to promote youth employment by making a EUR 6 billion contribution available through various instruments in support of youth employment. The “Jobs for Youth” funds allow Member States to bring forward the start-up of their national or regional programmes – demonstrating the strong complementarity between the EU, the Member States and the EIB’s activities. The programme has two key elements: “Jobs for Youth” will provide SMEs with better access to finance and link EIB financing to the employment of young people in SMEs; “Investing in Skills” will support job-related skills and on-the-job-training by investing in education and research facilities, as well as vocational training, student loans and mobility programmes.

## Trade Finance Initiative

### EIB anti-crisis tools to support private sector trade

Under the Trade Finance Facility, the EIB provides guarantees to banks for letters of credit and other trade finance instruments. This initiative will help banks in affected countries to find international counterparts for trade finance transactions. It will both alleviate the cash collateral constraints otherwise imposed on most SMEs and increase access to international trade instruments at a time when trade has a significant role to play in economic development. A first EUR 500 million SME Trade Finance Facility (STFF) was launched in December 2012 for companies located in Greece.

Based on the initial results, the EIB is rolling out a broader Trade Finance Initiative for other countries in need.



#### The EIB in 2013:

Estimated lending of up to EUR 17 billion for SMEs in the EU, Candidate and Potential Candidate Countries:

- mobilising resources of at least EUR 34 billion through complementary lending.

#### The EIF in 2013:

Overall new commitments targeting EUR 3.2 billion, mobilising approximately EUR 14 billion of resources for SMEs and mid-caps as follows:

- new commitments in equity funds of up to EUR 1.5 billion, mobilising resources of up to EUR 7.5 billion;
- new guarantee and securitisation commitments of around EUR 1.7 billion, mobilising resources of approximately EUR 6.6 billion.

### What are our key targets for the next years?

SME financing has become the single largest policy priority of the EIB Group. It accounts for approximately one quarter of our annual lending volume.

Over the period 2013-2015, we aim to increase substantially our support to SMEs and mid-caps, which are facing difficult financing conditions.



## Catering for different needs

The EIB Group addresses a broad range of SME and mid-cap financing requirements with an array of products designed for different stages of business development.

We strive to continuously develop our products in keeping with the changing economic environment in which these enterprises operate.

The following sections list the EIB Group lending, equity, guarantee and risk-sharing instruments by type of beneficiary.

### EIB loans for SMEs in a nutshell

- Loans of generally less than EUR 25 000 are available to **micro-enterprises** (businesses employing fewer than 10 people).
- Loans of less than EUR 12.5 million for projects of up to EUR 25 million are available to **SMEs** (businesses employing fewer than 249 people) and small mid-caps.
- Loans of less than EUR 25 million are available for projects of up to EUR 50 million to **mid-caps** (businesses employing fewer than 3 000 people). EIB support may not exceed 50% of the project cost.

#### Beneficiary **SMEs**<sup>1</sup>

##### Product

**EIB Loans for SMEs**<sup>2</sup> advanced to financial intermediaries for on-lending to SMEs in order to improve general **access to finance** for SMEs.

**Guarantees** encouraging the **growth of SMEs** and mid-caps by alleviating part of the risk that the financial intermediaries incur on their SME loans and lease portfolios. Guarantees are provided under the EU CIP SMEG programme<sup>3</sup> managed by the EIF.

**Guarantees and counter-guarantees** supporting **innovative SMEs** and mid-caps by providing risk protection to banks for their SME and mid-cap loan portfolios. These guarantees are provided under the Risk Sharing Instrument, a joint EC-EIB Group pilot initiative managed by the EIF as part of the Risk Sharing Finance Facility (RSFF).

**Mix of EIF guarantees for and EIB investments** in Asset-Backed Securities under the new EIB Group ABS Initiative for SMEs in order to enhance bank lending to SMEs by revitalising the **SME securitisation market**.

**Risk sharing** with banks and investments in local equity funds in order to support SME lending and long-term risk capital for **regional SMEs** (under the Joint European Resources for Micro to Medium Enterprises “JEREMIE”<sup>4</sup> programme – a joint EC-EIB Group initiative managed by the EIF and tuned to national priorities).

**Credit enhancement** for sharing the risks of certain tranches of SME portfolios with financial institutions in order to foster **new SME lending** (EIF own risk activity).

**Investments in equity funds** providing **risk capital to SMEs** and mid-caps **encouraging their growth** (under the Risk Capital Resources “RCR”<sup>5</sup> Initiative of the EIB managed by the EIF) and also for innovative SMEs (under the EC’s Competitiveness and Innovation Programme – High Growth and Innovative SME Facility “CIP GIF”).

**Regional fund-of-fund** schemes to provide equity finance to **local SMEs** in line with regional/national needs (managed by the EIF).



Encouraging SMEs to innovate is key for the EIB Group

Beneficiary

## Micro-enterprises<sup>6</sup>

Product

**Microfinance** loans, guarantees, counter-guarantees and investments through various types of banks and microfinance institutions in support of first-time entrepreneurs and **micro-enterprises**. The products are provided under the European Progress Microfinance Facility, a joint EC-EIB Group initiative managed by the EIF.



Beneficiary

## SMEs in countries needing enhanced support

Product

**Guarantee fund using unabsorbed Structural Funds** to help **restore SME lending in Greece** (under the SME Guarantee Fund for Greece – a joint EC-EIB initiative).

**Guarantees to Greek banks** aimed at reviving **import/export-related SME lending** in Greece and potentially other countries (under the SME Trade Finance Facility STFF\*, a joint EC-EIB initiative).

Beneficiary

## Mid-caps<sup>7</sup>

Product

**Investments in mid-market and mezzanine funds** providing **growth-related risk capital** to SMEs and mid-caps (under the Risk Capital Resources “RCR” Initiative of the EIB managed by the EIF).

**Direct financing to innovative mid-caps** in support of their development (under the Growth Finance Initiative\*, a pilot initiative by the Bank and the EC under the joint Risk Sharing Finance Facility – RSFF).

**Loans** via intermediary banks to **innovative mid-caps** to support their development (under the Mid-Cap Initiative\* part of the joint EC-EIB Risk Sharing Finance Facility RSFF).



*We are addressing a broad range of SME and mid-cap financing requirements*



<sup>1</sup> We use the current EU definition of SMEs (<http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/>) and focus on companies with less than 250 employees.

<sup>2</sup> Main EIB intermediated funding product in terms of volume of investments.

<sup>3</sup> The Competitiveness and Innovation Programme (CIP) is managed by the EIF on behalf of the European Commission and targets SMEs in order to support innovation and growth by promoting better access to finance.

<sup>4</sup> The JEREMIE initiative is managed by the EIF and offers Member States the opportunity to use part of their EU Structural Funds

to finance SMEs by means of equity, loans or guarantees through a revolving Holding Fund.

<sup>5</sup> The RCR invests in funds providing risk capital to a wide range of SMEs and mid-caps from the pre-seed to growth stage.

<sup>6</sup> Companies with less than 10 employees.

<sup>7</sup> We consider companies with less than 3 000 employees to be mid-caps.

*Note: the instruments marked with [\*] represent new products being developed by the EIB Group, in conjunction with the European Commission where appropriate.*

### Hungary: **finance for mobility**

Set up in a rented factory in 2006, Biotech has since become a key player in the Hungarian medical market. The company both produces and trades in orthopaedic, trauma and spine implants, providing mobility solutions for patients. The Managing Director soon realised that the company needed even more space and additional finance to continue developing new products and providing new services. In 2010, Biotech approached UniCredit Hungary for an EU-guaranteed loan via the CIP Programme managed by the EIF. The funds were used to buy a new factory, warehouse and office in Diósd near Budapest and to create a new R&D centre. Thanks to this expansion, the company has been able to increase its production and research and create new jobs.



## A few examples of our support to SMEs



### Spain: **dancing her way to success**

Dance teacher Núria, a choreographer, artistic director and flamenco dancer, set up her own dance school in Sant Esteve de Palautordera (Barcelona), Spain, in July 2007. Núria received an initial EU-guaranteed micro-credit contribution of EUR 25 000 from the Spanish microlender MicroBank, thanks to the CIP Programme managed by the EIF. This loan allowed her to refurbish the premises and take the very first steps towards opening her dance school. The school originally began with 20 pupils and now there are more than 60 budding dancers. Initially, Núria had six employees but was able to expand to ten following the loan. Her short-term ambitions are to make it a flagship dance school and to increase the number of pupils.





## Italy: investing in innovation

In Italy, the 100-year-old, family-owned Cartiera dell'Adda, employing 58 people, is one of the leading and most technically advanced SMEs in the packaging paper industry. The company received a EUR 2.5 million loan from Mediocreval S.p.A thanks to the EIB Loan for SMEs. Despite the economic downturn, the CEO of the company decided to go ahead with planned investments in the belief that technological innovation is the key to the company's continuity and development. The financial support enabled the company to purchase the new equipment required to increase capacity by 20% with the same level of fixed costs, improve product quality and add higher value added products to its portfolio.

### Where the EIB makes a difference

Our support has the following advantages:

#### Flexibility

Addressing a broad range of SME and mid-cap needs with tailor-made instruments.

Encouraging additional private and public sector commitment to invest and help SMEs and mid-caps to implement their projects.

#### Leverage effect

Providing our expertise, advisory services and rigorous due diligence and helping our counterparts meet the highest standards.

#### Expertise

## Ireland: the way babies like it

Entrepreneur Ann Marie Durkin from Shasta Innovative Baby Care in Ireland has moved on quickly from a niche she carved out for sterilised baby soothers to developing and manufacturing an exciting new product. Originally from Granard in County Longford, Ann Marie is a good example of someone who has spotted a gap in the market for a product and turned it into a viable business. Shasta Innovative Baby Care specialises in baby care products and is leading the way in the development of portable sterilisation technologies. An EIB loan through Allied Irish Bank, the company's partner since 2010, enabled Shasta Innovative Baby Care to enter the final stages of product development.



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A complete list of all EIB and EIF financial intermediaries across Europe can be found:

- for the EIB, at <http://www.eib.org/projects/priorities/sme/intermediaries/europe.htm>
- for the EIF, at [http://www.eif.org/what\\_we\\_do/where/index.htm](http://www.eif.org/what_we_do/where/index.htm)