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PRESS RELEASE

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Financial engineering in EU programmes: Banks can make it successful!

Financial instruments proposed by the European Commission in the next EU Multiannual Financial Framework 2014–2020 (MFF) will help to facilitate business access to finance. Almost €1.4 billion within COSME and €3.8 billion within HORIZON 2020 are dedicated to financial engineering which will take a form of loans, guarantees, equity or quasi-equity or participations. The SME's access to financial instruments in both programmes will highly depend on how these financial instruments will be attractive to financial intermediaries who are to channel the money to its final beneficiaries – mainly SMEs. In addition, new financial instruments will be complemented by financing from Cohesion Funds at national level and it is up to national authorities to leverage their effect.



SMEs form a substantial part of European economy; they are a key driver for economic growth, employment and social integration. Access to finance has been identified as one of the major obstacles that SMEs currently face. “We need to set up right instruments at European but also national level, involve banks and financial intermediaries and, last but not least, to build on the experience of current financial instruments such as CIP and FP7 programme”, said **Jakub Dürr**, Czech Deputy Permanent Representative to the EU.

George LEMONIDIS, Deputy Head of Financing of Innovation and SMEs Unit, European Commission, explained how the new financial instruments should work in the future. Many of current instruments will continue in the new financial period. Current equity instrument for SMEs - the High Growth and Innovative SME Facility GIF 1 (financing mainly start-ups) will be replaced by Equity Instruments for Research and Innovation in HORIZON 2020 and GIF 2 (expansion stage) will be replaced by Equity Facility for Growth within COSME. Debt instruments such as SME Guarantee Facility (SMEG) and Risk Sharing Instrument (RSI) will become Loan Guarantee Facility (Guarantees and securitisation on loans for all SMEs) and RSI-II Facility (Guarantees on loans for R&I-intensive SMEs). Under HORIZON 2020 there will be also a new Debt instrument for SMEs and Small Midcaps Guarantee Facility for R&I and the role of the Cohesion policy in financing should become more important. “The continuation of programmes means that we should insist on better structure, more efficient allocation of money and a new model of European Investment Fund”, stressed **Paul RÜBIG**, Member of the European Parliament's Committee on Industry, Research and Energy and Committee on Budgetary Control. For this reason he welcomes the effort made by the European Commission to simplify its programmes, render them transparent and avoid overlaps. According to MEP Rübzig, a good example of funding would be Eurostars and Eureka. But there is also the need to use money at national level to co-finance projects of EU added value. “In these times, SMEs are striking the problem of guarantees required for loans, which can become a vicious circle. Under the new MFF, the EU should mobilize its overall forces and not to keep the EU budget at insufficient level”, he stressed.

European chambers strongly endorse the initiative to improve access to equity and debt financing. “However only 0.2% of the proposed MFF is allocated to COSME, which is very low considering the frequently cited pivotal role



CEBRE - Czech Business Representation to the EU

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of SMEs in the delivery of the EU's jobs and growth agenda”, said **Giovanni CAMPI**, Senior Advisor, EU Affairs, EUROCHAMBRES. He added that chambers see the proposed €150.000 limit for loan guarantees in COSME's Loan Guarantee Facility as too low, particularly when considering costly operations such as business transfer, and stressed the importance of the COSME financial instruments' ability to leverage equity and credit sources for SMEs from larger funds. While stressing the need for raising the COSME loan guarantees and budget, BUSINESSEUROPE also called for a more holistic approach for the support of SMEs through the ERDF, the European Regional Development Fund. “The spectrum of SME needs is broad. It is very positive that tailor-made support for SMEs is included in the draft revised ERDF Regulation. But SMEs also need indirect support, resulting from positive action on the economic structures that surround them. It is therefore vital to correct the fact that large and intermediate companies are not eligible for access to ERDF support for productive investment that can result in huge benefits for SMEs”, said **Daniel CLOQUET**, Director of Entrepreneurship and SMEs, BUSINESSEUROPE.

The debate was organised jointly by CEBRE – Czech Business Representation to the EU, Czech Permanent Representation to the EU and CZELO – Czech Liaison Office for Research and Development on 26th April 2012. For more information see www.cebrecz.cz/docs/euprogrammes or contact Ms. Alena Vlačihová, Director of CEBRE at alena.vlachova@cebrecz.cz.