

15 January – 23 February 2018

Make the most of EU resources for your region or city

Smaller businesses: a key priority for our economy

Small and medium-sized enterprises (SMEs) are important drivers of growth, innovation and employment in Europe. SMEs account for **99% of businesses in the EU and employ two-thirds of the active working population** (more than 90 million Europeans). In fact, smaller businesses are often referred to as “the backbone of the EU economy”. Supporting them is a top priority for European, national, regional and local authorities.

However, micro, small and medium-sized enterprises have been severely affected by the economic crisis. Many of them are often confronted with harsher lending conditions or simply locked out of the conventional banking system.

The recent **Investment Survey** conducted by the European Investment Bank, involving interviews with 12 500 businesses across different sectors, of different sizes and from all EU Member States, shows that **access to finance is a concern for Europe’s younger, smaller innovative firms** and firms active in countries more affected by the economic downturn. According to the survey, the top challenges for EU businesses are **uncertainty** (69% of firms), **lack of skilled labour** (68% of firms) and the **business and regulatory environment**.

Public support to small businesses, by addressing the main challenges they face and fostering a suitable environment for them to prosper, is critical – now more than ever.

How can the EIB Group help?

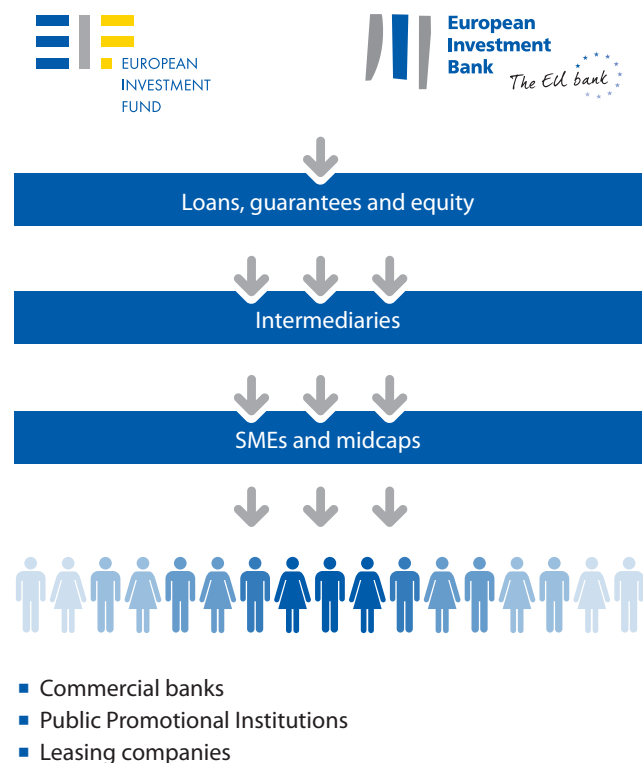
The European Investment Bank Group plays a crucial role in improving access to finance for SMEs and midcaps in Europe and beyond. As a public entity forming part of the EU institutional family and owned by the Member States, the EIB

Group eases small businesses’ access to finance by **lending directly to companies** in need of funding but also, and most importantly, **indirectly via strong partnerships with financial intermediaries**, mainly composed of local commercial banks.

This enables increased support to be provided to SMEs and midcaps through loans, guarantees and equity products and has a greater impact on the real economy. By relying on an extensive network of **around 1 000 financial partners**, the EIB Group benefits from the expertise of local operators to calibrate properly the support each company needs.

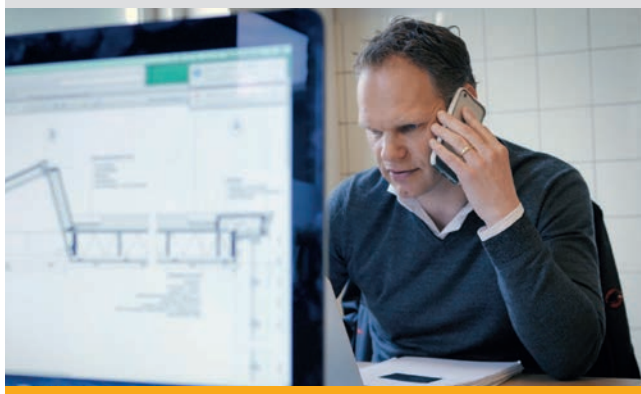


EIB Group intermediated business model



A construction SME born in the midst of the crisis

Patrick Schreven, founder of ORGA bouw in the Netherlands, is specialised in bio-based construction. He gets his inspiration from nature to build houses, farms and offices integrated into their natural environment. A micro-loan from Qredits, an EIF partner bank, enabled Patrick to start his construction company in the midst of the economic crisis.



In 2016, the EIB Group financed SMEs to the tune of EUR 33.7 billion, which leveraged at least EUR 90 billion of total investment. This was possible due to our scalable intermediated model, whereby financial intermediaries not only on-lend to SMEs and midcaps amounts equivalent to EIB products through their network, but also commit to complementing those amounts with additional financial resources.

The benefit of working with financial intermediaries is therefore threefold:

- The EIB Group's financial value added thanks to our AAA rating is transferred to a greater number of SMEs and midcaps through favourable terms (longer tenors and reduced pricing)
- Complementary funding is provided by intermediaries to multiply the resources available from the EIB Group
- An ensuing long-term commitment, translated into business continuity, stems from this collaboration

In order to reach a level of financing adapted to the **specificities of each region**, the EIB Group leverages the expertise of Public Promotional Institutions, including National Promotional Banks, across the various geographic areas covered.

We also engage in co-financing with sovereign wealth funds and blending of EU funds, such as the European Structural and Investment Funds (ESIF), to help create suitable financial instruments that benefit from additional sources of investment.

Who can benefit?

Through our financial intermediaries, the EIB Group provides financing to:

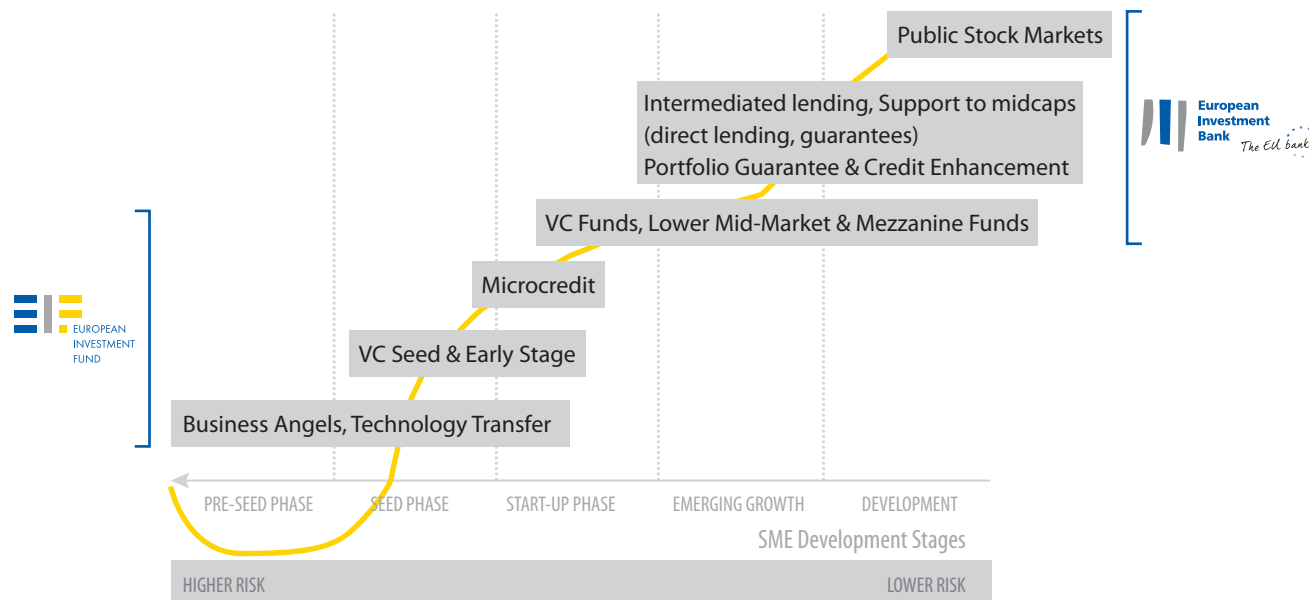
- micro-enterprises (0-9 employees)
- small enterprises (10-49 employees)
- medium-sized enterprises (50-249 employees)
- midcaps (250-3 000 employees)

as per [EU Recommendation 2003/361/EC](#)

Is EIB Group support only for certain types of firms?

All SMEs or midcaps, regardless of their development stage, sector or location, are eligible for EIB Group financing through our network of financial intermediaries. Each of the two institutions that compose the EIB Group, the European

EIB Group targeted support based on SME development stage



Investment Bank (EIB) and the European Investment Fund (EIF) specialises in a set of targeted products, and they coordinate to provide a joint business offer.

The EIB's activity in support of SMEs and midcaps is generally more focused on delivering financial backing (mainly funded) to **established enterprises**, mostly in the growth or maturity stages. This outlines its complementarity with the EIF, which typically concentrates on supporting enterprises at **earlier stages of growth** and through the provision of guarantee schemes.

The **companies supported operate in all sectors of activity**, ranging from primary sectors (agriculture, forestry and fisheries) to more capital-intensive activities such as manufacturing and services, including those with a highly innovative focus.

What do we offer?

The EIB Group's diversified approach to reaching SMEs and midcaps features the following product offer:

- **Microfinance and larger loans** to get projects off the ground. We also provide **loan substitutes** (covered bonds, funded/unfunded Asset Backed Securities) to relieve the capital constraints of banks pressured by regulatory requirements. This reduces the burden financial intermediaries carry and provides them with additional capacity to roll out further support for SME and midcap lending.
- **Guarantees and risk-sharing loans**, covering the investment risks of large and small projects. By credit-enhancing the funding provided by local banks, the EIB Group makes it easier for them to support small businesses.

Making finance available for Spanish SMEs

In Bilbao, Spain, budding interior designer Elisabete Azkoaga has been able to turn her dream of opening up her ideas to a wider public thanks to the help of a EUR 15 000 loan from EIB partner bank Microbank, specialised in microfinance.

A friend helped her take the right decision.





- **Participation in debt and equity funds**, enabling the EIB Group to support SMEs' business development through long-term riskier investments. This crowds-in investors and fosters the involvement of the private sector, which is essential to the stability of a resilient economy.

The EIB Group constantly strives to **diversify its support to SMEs and midcaps** through alternative financing techniques such as supply chain finance, trade finance or peer-2-peer investor platforms. We focus on responding to the needs of SMEs and midcaps by broadening our potential involvement through these less conventional approaches.

In order to increase the EIB Group's risk-bearing capacity, the European Commission launched in 2014 the **European Fund for Strategic Investments (EFSI)**. This guarantee instrument helps address market failures and increases the EIB Group's flexibility regarding the risk profile of borrowers, the investment sizes, the security available for projects, and the underlying risk associated with the projects themselves.

How does this fit into EU policy?

SME and midcap finance is a key priority of the EIB Group, but the Group also **supports transversal objectives and additional EU policies**.

Owing to strong relationships arising from our extensive network of financial intermediaries, and based on institutional agreements with regional public authorities and the European Commission for specific financial instruments, the EIB Group can request its partners to dedicate its products to targeted policies, e.g. **youth employment, agriculture, innovation, economic cohesion, internationalisation and climate action**.

Such smart, relevant and sustainable priorities are in line with the challenges currently faced by European and international SMEs. These overarching goals give guidance to the EIB Group's impact in order to provide a more refined way of assisting SMEs and midcaps.

How can small businesses access EIB Group finance?

Are you an SME looking for finance to start up or expand your business?

- **Contact the local partners supported by the EIB**
- **Discover more about EIF finance for SMEs**

Are you a midcap looking for a loan?

- **Contact the EIB directly**



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