



SME access to financing and the role of public support programmes

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European Commission crisis response

- 13 March 2020: Communication from the European Commission on a **‘Coordinated economic response to the COVID-19 Outbreak’** COM(2020)112 final
- Relevant announcements for SME support in this Communication:
 - **Mobilising the EU budget** and the European Investment Bank Group
 - “Coronavirus Response Investment Initiative” (CRII), Commission proposal **to redirect € 37 billion of unspent or unallocated resources under cohesion policy** to the COVID-19 outbreak (eligible support: working capital facilities for SMEs hit by the crisis)
 - **Flexibility in the application of state aid rules** and announcement that the Commission is preparing a special legal framework under Article 107(3)(b) TFEU, which allows providing State Aid in exceptional circumstances
- Activation of the general escape clause under the Stability and Growth Pact until 2022 to **provide for fiscal leeway** at Member State level

Mobilising the EU budget and the European Investment Bank Group

- €1 billion from EU budget as a guarantee to the European Investment Fund in Luxembourg (EIF), to allow EIF to partially guarantee newly created portfolios of working capital facilities across the EU
 - Objective: Support 100,000 SMEs with € 8 billion of working capital facilities
 - Use of existing European Guarantee Programmes (COSME, InnovFin) to facilitate rapid implementation through change of conditions (eligibility criteria, guarantee)
 - New conditions announced 6 April 2020 through public call for expression of interest
- Adaptation of conditions for existing portfolios under EU Guarantee programmes:
 - COSME, InnovFin, Cultural and Creative sectors Guarantee Facility, Employment and Social Innovation Guarantee Facility (micro lending)
 - Provide flexibility for restructuring, credit holidays, etc.

Adaptation of State Aid Rules to enable Member States to provide aid

- Initial publication of **Temporary State Aid Framework**: 19 March 2020 with end date 31 December 2020
- Various amendments published since, latest available version 5th amendment as published on the 28th of January 2021, key components of specific interest for SMEs:
 - Aid per undertaking max € 1.8 million (through grants, tax and payment advantages or other forms such as repayable advances, guarantees, loans and equity)
 - Additional provisions for aid in the form of guarantees on loans; through subsidised interest rates for loans, recapitalization schemes (through equity or hybrid instruments if necessary and as a last resort)
 - End date is the 31st of December 2021 (end date for the implementation of individual measures)

Largest ever recovery package to repair the immediate economic and social damage



Multi-annual financial framework (2021 – 2027)	€ 1.2 trillion
Next Generation EU (one-off recovery instrument)	€ 0.8 trillion
TOTAL	€ 2.0 trillion



Supporting Member States to recover, repair and emerge stronger from the crisis



Kick starting the economy and helping private investment to get moving again



Learning the lessons of the crisis and addressing Europe's strategic challenges

Next GenerationEU mainly a Member State tool to build a future proof economy



Policy orientation of future EU support programmes (2021 – 2027) for SMEs

- 10 March 2020: An SME Strategy for a sustainable and digital Europe (dedicated finance section)
 - Support of EU policy objectives (**digital and green transition**, gender smart financing, etc.)
 - Support the creation of a more integrated European Capital Market
 - Main financial tool for achievement of objectives is the **SME window of InvestEU**
- 5 May 2021: Update of the 2020 Industrial strategy
 - Confirmed validity of the existing SME strategy and identified need for recapitalisation of SMEs, such support to be provided under **InvestEU**

InvestEU Fund: Resources of € 26.2 billion for 7 years split between 4 policy windows



SUSTAINABLE
INFRASTRUCTURE

€ 9.9 billion



RESEARCH, INNOVATION
AND DIGITISATION

€ 6.6 billion



SMALL AND MEDIUM-
SIZED COMPANIES

€ 6.9 billion

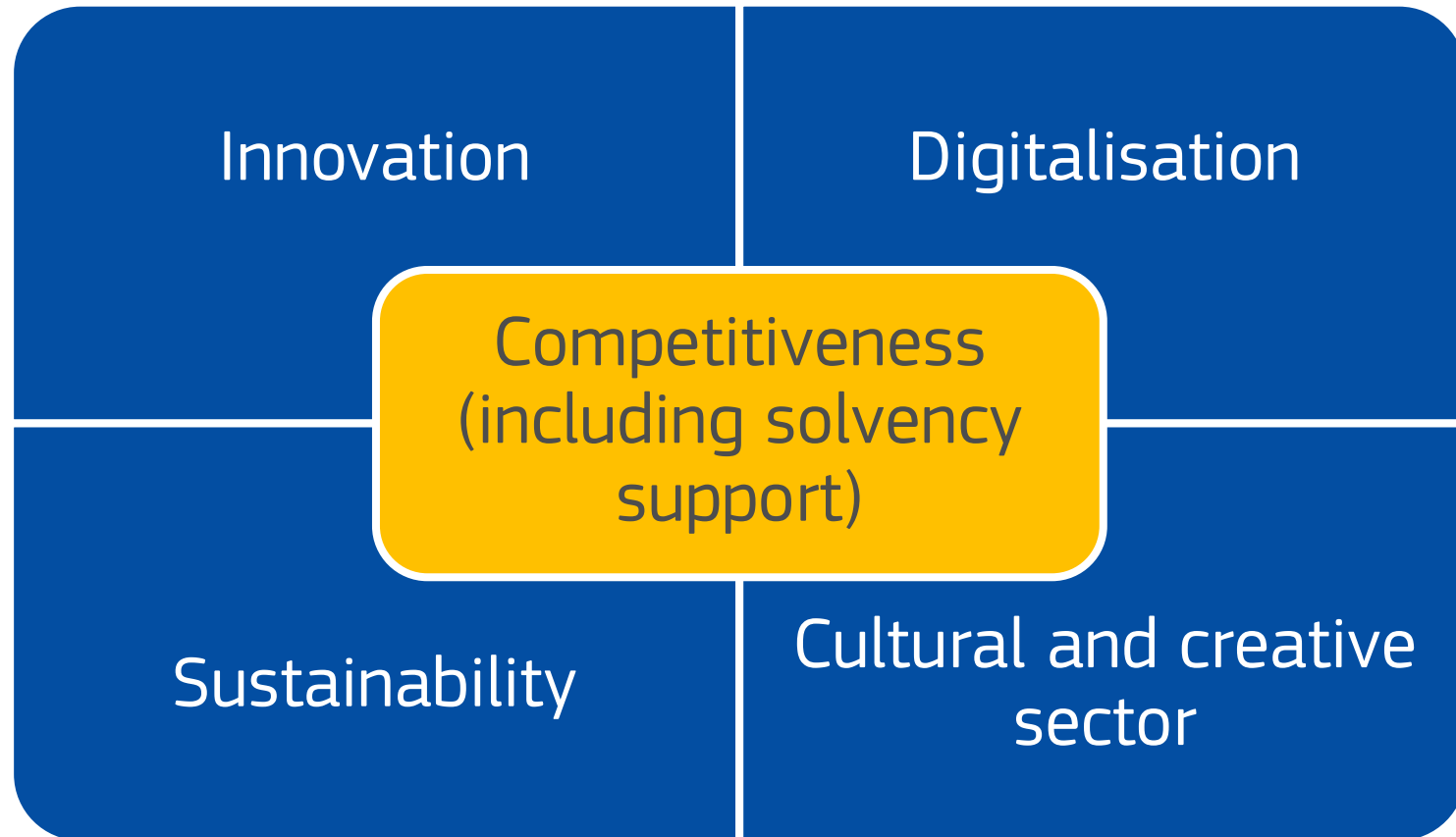


SOCIAL INVESTMENT
AND SKILLS

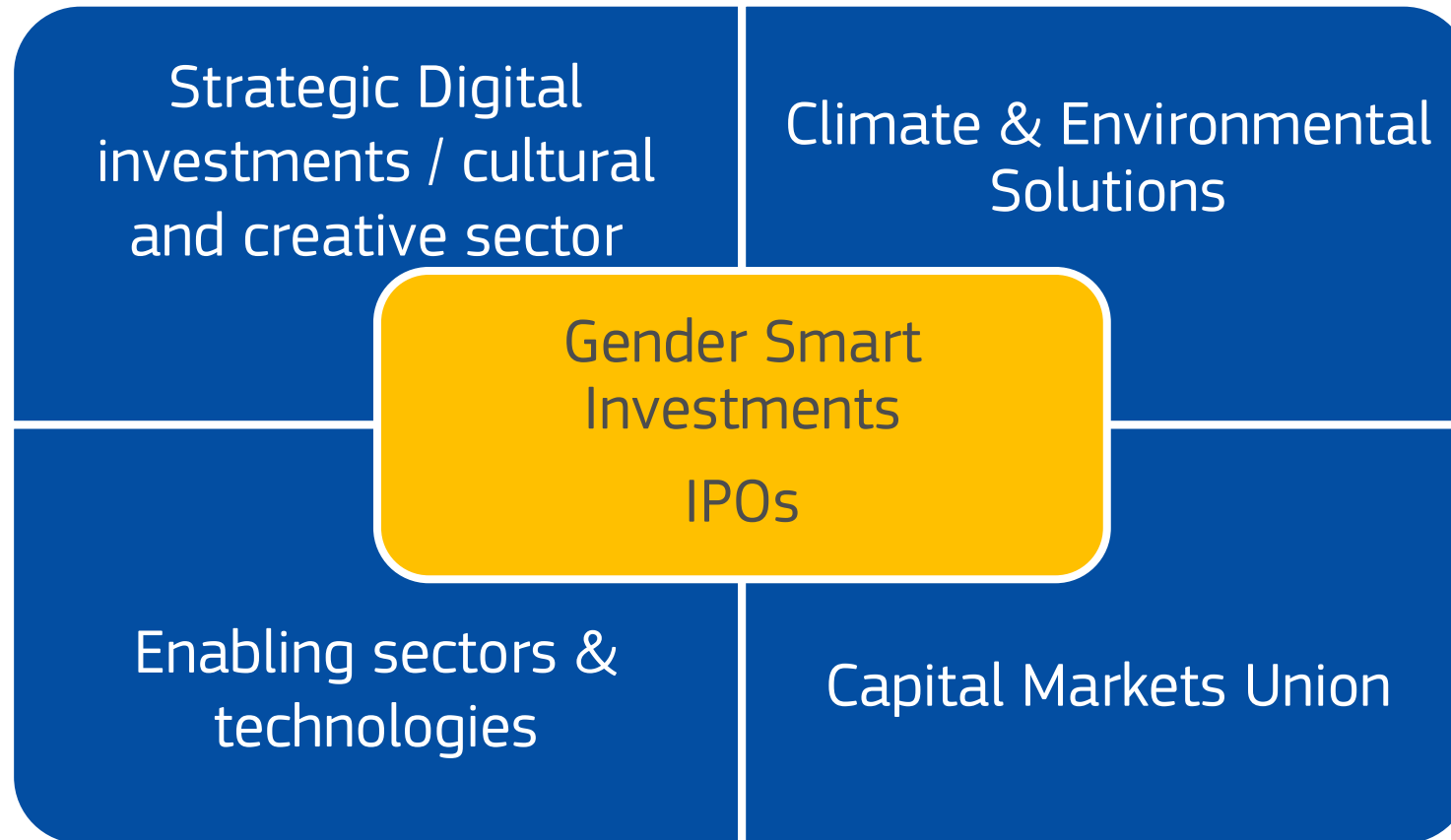
€ 2.8 billion

Target: Leverage other public and private financing sources to achieve additional investments of **€ 372 billion**

Under preparation: European Guarantee Facility mandate to support EU policy objectives



Under preparation: European Equity Investment mandate to support EU policy objectives



New & innovative tools for access to finance: ESCALAR for scaleups

- ESCALAR is a €300m pilot addressing the market failure in **funding for high-growth scale-ups in the EU**. It will be fully rolled out under the InvestEU programme.
- **Targets late stage venture & growth investors and increases the investment firepower of fund managers**. Up to EUR 100 million tickets for late stage venture and growth funds.
- Its unique equity structuring foregoes participation in the full return, **enhancing returns for other investors**. It offers increased investment returns in all scenarios where the fund return is positive, with downside protection for the public investment.

IPO Fund

- The Commission will set up a **private-public SME IPO fund** under the InvestEU programme to address the financing gap at the next stage: IPO. The public sector will act as an anchor investor in cross-over funds, i.e. funds targeting investee companies pre-IPO, at IPO and post-IPO.
- The aim is for the EU to **risk-share investments with private investors** willing to pursue investment strategies that target SMEs at the IPO stage and thus increase the number of IPOs on European venues.
- The Fund should positively influence market and facilitate **further investments into SME IPOs**.

Thank you



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