Network of European Financial Institutions for Small and Medium Sized Enterprises

Contribution of the Network of European Financial Institutions for SMEs to the European Commission's Green paper on long-term financing of the European economy

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The Network of European Financial Institutions for SMEs (NEFI) consists of 17 financial institutions from 17 member states of the European Union. These institutions share a public mission to facilitate the access to finance for Small and Medium Sized Enterprises (SMEs) by offering them financial services and expertise. Other, similar tasks have been assigned to the member institutions in the fields of the environment and infrastructure, among other things.

All NEFI partners act complementarily to and in co-operation with the national banking system through co-financing, risk-sharing, expertise and advisory services in order to address shortcomings in the SME financial markets.

1) *Do you agree with the analysis out above regarding the supply and characteristics of long-term financing?*

The NEFI member institutions welcome the publication of the Green paper by the European Commission. Access to long-term finance is one key requisite for achieving European Union's medium and long-term goals for a smart, sustainable and inclusive economy.

While long-term financing – by its very nature – covers a broad spectrum, we particularly welcome the European Commission's awareness for the long-term financing needs of SMEs. As national institutions with a public mission to facilitate the access to finance for SMEs, one main purpose of NEFI members is to provide stable long-term financial solutions for SMEs in the respective Member States.

2) *Do you have a view on the most appropriate definition of long-term financing?*

In our view, a sufficiently broad range of long-term investment needs which are central for SMEs is mentioned in the green paper.

Concerning the definition of long-term finance and the possible use of concrete terms/maturities as thresholds, we would like to highlight that long-term financing needs differ considerably, e.g. between SMEs and infrastructure projects. If a more narrow definition of long-term finance is to be considered, these existing differences should adequately be taken into account.

3) *Given the evolving nature of the banking sector, going forward, what role do you see for banks in the channelling of financing to long-term investments?*

According to our assessment, banks will remain the most important source for (external) long-term finance for SMEs in the foreseeable future. Therefore, public support for alternative sources of finance for SMEs is important. However, for the overwhelming majority of SMEs bond markets, equity markets, VC-funds, private equity, etc. will – at most – be complementary to bank financing and not a substitute.

4) *How could the role of national and multilateral development banks best support the financing of long-term investment? Is there scope for greater coordination between these banks in the pursuit of EU policy goals? How could financial instruments under the EU budget better support the financing of long-term investment in sustainable growth?*

National and multilateral promotional institutions are an important policy instrument of the public sector to enhance access to long-term finance, especially in areas where a purely market oriented system would lead to suboptimal investment decisions.

Multilateral and national promotional institutions support SMEs by

- offering loans, guarantees, equity and mezzanine finance and technical assistance,
- providing leverage to EU and national SME programs,
- offering a one-stop-shop for access of SME clients for both European and national financing schemes,
- …

NEFI members welcome the enhanced use of financial instruments to support SMEs under the next multiannual financial framework 2014-2020. We will continue to provide expertise and advice for the EU and its financial institutions in the planning and implementation of EU-wide promotional and financing schemes.

National and multilateral promotional institutions can support the European Commission by

- bringing a better understanding of the different national markets and their needs,
- allowing a better articulation with existing European programs,
- developing the capacity of deployment of European funds at national level and reinforce their visibility,
- to reach a critical mass of funding and a better cost efficiency by mutualising some resources,
- …

Concerning the creation of new EU financial instruments for SMEs, we would like to emphasise that the financing needs of and the existing support schemes for SMEs typically differ considerably between member countries. To allow for the most efficient use of European and national public resources, the European Commission should not create "one-size fits all" SME instruments but should follow a more decentralized approach and allow – whenever possible – for country specific adaption of its financial instruments. The efficiency of EU and national spending related to the SME support could be reached if the capacity of national programmes could be extended by EU funding, assuming the goals of both initiatives are harmonised. The current situation when both initiatives are quite frequently in parallel is far from optimal. Intensive usage of national promotional institution as intermediaries co-operating with the EIB Group could bring tailor-made and extended offer of financing for final recipients. Likewise, the new State Aid rules for the forthcoming period 2014-2020, which are currently being defined and drafted by the European Commission, need to take into account the long term financing needs and avoid adopting possible harmful measures to the promotional bank sector.

On behalf of NEFI partners

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