



New initiatives from EIB Group for SME financing

EU Finance Day for SMEs
Lisbon

SME financing: A key priority for the EIB.

- Support to SMEs is one of 6 priority objectives of the EIB Group.
- Large lending activity to SMEs in past recent years:

	2002	2003	2004	2005	2006	2007	2008	2009
Signed (EUR bn)	5.3	5.7	4.6	3.9	7.1	5.9	8.2	COP target 8.0

- EIB SME consultation process during 2008 – more than 100 SME associations, partner banks and public institutions contacted.
- Informal ECOFIN meeting of September 2008:
 - 2008-2011: 30 bn EUR to be allocated to SME support
 - “Front loading”: 2008/2009 - 15 bn EUR

Implementing ambitious SME objectives

Facilitating access to financing for SMEs at better financial conditions through:

- Intensifying of partnership with the banking sector.
- Developing of new products.
- Reinforcing of cooperation within the EIB group (EIB and EIF).

COOPERATION WITH THE BANKING SECTOR



**EIB Long-term
Financing**

Financial Intermediary
(lending to SMEs)

Medium-long term loans

SME

SME

SME

SME

SME

SME

NEW PRODUCTS: “EIB LOAN FOR SMEs”



- ❖ Evolution from traditional EIB credit lines “Global Loan” to a more focused funding product for SMEs.
- ❖ Key parameters:
 - SMEs < 250 employees
 - Project cost < EUR 25 m
 - SME loan duration > 2 years
- ❖ Key improvements:
 - simplification
 - higher flexibility on “eligibility”
 - increased transparency

“EIB LOAN FOR SMEs”: Simplification



- ❖ Some examples:

Before	After
EIB could finance up to 50% of project cost.	EIB can finance up to 100% of the intermediary's loan to the SME.
Restrictions for the financing of sectors.	Only a reduced list of excluded sectors is maintained.
Reporting required, among others, project description, implementation schedule of the project, etc	Streamlined reporting: name and address of final beneficiaries, their economic activity code, the number of employees and loan amount.

“EIB LOAN FOR SMEs”: Flexibility



Some examples:

Before	After
Financing of patents and licences only up to 50% of project cost.	No restriction on the amount of expenses for patents and licences.
Working capital investments were not eligible	Medium and long term capital needs can be financed.
Only fixed asset components of distribution networks were eligible.	Expenses for building up distribution networks including in other EU countries to foster international expansion are eligible.
Company transmission was not eligible.	Financing needs of up to 1M EUR for generation change or staff-related company transmission of SMEs are eligible.

“EIB LOAN FOR SMEs”: Transparency



- Stricter requirements on financial intermediaries to inform SMEs of EIB's intervention and its impact on the financing conditions offered by the intermediary.
- Contractual commitment by the intermediaries to pass on an agreed amount of financial advantage to the SMEs.

NEW PRODUCTS: “Risk Sharing for SMEs”



- “More risk for higher added value”
- EIB to share risk on final beneficiaries (SMEs) on 50/50 basis with financial intermediaries.
- Risk sharing for SMEs will normally be implemented through “full-delegation” schemes.
- Risk sharing products require very sound credit management systems at the financial intermediaries (i.e. Basel II advanced approach).

EIB/EIF REINFORCED COOPERATION



- EIB's core competence:
 - Counterpart risk analysis
 - Global banking relationships
- EIF's core competence:
 - Portfolio risk analysis
 - Fund management assessment
 - EU – Mandates
- EIB and EIF coordinate their activities to deliver the highest added value for the benefit of SMEs.
- Mezzanine Mandate - EIF to invest EUR 1 billion 2009 - 2011 to create 'fund of funds' under a mandate from EIB.

EIB's support to SMEs in Portugal



- ❖ EIB has signed 20 loan agreements for SMEs in Portugal during the period 2005-08 for a total of EUR 1.663 m.
- ❖ The EIB cooperates at present with 8 financial intermediaries in Portugal.
- ❖ EIB is working to increase its SME lending for SMEs - ECOFIN September 2008: EUR 15bn in 2008-2009; in 2008 EIB has signed 8bn, 2009 forecast signatures are expected to be substantially higher.

Year	Number of operations signed	Amount (EUR M)
2005	6	350
2006	4	325
2007	3	350
2008	7	638
Total	20	1.663

For more information...



- ❖ SMEs can find the list of EIB financial intermediaries in Portugal, including contact details, on EIB website.

<http://www.eib.org/>

www.eib.org/about/news/the-intermediary-banks-and-financing-institutions-for-credit-lines.htm