

Annex A. The EIB Group's support to SMEs and midcaps

The EIB Group's support to SMEs and midcaps

The European Investment Bank Group (EIB Group) – consisting of the **European Investment Bank (EIB)** and the SME-focused **European Investment Fund (EIF)** – plays a role in improving access to finance for SMEs and midcaps in Europe and global partner countries. The EIB is the European Union's bank, owned by and representing the interests of the European Union Member States. The EIF specialises in SME financing, and is majority owned by the EIB (58.5%), with the remaining equity held by the European Union (represented by the European Commission, 29.7%) and other European private and public bodies (11.8%).

Supporting access to finance for small business EIF's sole mission and represents the EIB's largest -of the four- primary policy priority in terms of volume. The two institutions act in strategic collaboration to provide a complementary offer of financial products to SMEs and midcaps. EIB support to SMEs is provided mainly through intermediated financing, both funded and unfunded risk sharing, including loan substitutes, as well as direct growth finance to midcaps. While still providing significant funding to micro enterprises, EIB's products are focused on delivering support to more established enterprises. The EIF, meanwhile, offers risk finance for SMEs in all stages of their development via financial intermediaries, including equity, mezzanine, guarantees, microfinance, and securitisation. Support is provided to a wide constituency ranging from more fragile early-stage enterprises to maturing SMEs and from primary sectors (agriculture, forestry and fishing) to more capital-intensive activities such as manufacturing and services, including those with high innovative content. Financial instruments.

Additional information on the EIB Group's SME activities can be found on the respective websites of the EIB (www.eib.org) and EIF (www.eif.org).

By relying on an extensive network of **around 750 financial partners** in 2017, the EIB Group profits from expertise of local actors to calibrate the varying financial challenges and needed support of SMEs throughout the EU.

Over the course of 2017, the **EIB Group has financed EUR 29.6 billion in support of SMEs and midcaps, which leveraged at least EUR 125.2 billion of total investment.** This was possible because financial intermediaries commit to complementing EIB Group financing with additional financial resources.

The benefit of working with a wide range of different financial intermediaries is therefore threefold:

- EIB Group's financial value added due to its AAA rating is transferred to SMEs and midcaps through advantageous conditions (longer tenures and reduced pricing);

- Complementary funding is provided by intermediaries to multiply the resources available from the EIB Group; and
- Acting jointly with market players the EIB Group can act in line with market needs and can reach out to a higher number of European SMEs.

The EIB Group's offer

EIB Group's approach to reach SMEs and midcaps features the following product offer:

- **Microfinance and larger loans** to get projects off the ground. EIB Group also provides **loan substitutes** (Covered Bonds, funded/unfunded Asset Backed Securities) relieving 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 financing support to SMEs and midcaps;
- **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; and
- **Participation in debt and equity funds**, enabling the EIB Group to support the SME's business development through long-term riskier investments. This crowds in investors and fosters the involvement of the private sector, essential to the stability of a resilient economy.

The EIB Group also strives to **diversify its support to SMEs and midcaps** through alternative and less conventional financing techniques such as supply chain finance trade finance or peer-2-peer investor platforms.

In order to reach a level of financing adapted to the specificities of each region, the EIB Group leverages also on the expertise of Public Promotional Institutions, including National Promotional Banks, through dedicated financing platforms operating across the various geographies covered. It also engages in co-financing with Sovereign Wealth Funds and blending of EU funds under specific mandates, such as the European Structural and Investment Funds (ESIF) (<http://www.eib.org/products/blending/esif/>) available to national and regional authorities, to help create suitable financial instruments that benefit from additional sources of investment.

In order to increase EIB Group's investment impact in the EU, the European Commission launched in 2014 the **European Fund for Strategic Investments (EFSI)** (http://www.eif.org/what_we_do/efsi/index.htm).

This instrument aims to address market failures, to increase EIB Group's financing flexibility, notably regarding the risk profile of borrowers, the investment sizes, the security available for projects and the underlying risk associated with the projects themselves, and to leverage the EIB Group's own funding by crowding-in private resources.

EFSI has two components:

- The Infrastructure and Innovation Window, implemented by the EIB (EUR 15.5 billion, to mobilise EUR 232.5 billion of investments); and
- The SME Window, implemented by the EIF, (SMEW, EUR 5.5 billion, to mobilise EUR 82.5 billion of investments).

The EIF uses financial instruments in order to maximize the amount of mobilised financing and to ‘crowd in’ private investors for the purposes of the EFSI SME Window. These are mainly guarantees and equity investments. Based on the success of the implementation, an extension in the form of EFSI 2.0 is underway. With an increased budget and extended lifespan until end of 2020, EFSI 2.0 now aims to mobilise at least EUR 500 billion of additional investment. The latest EFSI figures can be found online (https://ec.europa.eu/commission/publications/investment-plan-results-so-far_en).

Increasing Policy Priorities

The EIB Group also **supports transversal objectives and additional EU policies**. Owing to established relationships from its 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 tailor its products to reach wider policy objectives, such as in the area of youth employment, agriculture, innovation, economic cohesion, internationalisation and climate action.

These overarching goals give guidance to EIB Group's impact in order to provide a more refined way of assisting SMEs and midcaps.



From:
Financing SMEs and Entrepreneurs 2019
An OECD Scoreboard

Access the complete publication at:
https://doi.org/10.1787/fin_sme_ent-2019-en

Please cite this chapter as:

OECD (2019), “The EIB Group's support to SMEs and midcaps”, in *Financing SMEs and Entrepreneurs 2019: An OECD Scoreboard*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/75b3551f-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.