

Conclusions

Framework operation #4 for SME Competitiveness Guarantee

INVEU-ICR-0040-2022 – SME Window

Short description of the financing or investment operation and its objectives

Financial intermediaries	Guarantee intermediaries such as financial Institutions, guarantee institutions, National Promotional Banks or Institutions, alternative lenders such as debt funds.
Final recipients	SMEs
Countries of implementation	Pan-European, with geographical distribution of Sub-projects expected across various Member States.
Implementing partner	EIF

This Framework Operation will support Sub-Projects aiming at improving the competitiveness of enterprises by facilitating access to, and the availability of finance to SMEs, which are perceived by financial intermediaries as being high risk or lacking sufficient collateral.

It will include also Sub-Projects aimed at providing solvency support to SMEs negatively affected by the COVID19 pandemic. In this case, intermediaries will provide subordinated lending to such final recipients, in order to address their recapitalisation needs and therefore contributing to, inter alia, stabilising the financial position of SMEs, enhancing their borrowing capacity and supporting business investment.

It builds on the implementation of the previous guarantee programmes managed by the EIF, namely the **COSME Loan Guarantee Facility**, and it brings elements of novelty by providing solvency support to SMEs via subordinated debt transactions.

Global Assessment and rationale for approval

The Investment Committee (IC) of the InvestEU Fund approved the use of the InvestEU guarantee on 7 July 2022 for the above-mentioned operation.

The Investment Committee considered that SMEs are generally perceived by financial intermediaries as being high risk, as a result of factors such as their small size, lack of collateral, thinner equity cushions, lower liquidity buffers, fewer financing options and less diversified revenue sources.

The SME market also suffers from (i) fragmentation and comparatively high transaction costs, which makes it less or sometimes not economical to serve, and (ii) information asymmetries.

The IC recognises that the SME Competitiveness Guarantee aims at encouraging intermediaries to increase lending to SMEs, especially to those with a higher risk profile, going beyond their standard credit policy or lending practice.

Conclusions

The Sub-Projects under this Framework Operations will enable financing solutions with enhanced access to finance measures to the benefit of final recipients, such as (i) reduction of collateral requirements, (ii) reduction in down payment, (iii) increase in financing volumes, (iv) longer maturities, (v) bespoke financing arrangements.

Further additionality is provided through a higher guarantee rate in the case of recipients located in cohesion/ just transition regions, or benefitting from solvency support, as well as by supporting intermediaries that will cover market segments not previously served or not served to the same extent.

The IC also sees some additional quality features of the operation through the support to various types of intermediaries, incl. commercial banks, NPIs, alternative lenders.

A significant share of the guarantee is expected to target riskier segments of the SME market, i.e. younger SMEs (5-years or younger) and smaller SMEs (less than 10 employees). Due to the different higher risk categories available under the SME Competitiveness Product, EIF will set particular conditions for each Sub-Project and customise it to the needs of the financial intermediary to finance higher risk SMEs in its own market.