



Mr Philippe de Fontaine Vive
Vice President
European Investment Bank
100, Bd Konrad Adenauer
L-2950 Luxembourg

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Re: consultation on EIB's Global Loan product and how to modernise and maximise its added value for SMEs

Dear Vice President,

I thank you for your letter dated 25 June 2007. Over the years, the EIB Group has considerably developed its financial instruments in favour of SMEs, a development that we highly welcome.

The financial needs of SMEs are at their greatest during the start-up and growth phases. In these situations, companies are often considered a high-risk investment and banks are more reluctant to provide financing. In spite of the growing importance of alternative sources of financing, many SMEs still depend to a large degree on banks and traditional loans.

Through your Global Loan product, a medium-term credit line made available to national and regional intermediary banks for the financing of SME investment projects, you have been able to provide loans at favourable conditions to around 30,000 SMEs every year, with an annual average lending volume of EUR 4bn. This is an excellent result.

A further easing of SME access to external finance should at the same time remain a preoccupation, also in the light of the influence that Basel II requirements have on commercial banks' lending policies.

BUSINESSEUROPE therefore welcomes the EIB's objective of modernising and diversifying its Global Loan product in order to address the needs of its very diverse target group more widely. Particularly, greater flexibility regarding the minimum-level loan amounts, additional Global Loan products and higher risk-sharing by the EIB could result in additional funds being channelled to SMEs.



With regard to potential new EIB products, BUSINESSEUROPE would like to highlight the following:

- *Global Loan for loans to SMEs of less than 1 million EUR*

In view of commercial banks' more restrictive lending practice, the EIB's intention of financing up to 100% of investment costs instead of the current 50% would be an important step forward.

- *Global Loan for loans to micro-enterprises*

A programme that backs loans to SMEs not exceeding EUR 50,000 could help increase access to finance for very small entities and start-ups at more favourable conditions. More generally, the availability of micro credits is important for supporting and stimulating local entrepreneurial activity. Additional efforts in this area are therefore welcome.

- *Global Loan for innovative SMEs with risk-sharing on a case-by-case basis*

The backing by the EIB of loans to innovative SMEs not exceeding EUR 12.5m and the sharing of credit risk with the intermediary would considerably contribute to ensuring the growth of this segment of SMEs. While the appraisal of loans and administration of EIB funds would be delegated to the intermediary bank, the EIB should ensure that this facility truly contributes to decreasing the risk aversion of intermediary banks with regard to individual investment projects of innovative SMEs.

- *Global loans for innovative SMEs with risk-sharing on a portfolio basis*

Within the framework of this facility, the EIB would envisage to back loans to innovative SMEs not exceeding EUR 12.5m and share the risk of up to 50% on a portfolio basis. In our view, risk sharing on a portfolio basis as opposed to risk-sharing on a case-by-case basis would offer higher flexibility to intermediary banks, thus enabling them to also finance investment projects that otherwise would not have met the stricter internal credit rating rules, while at the same time still bearing an acceptable risk.

I look forward to discussing this further with you during the meeting you will have with President Seillière on 17 September in Brussels.

Yours sincerely,

Philippe de Buck