

PRESS RELEASE

Brussels, 22<sup>nd</sup> January 2009**Banks need guarantees to grant affordable credits!**

Only appropriate measures taken according to the local needs and via established structures (structural funds, EIB loans and EU programmes) can ease the access of SMEs to liquidity. SMEs access to finance is a part of broader problem but also a part of the solution. *"The key is ... to make best use of the opportunities which have been opened. The benefit should be brought down to the enterprises as quickly as possible and administrative burden reduced to a minimum,"* said Jiří Plecítý from Verheugen's Cabinet during CEBRE Business Breakfast organized on 21<sup>st</sup> January 2009.



Jiří Plecítý added: *"Everything must be done to ensure that viable businesses continue to have access to capital on reasonable terms. Working capital is the blood that allows businesses to operate on a day-to-day basis, while sustaining investment in innovation and human resources is essential to ensure that SMEs stand ready to fully benefit when recovery comes."*

Czech Presidency will try to keep the differentiated approach between the Member States, make efforts for efficient use of financial instruments at the European level and support the swift flow of the financial assistance to the real economy. *"Presidency welcomes the injection of EUR 30 billion in the European economy and in particular for SMEs in years 2008-11 through the EIB and will search for further stimulus for the European businesses on European and Member States level in the context of the current economic situation,"* said Petr Dolejší from Czech Permanent Representation to the EU.

With the view to improve the access of SMEs in the wake of financial crisis, the EIB has launched a new generation of intermediated loans financing SME projects. It channels the finance to SMEs via partner financing institutions in simpler, more flexible and transparent way. Under these loans it will be possible to finance not only tangible parts of investments but also intangible ones, i.e. expenditures for research and development or permanent increase in working capital. It concerns project for 2-12 years period going up to EUR 25m (with maximum amount of EUR 12.5m per loan provided by the EIB). *"The EIB also changes the perception of credits awarded. SMEs benefiting from these generation of loans are being informed that their projects are supported by EIB funds either through lending contracts or by a letter,"* informed press officer of the EIB Dušan Ondrejčka. In the course of 2009 new products for companies of high risk will be available (EIB guarantees, mezzanine products) and in cooperation with the Commission a pan European microcredit fund for SMEs will be set up.

Refinancing of banks, as well as their capacity of lending, has worsened during last months. *"SMEs, especially start-ups, innovative companies and business transfers, can feel certain reluctance and restrictions from banking sector when asking for credits. Guarantees granted for SME credits by public institutions seem an appropriate solution. Significant differences between decentralised structures like saving- and cooperative banks and large commercial banks are observed. In the same respect, modification of international regulation of capital and accountancy will help the SMEs by reducing current procyclical effects of these regulations,"* said Gerhard Huemer from UEAPME.

Decline in distribution of non-invest credits is recorded in the Czech Republic as well. The spread between the prime interest rate and the highest one has widened up to 6% (prime rates are approx. at 4.2%). It can testify the benefit oriented approach of banks. "National or European guarantees seem like a good solution, the same stands for structures already put in place (e.g. for Structural funds or EIB financing)," stressed **Petr Zahradník** from Česká spořitelna a.s. "Economic crisis is a great opportunity to accentuate research and innovation in the new structural policy for the period after 2013," Zahradník adds.

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The Business Breakfast was organized by CEBRE in cooperation with Czech Permanent Representation to the EU on 21<sup>st</sup> January 2009 in the Czech Centre of the Czech House. The partner of the event was Česká spořitelna a.s.

For further information contact Michal Kadera, Director of CEBRE

Phone: +32.2.2139.450, Fax: +32.2.2139.451, E-mail: [cebre.europe@mail.be](mailto:cebre.europe@mail.be), URL: <http://www.cebre.cz>