



JOINT STATEMENT

Recommendations for Improving the Flow of Credit to SMEs

by SMEUnited and the European Banking Federation

27th May 2020

SMEUnited and the European Banking Federation represent the Crafts and SMEs and the banks – large and small, wholesale and retail, local and international - in Europe, respectively. The two associations are joined by their common interest in ensuring an **adequate, speedy, smooth credit flow and provision of other critical services** to Europe's SMEs at a time of extraordinary challenges for small companies in Europe. SMEUnited and EBF have come together to make recommendations for improving the scope and effectiveness of the current funding flows to SMEs in need.

It is important to stress that this current statement is focused on the **rescue/stabilisation phase of the crisis**, rather than the recovery, which will involve its own set of challenges and priorities.

1) Context

Banks have been supporting customers by channelling public financing and by providing new credit lines to cover liquidity needs and increase amounts of working capital, minimizing the scope of insolvencies and unemployment, and assuring the continuity of essential services for companies, employees and families. Of the [measures](#) taken by the banks, the fully-fledged proposal for private moratoria schemes, as part of the EBF emergency plan, already agreed before the lockdown was decided in many countries, is of special significance. In addition, the EBF initiated and coordinated the business decision of the majority of banks to suspend dividend pay-outs on a voluntary basis. Altogether, this has made more than 300 billion euro of credit available to European citizens/businesses.

Early estimates show a significant impact of the private moratoria schemes. Macro numbers on accepted/rejected applications and conditions of the loans indicate that the schemes have mostly functioned as intended and that the banks have fulfilled their function as transmitters of funding. Banks are deploying public guaranteed credit lines and applying interest rates complying with the measures established by the law, in most cases, with interest rates well below the established caps.

Despite these important steps, a recent [survey](#) conducted by SMEUnited suggests a number of potential problems still to overcome, both in terms of the process of obtaining a loan and, in some cases, regarding the terms and conditions on which loans have been extended. While some of the findings can be sketchy, the bottlenecks identified in the survey can be helpful in improving the process of obtaining a loan and the ultimate availability of funding for SMEs.

2) Recommendations

The two associations recognise the extraordinary circumstances resulting from the COVID-19 crisis and the difficulty of addressing a diversity of problems, across Europe, arising mainly from the application of national decisions. We are united in the belief that several **actions** could, and should, be taken at the EU level to coordinate practical solutions and best practices that can improve the lending processes and the terms of funding available to SMEs. These should be both public and private sector actions; the two associations are committed to implementing these actions throughout their membership.

In particular, we recommend:

For the EU to coordinate among Member States with the aim of:

- streamlining state-guaranteed credit application processes, analysis and approval by the national guarantee schemes, e.g. through clearer delegation of risk analysis and decision-making to banks;
- optimizing the use, and increasing the levels, where needed, of state guarantees;
- clarifying how the guarantee schemes will apply in case of insolvency;
- clarifying the process for structural reorganization / insolvencies in the case of companies whose credits were already being restructured before COVID-19;
- improving governments' public communication about the guarantee schemes and a better alignment with the credit guidelines given to banks;
- increasing the flexibility in terms of credit ratings in relation to EIB credit lines, increasing the percentage covered by a guarantee and reducing the EIB guarantee fees;
- ensuring that competition rules do not prevent banks from identifying and applying best practices in addressing SMEs' needs;
- simplifying the process of obtaining the SME label certification for first-time users during the crisis;
- cooperating with public financiers (e.g. EIB, NPBs) to ensure that the transmission of information happens smoothly, and the absorption of funds is optimal throughout Europe, in particular, through coordinated national and European actions;
- inviting the ECB to run as soon as possible a specific SAFE Survey, which includes questions on COVID-19 measures provided by the public and the private sectors.

For SMEUnited and the EBF to coordinate among their members:

- bilateral SME Association-Banking association meetings on a regular basis;
- reinforced application of the [SME Feedback Principles](#) across the European Union;
- joint initiatives towards public scheme providers to improve the quality of programmes and to simplify the implementation process;
- the identification and promotion of best practices such as informative websites, guidelines, FAQs, use of digital solutions, and targeted education;
- aggregation of quantitative data that tracks the process and terms of SME credit applications as a complement to the SAFE Survey;
- provision of workshops/webinars for SMEs aimed at building creditworthiness and awareness of financing possibilities; and
- training and coordination of banks to enhance the ability to leverage EIB/EIF funds.

Signed by



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