Nearly one third of the budget of the Competitiveness and Innovation Framework Programme (CIP, 2007-2013) is allocated to financial instruments that aim to facilitate SMEs’ access to finance. They complement financial schemes at national level.

With a total **budget of over €1.1 billion** for the period 2007-2013, the CIP Financial Instruments should enable financial institutions to provide about **€30 billion of new finance** for over 300 000 small and medium-sized businesses in Europe.

These instruments, which are part of the Entrepreneurship and Innovation Programme under CIP, address SMEs’ needs for financing at various stages of development. They cover the seed, start-up, expansion and business transfer phases. These instruments increase the investment volumes of risk capital funds and provide guarantees for lending to SMEs.
CIP financial instruments

Depending on the SME’s stage of development and its particular financing needs, the CIP provides different types of instruments:

<table>
<thead>
<tr>
<th>High Growth and Innovative SME Facility (GIF1 &amp; GIF2)</th>
<th>SME Guarantee Facility (SMEG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• GIF1: risk capital for early stage (seed and start-up) investments</td>
<td>• Loan guarantees</td>
</tr>
<tr>
<td>• GIF2: risk capital for expansion stage</td>
<td>• Microcredit guarantees</td>
</tr>
<tr>
<td></td>
<td>• Equity and quasi-equity guarantees</td>
</tr>
<tr>
<td></td>
<td>• Securitisation</td>
</tr>
</tbody>
</table>

CIP financial instruments in detail

1. RISK CAPITAL FOR INNOVATIVE AND HIGH GROWTH SMEs

The HIGH GROWTH AND INNOVATIVE SME FACILITY (GIF) contributes to the establishment and financing of SMEs and reduces the lack of equity capital in the markets. GIF provides:

• Risk capital for innovative SMEs in their early stages (GIF1) - EIF can usually invest 10-25% of the total funds raised by the intermediary venture capital fund. There might also be co-investment in funds and investment vehicles promoted by business angels.

• Risk capital for SMEs with high growth potential in their expansion phase (GIF2) - EIF can invest 7.5-15% by the total funds raised of the intermediary venture capital fund.

The EIF can invest, exceptionally, up to 50% in GIF1 and up to 25% in GIF2 for new funds likely to have a particularly strong catalytic role. In both cases, the maximum commitment for a single fund cannot exceed €30m and the funds have to make investment decisions based on normal commercial criteria. A part (more than € 160 million) of the overall budget of this facility is specifically earmarked for the support of eco-innovation-oriented investment funds.

For further information, please consult:
http://www.eif.org/what_we_do/resources/european_commission

SMEs wishing to apply for an equity investment need to contact the funds or the financial institutions that have signed an agreement with the EIF. The list is available at: www.access2finance.eu

Venture and risk capital funds aiming to raise funds may submit their investment proposal or questions to cip.venturecapital@eif.org
2. MORE DEBT FINANCE FOR SMES (LOAN GUARANTEES)

The SME GUARANTEE FACILITY (SMEG) provides guarantees to encourage financial institutions to make more debt finance available to SMEs by reducing their exposure to risk. SMEG provides co-, counter- and direct guarantees to financial intermediaries providing loans, mezzanine finance and microfinance to SMEs. SMEG covers:

- **Guarantees for debt financing via loans or leasing:** the goal is to support SMEs with growth potential and reduce their difficulties in accessing finance either due to the perceived higher risk or to the lack of sufficient collateral.

- **Guarantees to cover equity and quasi-equity investments in SMEs:** they guarantee investments providing seed capital, capital in the start-up phase, mezzanine financing or other risk capital operations to support SMEs.

- **Guarantees for microcredit:** guarantees for loans of up to € 25 000 to micro-enterprises with up to 9 employees, particularly for entrepreneurs starting a business. Financial intermediaries may also receive some support to partially offset the high administrative costs of microloans.

- **Guarantees to support securitisation structures:** guarantees can also be provided to support securitisation structures to assist financial intermediaries in mobilising debt finance for SMEs. The financial intermediary is obliged to use a significant part of the freed resources for new SME financing.

For further information, please consult: [http://www.eif.org/what_we_do/guarantees/cip_portfolio_guarantees](http://www.eif.org/what_we_do/guarantees/cip_portfolio_guarantees)

<table>
<thead>
<tr>
<th>Guarantees</th>
<th>Loan</th>
<th>Microcredit</th>
<th>Equity</th>
<th>Securitisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantee rate</td>
<td>≤ 50%</td>
<td>≤ 75%</td>
<td>≤ 50%</td>
<td>≤ 100% (except first loss piece: ≤ 50%)</td>
</tr>
</tbody>
</table>

SMEs wishing to apply for EU guaranteed financing need to contact the funds or the financial institutions that have signed an agreement with the EIF. The list is available at: [www.access2finance.eu](http://www.access2finance.eu)

Prospective financial intermediaries can obtain detailed information on the SMEG from: cip.guarantees@eif.org

The financing process

The CIP financial instruments are not directly available to SMEs but implemented by the European Investment Fund (EIF) and selected financial institutions.

EIF manages the programme on behalf of the Commission with the aim of reaching as many growing SMEs as possible.

Small businesses can contact selected national financial institutions to get access to investments or guaranteed lending.

For venture capital, EIF invests in funds focused in early and expansion stage or specialised sectors, particularly eco-innovation. In these cases, EIF is often a cornerstone investor.

For guarantees, the EIF establishes risk-sharing arrangements with intermediaries that provide finance directly to SMEs, such as banks, or with intermediaries that issue guarantees for the benefit of lending institutions.

European funding brings added value because the CIP financial instruments allow national financial institutions to invest in or lend to small businesses that otherwise might not get the financing they need due to their riskiness or their lack of collateral.

A list of the CIP financial intermediaries by country can be found at:

http://www.access2finance.eu
Find out more

For an overview of the EU initiatives and actions to improve SMEs’ access to finance and further details on the CIP financial instruments, please visit our websites:

- **DG Enterprise and Industry:**
- **DG Economic and Financial Affairs:**
- **European Investment Fund (EIF):**
  [http://www.eif.org/what_we_do/resources](http://www.eif.org/what_we_do/resources)

Other EU Financial Instruments

In addition to the Competitiveness and Innovation Framework Programme (CIP), other EU initiatives aim to facilitate SMEs’ access to finance:

- **JEREMIE (Joint European Resources for Micro- to Medium Enterprises):**
  European Investment Fund (EIF): [http://www.eif.org/what_we_do/jeremie](http://www.eif.org/what_we_do/jeremie)

- **European Progress Microfinance Facility:**
  DG for Employment, Social Affairs and Inclusion:
  European Investment Fund (EIF): [http://www.eif.org/what_we_do/microfinance/progress](http://www.eif.org/what_we_do/microfinance/progress)

- **European Investment Bank’s loans for SMEs:**
  [http://www.eib.org/projects/topics/sme](http://www.eib.org/projects/topics/sme)