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SME UNION President Leitl demands EU-Guarantee Fund for SMEs: 10 Million SME would benefit from the fund

The ongoing financial crisis and economic downturn makes further support for SMEs necessary urged SME UNION President Christoph Leitl during his visit to Brussels last week. According to the President of the business organization of the EPP, the possibility of a credit crunch in Europe cannot be excluded; banks have already become very restrictive in their lending policy. Leitl: „A **credit crunch in Europe has by all means to be avoided** in the current difficult economic situation“.

Also with regard to the **special EU summit** of the member states' leaders on the financial and economic crisis planned for **1 March**, President **Leitl proposed the following measures**:

- Setting up of an **EU Guarantee Fund for SMEs**, that provides re-insurance for national and regional guarantee institutions; Due to the leverage effect, a multiple of the guarantee volume could be generated as new loan volume. The volume of the Fund should be 1 bn EUR which means that new loans of up to 50 bn EUR could be generated in the EU. At the same time member states should commit themselves to use this new instrument and therefore establish new guarantee programmes that are directed especially at small and micro enterprises and offer guarantees for 5.000 EUR of loans or equity per SME, which would mean that 10 million SMEs all over Europe could benefit from this new instrument! For projects exceeding 5.000 EUR the proposed instrument could be combined with other state aid actions.
- Additionally immediate regulatory action to **mitigate pro-cyclical effects of Basel II** is necessary. The SME UNION President welcomed recent news that deliberations on the G-20 level are becoming more concrete. Leitl was the first high ranking business representative who pointed out the problem of Basel II pro-cyclicality in the context of the crisis on the European level last year (letter to Commissioners McCreevy and Verheugen, see also SME Union press release from Dec. 4th 2008). One possible way has been pointed out recently by the scientific advisory board of the German Economic Ministry in a letter to former Minister Glos underlining that “during the ongoing crisis strict application of Basel II should be suspended (e.g. rules concerning delayed repayments of loans)”.
- Setting up of an „**emergency fund**“ for **Central and Eastern European States** which would assist countries in the case of further deterioration of their economic situation. Leitl: „These countries, which deserve the solidarity of the international and especially the European community, could suffer even more from the economic crisis. Major economic problems in these states would also reflect on the other European states whose businesses are already very active in that region. Leitl concluded that this emergency fund could be financed by the EU in cooperation with the International Monetary Fund.

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SME UNION (Small and Medium Entrepreneurs Union) of the EPP (European People's Party) is the network of pro-business Christian-Democrat, Conservative and Liberal politicians and political organizations. Its main objective is to help in shaping EU policy in a more SME friendly way. www.sme-union.org