

Supporting access to finance for SMEs and midcaps

**Building small businesses
around Europe**

**The EIF: a 20 year journey
of success and promise**

INFO

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December 2014

Editorial

Times have been hard for small businesses since the on-set of the crisis some seven years ago which forced so many to shut their doors and lay off workers. A recent European Commission review of the status of SMEs revealed that small businesses across the EU as a whole are beginning to regain their footing in terms of numbers and value added since 2008. But the employment figures paint a different and not so optimistic picture. Significant investment is required to right this trend.

Small and medium-sized enterprises need solid financial partners to be able to tackle this challenge head on. This is particularly the case for first time entrepreneurs or SMEs in more risky economic sectors which may struggle to locate a financing partner willing to believe in their business idea. This is where the EIB comes in.

In late November, President Werner Hoyer stood beside Commission President Jean-Claude Juncker and confirmed the EIB's desire to build yet further on the financial and technical expertise we gained by guiding project promoters through the liquidity crisis. His vow to encourage the Bank's governing bodies to commit to the Investment Plan for Europe demonstrates our readiness to help bridge the investment gap that now hampers economic development and competitiveness. Taking on more financial commitments with a higher risk bearing capacity would mean the EIB has a major role to play.

One of the economic sectors set to benefit from the Investment Plan for Europe is small businesses. And rightly so; small, innovative businesses not only bear the potential to offer competitive advantage to Europe as a knowledge hub, they also are a rich source of employment opportunities, especially for young people. What's more, the Investment Plan would allow us to use our resources and instruments to mobilise private investment for the benefit of European SMEs.

The EIB Group's product offering aims to extend support to a wide range of small businesses in the EU, from the micro-entrepreneur in Portugal setting up her own business, to the young, fast-growing digital SME in Greece eager to take its place on the international scene, right to the established midcap in Austria investing in innovation. The EIB is doing its bit to offer financial support to facilitate growth and jobs fuelled by SMEs. We hope you will enjoy reading about this and much more in this edition of the EIB INFO.



We are ready to bridge Europe's investment gap to stimulate growth and jobs.

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Supporting access to finance for SMEs and midcaps

Powering Europe's economic recovery
with sustainable growth and job creation

Small and medium-sized enterprises (SMEs) are the key to unlocking economic potential and creating a stronger Europe as it emerges from the crisis. SMEs account for 99% of businesses in the EU and employ two thirds of the active working population. In 2013 alone, some 21.6 million SMEs in the non-financial business sector employed 88.8 million people and generated almost 60% of the EU's value added – an impressive EUR 3.7tr.



Our financial support focuses on developing innovative products and partnerships that facilitate access to finance for SMEs at all stages of their development.

The consolidated efforts of the EIB Group – the European Investment Bank (EIB) and European Investment Fund (EIF) – in terms of SME and midcap financing ensure that we are a European leader in the field; this is one of our Group's top priorities. "In 2013 and again in 2014 we have maintained our role as a key player in the European solution for economic recovery, working in concert with our many stakeholders and actively pursuing the EU policy objectives of growth, innovation, cohesion and employment, in particular youth employment. We are committed to continuing on this path

and maximising our support for SMEs to ensure a robust economic recovery," said EIB Vice-President Dario Scannapieco responsible for SME lending.

Our financial support focuses on developing innovative products and partnerships that facilitate access to finance for SMEs at all stages of their development in a bid to boost employment opportunities. Together, the EIB and EIF mobilise their financial and technical expertise to act as a catalyst for investment in this essential economic sector to achieve smart, sustainable and inclusive growth.

Crisis response in a language all Europe's SMEs can understand

The crisis struck a blow to Europe's SMEs, rendering them more dependent on external sources of funding. In a highly regulated environment, with many financing institutions deleveraging and seeking to avoid risk, many SMEs have found it hard to gain access to external funding, not least the small start-ups, innovative SMEs and companies seeking to expand or invest in foreign trade at a time when many hope merely to keep their firms afloat.



Over 21bn

In 2014 alone the EIB Group aims to lend over EUR 21bn, mobilising resources of at least EUR 48bn through complementary financing from other sources

We make a difference through our:

- **Comprehensive scope**
wide range of tailored instruments
- **Catalytic effect**
encouraging additional private and public sector investment
- **Expertise**
providing advisory services and helping our counterparts meet high standards

Our response has been to adapt to the many changing needs of SMEs and mid-caps during this period, by enabling continuous and affordable access to finance. We have reinforced our counter-cyclical role, worked with a wide network of financial intermediaries and provided dedicated products to suit every financing need, be it long-term loan funding, guarantees, equity/venture capital or innovative financing options. Moreover, we have worked to blend EIB Group resources with Member State and EU funds to maximise our impact on the real economy. In parallel, we are continuing to increase our support for micro-enterprises and Europe's self-employed through microfinance loans to specialised intermediaries.

The Group reaches out to small businesses via intermediaries which act as our financing partners in local markets all around Europe, including banks, public promotional banks and institutions, leasing companies, microfinance providers and private equity/venture capital funds. We work continuously to hone this network, ensuring that it remains as comprehensive as possible to enable engagement with all types of beneficiaries, from the newest entrepreneur to the more established SME or midcap.



This diversity, which we have developed both within our product range and also our intermediary network, is of paramount importance to provide the right financing for all stages of business development. Whilst the EIF is a specialist in business start-up and early stage risk finance alongside microfinance, the lion's share of the EIB Group support to SMEs is delivered via the EIB's intermediated lending product, which supports growth-related investment in tangible and intangible assets as well as working capital. In 2013 an ex-post evaluation of our loans for SMEs in the period 2005-2011 helped us to refine our lending in support of this economic driver even further.

Keeping our eye on the goal

The result of our increased business volumes in favour of SMEs and our diversified product range is our ability to mobilise additional bank lending to SMEs. This is the ultimate goal; our financing should not stand alone. To maximise the impact of our support for micro-enterprises, SMEs and midcaps, we continue to team up with the European Commission, public promotional banks and other key players to enhance access to finance and

improve financing conditions for SMEs all over Europe.

2014: a year of deepened cooperation

In 2014 alone the EIB Group aims to lend over EUR 21 bn, mobilising resources of at least EUR 48bn through complementary financing from other sources.

The increased lending levels are supported by a developed framework guiding our financial support, ensuring that we put financing to the best possible use in the current conditions. Heightened cooperation with EU Member States and public promotional institutions has been of paramount importance for the establishment of tailor-made innovative financing facilities for SMEs to support economic recovery. An essential element of this collaboration has been the implementation of joint risk-sharing instruments, including the Joint SME Initiative which leverages resources from Member States, the European Union and the EIB Group.

The relationship with the European Commission has also been intensified in favour of SMEs and midcaps. 2014 witnessed the

launch of a series of important financing programmes such as InnovFin and COSME which are set to pave the way for further entrepreneurship and innovation in Europe.

Finally, an area where the Group has also been able to make progress in favour of SMEs during the course of the year has been in providing support for youth employment. In July 2013, the "Skills and Jobs: Investing in Youth" programme was developed to complement the EU Youth Employment Initiative, as well as the multiple national and regional schemes at EU Member State level. In 2013, over EUR 9bn of loans were approved under the programme and new loans signed in early 2014 are now turning into new employment opportunities for Europe's youth.

What the future holds...

In the coming years we aim to maintain our increased support for SMEs and midcaps, which continue to face difficult financing conditions. Our focus for this core priority policy over the next few years will be on facilitating the availability of intermediated financing and risk-sharing products for micro-enterprises, SMEs and midcaps through a broad range of financial intermediaries. In doing so, we will continue to address specific market gaps in SME and midcap finance, implementing the new EU financial instruments for the 2014-2020 Multi-Annual Financial Framework.

This means that we have to be responsive to evolving EU policy priorities such as youth employment, competitiveness and the internationalisation of SMEs as well as deepening our cooperation with the European Commission, Member States, public promotional institutions and international organisations.

Whilst all of this might seem like a tall order, our experience over the past few years leaves us in a perfect position to take on the challenge. Moreover, the flexibility we have built into our product offering means that no matter what the economy throws at us in the coming years we intend to be ready to respond. ■



Highlights in microfinance

The EIB marked European Microfinance Week by hosting the fifth European Microfinance Award ceremony and signing a new Memorandum of Understanding with the Luxembourg Government on 13 November 2014.

The EIB has a long track record in supporting microfinance institutions (MFIs) as they increase access to funding for micro and small enterprises, and it is continuing to evolve in this field in terms of what it can offer. Part of this is being active, present and available, and the EIB has been a sponsor of the annual European Microfinance Week since the beginning. This event is held in Luxembourg and brings together hundreds of microfinance professionals from all walks of life, from NGOs to financial institutions and banks to government officials, academics and researchers.

The EIB also hosts the ceremony for the biennial European Microfinance Award, a prestigious prize with a revolving theme, organised by Luxembourg's Directorate for Development Cooperation, the European Microfinance Platform and the Inclusive Microfinance Network Luxembourg.

The environment in their DNA

The theme for the fifth edition of the award was microfinance and the environ-

ment; and after considering 26 applications from 19 different countries, a final three were selected. In the end, Kompanion Financial Group of Kyrgyzstan edged out ESAF Microfinance and Investments from India and Mongolia's XacBank LLC to be awarded the EUR 100 000 prize offered by the Luxembourg Ministry of Foreign Affairs.

The award is timely and relevant. Kyrgyzstan's lands face massive levels of degradation thanks to decades of poor farming practices and mismanagement. Kompanion's Pasture Land Management Training Initiative seeks to counteract this by providing a specialised "credit for conservation" loan linked to a training programme for livestock farmers. This introduces sustainable land management practices and helps restore previously degraded land.

Increased capacity, mutual trust

Before the ceremony, EIB President Werner Hoyer signed a fourth Memorandum of Understanding with Luxembourg's Minister for Finance, Pierre Gramegna, and the

Minister for Cooperation and Humanitarian Affairs, Romain Schneider. The MoU establishes a framework for cooperation on funding technical assistance programmes in African, Caribbean and Pacific countries. In the past, the Ministry of Finance was in charge of the MoU.

This time, the Ministry of Foreign Affairs is also involved and the total amount is higher, at EUR 3.6m compared to 2011's EUR 3m. The first MoU was signed in 2006, and since then over EUR 8m of grant funding has been provided to 25 microfinance projects in 17 countries, as the Luxembourg Government and EIB have yet again demonstrated mutual trust and the ability to work together in harmony. In a timely move for the latest funds, assistance to small businesses and MFIs in countries affected by the ongoing Ebola crisis is an eligible activity.

The EIB is committed to fighting poverty in the ACP regions. This MoU stands alongside other operations as a testament to this and to the Bank's ambition to evolve ever more to achieve these goals. ■

News in brief

Bridging the investment gap: an investment plan for Europe

Speaking at a press conference at the European Parliament in Strasbourg on 26 November 2014, EIB President Werner Hoyer announced that he will propose to the EIB's governing bodies that they endorse participation in the Investment Plan for Europe. "Effective action to stimulate increased investment across Europe is essential to restore economic growth, create jobs and enhance Europe's competitiveness. Our challenge is to help address the market failure in risk-bearing capacity. We must bridge this investment gap and enable project promoters to attract private finance. We are committed to ensuring that our know-how and experience, in partnership with the Commission, help provide fresh stimulus for the real economy in Europe."



First ever loan in Azerbaijan

The EIB extended its lending capacity outside the EU even further in early November with its first ever loan to Azerbaijan. The EUR 25m loan will benefit projects promoted by the country's small and medium-sized enterprises. The loan will be intermediated by AccessBank, Azerbaijan's leading provider of finance to SMEs.

The operation, which underscores the EIB's external lending objectives, will support the development of the private sector, with the goal of contributing to job creation and an increase in living standards.

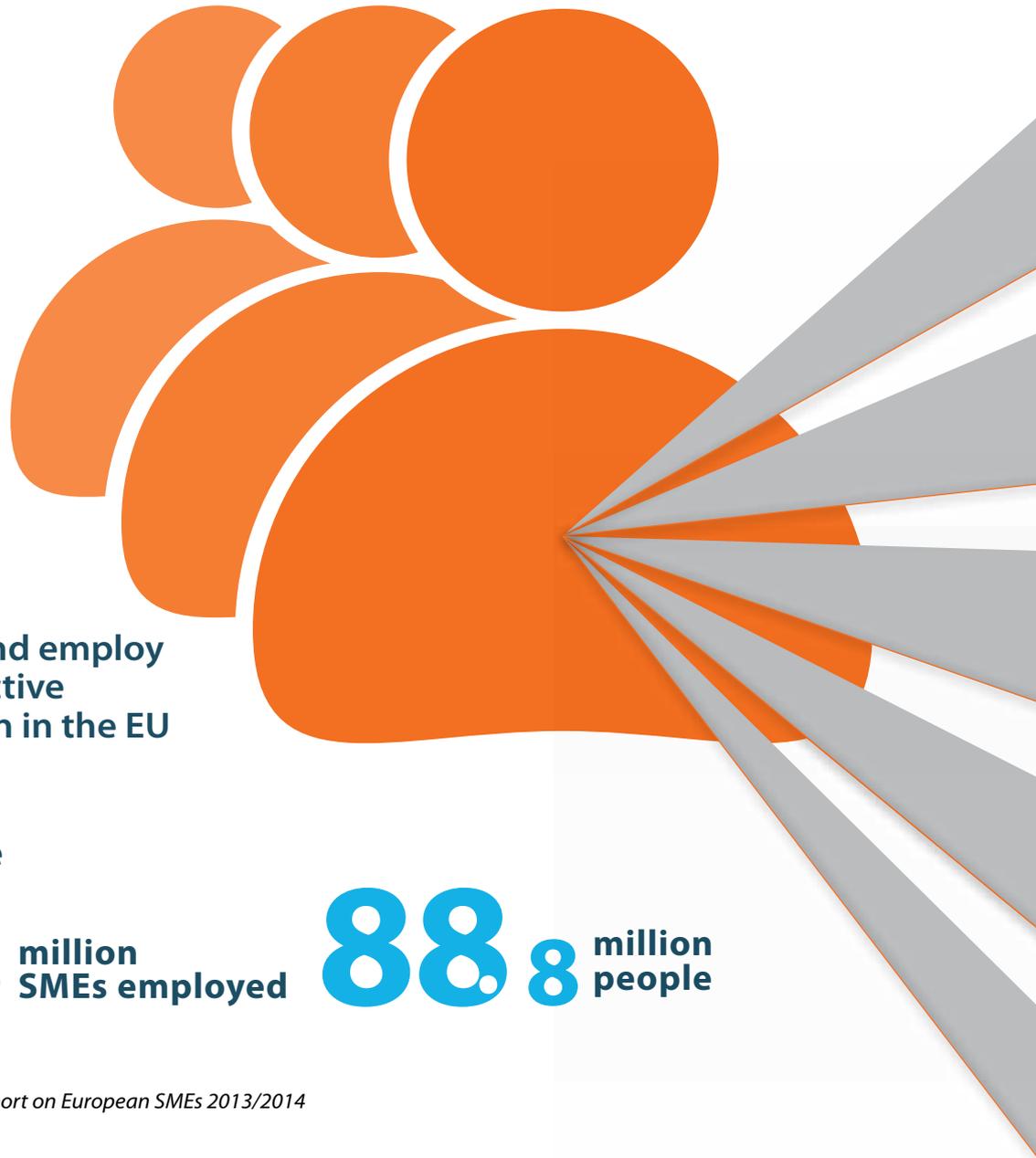
Support for the newly launched Strategic Banking Corporation of Ireland

Speaking at the launch of the Strategic Banking Corporation of Ireland in Dublin on 31 October, EIB President Werner Hoyer said, "Growth of companies in countries across Europe is hindered by continued limited access to finance. Concerted action, such as the creation of the Strategic Banking Corporation of Ireland, plays a critical role and I am sure that other countries in Europe will closely follow this model. The European Investment Bank is pleased to provide EUR 400m for the SBCI that will enable the new institution to improve access to finance by Irish companies through attractively priced funding essential for investment, creating jobs and exploiting new business opportunities. The SBCI will provide a highly effective complementary channel to ensure that finance reaches final beneficiaries and the real economy faster."

Also attending the launch of the new institution at Farnleigh, the official Irish State guest house, were Michael Noonan, Irish Minister of Finance, Wolfgang Schäuble, German Finance Minister, KfW CEO Dr Ulrich Schröder and Jonathan Taylor, European Investment Bank Vice-President responsible for Ireland.

SMEs – Facts and figures

SMEs account
for **99%**
of EU businesses and employ
two thirds of the active
working population in the EU



In 2013 alone
some **21.6** million SMEs employed **88.8** million people

European Commission Annual Report on European SMEs 2013/2014

Almost
40% of SMEs report access to finance as a very pressing
problem and **13%** as their main problem

(ECB SAFE Survey March – September 2014)

EIB Group support for SMEs in Europe

2014: target
finance of over

21bn^{EUR}

mobilising approximately

48bn^{EUR}

2013: supported
over

230 000

SMEs in Europe

Average EIB sub-loan
to individual SMEs:

119 000

(2013)

Over

60%

of loans were allocated to
micro-entreprises with < 10 employees

(2013)

6.8bn^{EUR}

for SMEs in Member States hit hardest
by the crisis (Cyprus, Greece, Ireland,
Portugal and Spain)

(2013)

Building businesses around Europe

The crisis struck a blow to Europe's SMEs, rendering them more dependent on external sources of funding. The EIB has been playing a key role in supporting SMEs in countries hit hardest by the economic downturn. But our financial backing goes beyond providing lifelines to small businesses going through hard times. Since the onset of the crisis, we have steadfastly maintained our focus on developing innovative products and partnerships that facilitate access to finance for SMEs at all stages of their development, be it expanding service offerings or boosting employment opportunities. Promoting Europe's growth remains at the heart of our business.

Luxembourg: Boosting international expansion

Luxembourg has a long tradition of steel production, with the steel sector contributing significantly to the GDP of the country until the 1960s. The EIB is helping to encourage the development of such small businesses and keep the tradition of the Luxembourg steel industry alive.

The steel trading company MCM Import Export Sàrl is one of the businesses which has benefited from EIB support to pursue its expansion. Created in 1998, this small company's activity is based on the sale and purchase of materials for the industry like columns, plates and coils, as well as the transformation of steel to fit clients' specifications. Thanks to joint EIB and ING support the company has optimised its processes and now has the means to boost its international expansion. MCM Import Export Sàrl realised that by creating an efficient platform for its business with providers in Turkey, India and all over the world and building a new production site and industrial complex.



Latvia: Unlocking doors to new markets in Europe

EIB Loans for SMEs offer companies the possibility to explore export opportunities and expand their business to other markets.

In Latvia, the family owned company Liva AB Nord is one of the country's leading door producers. In 2009, with some 30 years of experience in the carpentry industry, Dzintars Abele decided to found his own company, initially as a subcontractor working closely with large local construction companies on ambitious projects. The production took place in relatively small buildings, which didn't allow the growing company to meet increasing demand for its products. Thanks to a EUR 200 000 loan from the EIB and partner bank ALTUM the company has been able to purchase new buildings to expand its production process, and its 40 employees now enjoy improved working conditions. To build on further growth opportunities, Liva AB Nord is exploring export possibilities and trying to take its first steps into other markets in western and northern Europe.





Germany: Becoming a national market leader

EIB loans support companies with growth potential and help them meet their ambitions by expanding their services and building new partnerships nationwide.

Studioline Photography recently took over the number two position in the German market segment. Since 2003, Studioline Photography has been offering an array of services in photographic studios all over Germany. These range from photos for passports and job applications to shoots of families, friends and weddings. EIB partner bank Commerzbank provided Studioline Photography with a EUR 1m loan to support the company's ambition to become a market leader. Thanks to the loan the company has been able to invest in new shop designs and techniques. Furthermore, the loan enabled Studioline Photography to build up a network of stores nationwide.

Croatia: Investing in the improvement of food quality and safety

Small businesses have been ensuring success by expanding their service offering. The EIB has witnessed just this in the newest EU Member State.

Thanks to an EIB loan INSEPCTO Ltd has just launched a new marketing campaign to present its new services. This small company has been making sure that our food is of the highest quality since 1998. INSEPCTO Ltd provides quality control services for goods and raw materials, including testing and laboratory analysis of agricultural products, grains, oilseed, food, animal feed, sugar beet, soil and fertilisers. A EUR 65 200 loan via Privredna Banka Zagreb, an EIB partner bank, enabled the company to purchase state-of-the-art laboratory equipment to expand its service offering whilst keeping human health as a top priority as it uses only water-based liquids. The company hired three new employees who are continuously learning in the course of their everyday work.



Community SMEs in Italy providing a space for freedom and security

“Growth and employment, a space for freedom and security, full exercise of citizenship rights and a stronger role of Europe in the world: such are the priorities of our Presidency programme.” www.Italia2014.eu

The Italian Presidency of the Council of the European Union, in the second half of 2014, has placed special emphasis on the creation of favourable conditions to secure growth and employment in the real economy. And Italy, as a country, is no stranger to the muscle that small and medium-sized enterprises wield when it comes to economic development and job creation.

At the end of 2013 Italy boasted over 3.7 million SMEs, well above the EU average. Notably, of these almost 95%, over 3.5 million, were in fact micro-enterprises employing fewer than 10 employees. These figures not only confirm the essential role of SMEs in the Italian economy but also give rise to the notion of regulatory and/or financing bottlenecks when it comes to their expansion. This point has not gone unnoticed by the Italian authorities and, alongside the steering of the Council in Brussels, they have been working to unlock the power of SME growth closer to home.

The EIB continues to be a key player in SME finance in Italy. In 2013 the Bank dedicated loans of EUR 3.4bn to empower this important economic sector, which remains a priority. Manufacturing remains the main sector in which SMEs are active in Italy, underlining their importance to everyday life and society as a whole.

SMEs bringing strength in Emilia-Romagna

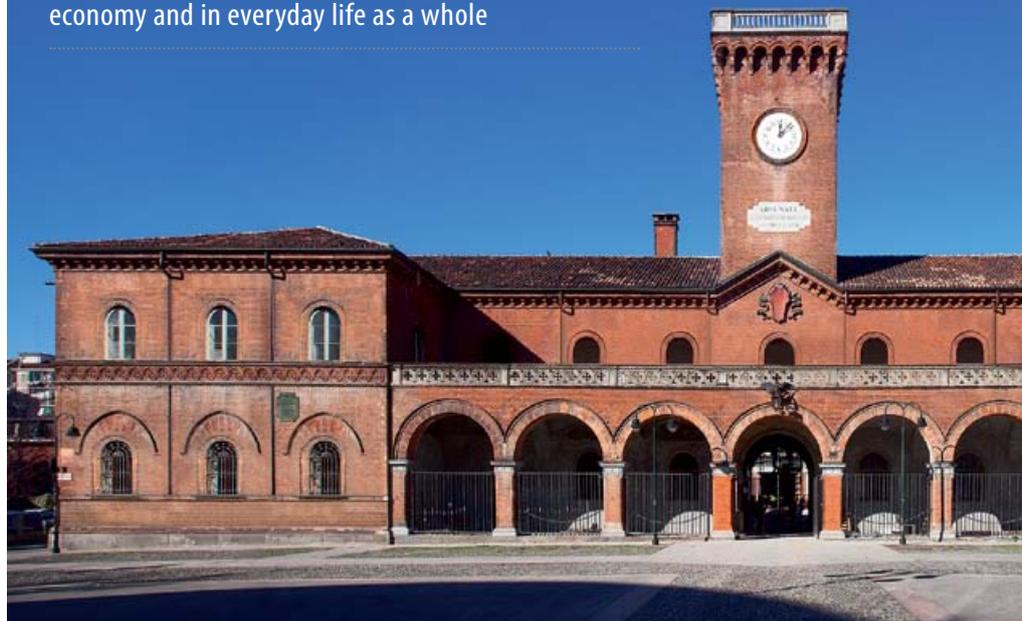
Borghi Imballaggi Srl has been active for some 40 years in the sector of corrugated cardboard packaging, building its brand

mined to contribute to the recovery by prioritising innovation and growth to rebuild the community. The family business has put EIB finance to good use to underscore its values at a time of economic hardship. Our partner bank in the region, the Banca Popolare dell’Emilia Romagna, provided Borghi with a EUR 550 000 loan for a state-of-the-art third production line. The impact on the company has been significant. Three new workers have been hired, and Borghi Imballaggi has been able to purchase a new building to replace properties damaged by the earthquake.

And Borghi is not alone in promoting social cohesion in the Emilia-Romagna region in the push for economic recovery following the 2012 natural disaster. Il Raccolto soc. coop. Agricola, an agricultural enterprise, was founded as a merger of two large cooperatives in the Bologna

on the values of respect for the environment and innovation. As with many other businesses in the Emilia-Romagna region it was shaken by the 2012 earthquake, which damaged its business properties. But like other local companies, Borghi was deter-

Italian SMEs play an essential role in the Italian economy and in everyday life as a whole



area. The cooperative enterprise produces products such as grain, barley, corn, sorghum, soya and sunflowers on 2 000 hectares of land. Seeing the need to increase the fertility of the soil and sustain a cost-effective yield to improve the profitability of the business, the enterprise also received a EUR 400 000 loan via EIB partner bank Banca Popolare dell'Emilia Romagna. The investment has been used to implement an innovative fertigation system, ensuring high production while limiting the use of chemical fertilisers to reduce the effects of climate change and enabling additional employment opportunities.

A source of local pride

Indeed, community spirit remains a source of strength for all of Italian society, as does pride in ownership. Another cooperative in southern Italy, in Naples, was able to enjoy the favourable conditions of EIB lending to the general benefit of society. Napoli Integrazione is a cooperative that provides social care in Naples and its surrounding province. Napoli Integrazione forms part of ANFFAS – the national association for families of people with intellectual and/or relationship disabilities. The EIB's partner bank Banca Prossima granted Napoli



Integrazione a loan of EUR 1.5m, of which 50% covered by EIB funds. The loan has allowed the cooperative to take over ownership of the Santa Maria Delle Grazie property in the municipality of Cicciano, where it now operates a well-equipped residential health care facility.

Banca Prossima also helped the EIB to put child healthcare at the top of the priority list in Monza. The Maria Letizia Verga Committee aims to provide the best medical care and psychological support to children with leukaemia, as well as their families, whilst they are being treated at the Paediatric Clinic of the San Gerardo Hospital in Monza. The Committee became aware of the hospital's lack of capacity to provide adequate care in terms of both patient treatment and research into a cure. Faced with an investment of EUR 10m, the Committee turned to the EIB's partner bank Banca Prossima, which granted a EUR 5m long-term loan. The new wing will be completed in early 2016, including a state-of-the-art laboratory, a set of care departments, a new bone marrow transplant centre, reception areas, services for patients and families, medical offices and common areas, offering hope for both patients and families dealing with leukaemia.

Rewriting the SME story

In addition to strong community links, Italy continuously thrives in the arts. The Holden School aims to act as a new beacon in the country's literary landscape, teaching those who have a story to tell, how best to tell it. In 2013 the writer Alessandro Baricco turned to Banca Prossima to implement a renovation project for the Cavalli barracks, for which he had been granted a 30-year concession by the City of Turin. The aim for the old barracks was to accommodate the Holden School, an academy of art and writing that offers a range of innovative and multidisciplinary courses of study and represents a centre of the avant-garde in the editorial education landscape. The EUR 5.4m investment was funded in part through a EUR 2.7m loan from Banca Prossima and the EIB. Thanks to the new premises, the Holden School welcomed an impressive 140 students in the first year with an additional 30 joining in the second year.

EIB lending is going some part of the way to promoting economic recovery in Italy and our efforts across all sectors of the SME community will continue in the years to come. ■



Making SME financing workable for Greece



The crisis hit many EU Member States hard, but few were so deeply impacted as Greece. Local and international factors combined to leave the Hellenic Republic in the throes of the most severe economic crisis in almost 30 years and undermine international confidence in Greece's ability to repay debts. Throughout the past six years of economic unrest the EIB has been a loyal partner for investing in Greece, even if that has been a lonely position at times.

Whilst we have continued to invest across all sectors in Greece, the country's high unemployment rates – 30%, rising to over 60% for the under 25 year olds – have pushed the EIB Group to place special emphasis on the financing of SMEs with the potential to stimulate growth and create jobs especially in the youth segment. In the last five years we have signed loans worth almost EUR 2.3bn in favour of Greek SMEs.

Secure and tailor-made finance

To complement our traditional lending mechanisms, the EIB has been working with the Greek authorities to build innovative instruments which provide additional liquidity to the Greek banking sector. This not only allows for a reduction in the cost of financing for the country's small businesses, it has the added benefit of cre-

ating jobs, including for Greece's young people. From 2011-2012 two guarantee instruments – the State Guarantee Facility followed by the Guarantee Fund for Greek SMEs – enabled a total of EUR 645m of finance benefiting over 850 SMEs, midcaps and small infrastructure projects, and an additional EUR 100m is expected to follow very shortly.

In June 2013 the EIB signed its first ever Trade Finance Facility to ensure local businesses could remain global players. One year later the facility received a Trade Finance Magazine Deals of the Year 2013 award for providing a lifeline to Greece. One recipient of this lifeline was Sabo S.A., a Greek company involved in the production of turnkey factories for bricks and roof tiles as well as general industry. The company is very export and youth-oriented, with an average employee age of 27. It has sold and installed factories on nearly all continents, and has done business in Belgium, Russia, Saudi Arabia, Mexico and Brazil. Eurobank supported Sabo in issuing a EUR 200 000 letter of credit as payment for machinery, essential for its business, at a time when the Greek trade finance market has been affected by the economic crisis. The letter of credit was confirmed by Commerzbank thanks to the EIB Trade Finance Facility.

Accessing affordable finance

But the primary concern for Greek SMEs remains access to finance. Septona re-

ceived an EIB loan for SMEs from the National Bank of Greece in 2013. The company, which manufactures personal hygiene products for the Greek and export markets, came across a financing stumbling block with the onset of the crisis. Business demand was continuing as normal but the company's ability to source raw materials from sceptical markets abroad was diminished. Since receiving an EIB loan in 2013, the company has been granted a state award for its export activities of which some 50% goes to private labels of top international retailers.

The EIF has also made a lasting difference to the ability of SMEs to access finance in Greece. In the words of Nicos Moraitakis, Founder and CEO of Workable, a hiring software company, "the EIF made enough funds available to a start-up like Workable to be able to not just start, but also graduate to a level where the big venture capital firms in Europe are willing to take it further." Workable started life as two recruiters convinced that hiring software should be as agile as the fast-growing companies employing them. Initially the founders were not planning to get funding, but traction in the markets presented itself as an opportunity to accelerate growth. 18 months later, with 20 talented employees, over 300 customers, 60% of whom based in the USA, and 30% revenue growth month-on-month, it is clear that Workable made the right choice by reaching out to available financing opportunities at a time when seed funding was hard to come by. ■

“Master one challenge and then start on the next”: Constant renewal for Spanish businesses

Belief in yourself, taking the right steps and a good dose of decisiveness are the keys to starting up your own business. This is the philosophy championed by Gerardo Gutiérrez, entrepreneur by vocation and restless by nature. According to the President of Gadea Group Pharmaceuticals, experience can give you a leg up in the business world but it must always go hand-in-hand with innovation.

Gerardo Gutiérrez had a degree in chemical sciences along with 13 years' experience working for various pharmaceutical firms under his belt when he decided to start up his own project. In 1991 he founded the first company in the Gadea Group. Driven by its commitment to research, technological development, quality and internationalisation, the group has grown to encompass three companies – Crystal Pharma, Gadea Biopharma and Bioraw – which together export more than 92% of their production to some 72 countries worldwide.

The step-by-step approach: haste makes waste

Son of an entrepreneur, Gutiérrez maintains that he who stumbles but does not fall, moves forward. This is precisely how he managed to build Gadea into the company that it is today: “When we started in Castilla y León we were only six people.

Now the group employs over 300 staff. You must constantly set yourself little challenges and understand that you have to advance step-by-step, slowly and deliberately. Once you have mastered one challenge, you take on the next.”

One step on the road for the Gadea Group was a recent major investment in its research, development and innovation activities. “The pharmaceutical sector requires significant investment given that it must renew itself constantly and continuously research for new possibilities.” A EUR 4m EIB loan via our partner bank Santander was decisive in the group's growth and renewal process.

Financing the full circle

Gadea is using the EIB loan to finance its strategy of vertical growth. They are com-

pleting the clinical development of active ingredients within Crystal Pharma, while using Gadea Biopharma to develop sterile suspensions (droppers, vials, prefilled syringes). By completing the circle they ensure that their active elements reach the end market.

“We considered different options to finance this major investment. After some analysis, we realised that the conditions on offer from the EIB intermediary, Santander, were suited to our needs.” Gutiérrez described the manner in which his group accessed the loan as “agile, quick and easy.” The Gadea President certifies that “the bank has lots of information about our company, so the process went very fast.” The EIB loan has been a perfect match for the Group's needs, “all things being equal, we would repeat the experience in the future.” ■



Poland: Creating jobs for youth



a newly recruited young person at Alspaw

Youth unemployment is one of the main challenges facing Europe. Improving the performance of Europe's young generations on the labour market is precisely what the EIB Group is trying to address through our "Skills and Jobs – Investing for Youth" programme. The first loan of this kind in Poland, EUR 50m to Europejski Fundusz Leasingowy S.A. (EFL), is already bearing fruit in the form of dozens of new jobs specifically dedicated to Polish youth.

Alspaw, a worldwide leader in the production of aluminium stage systems, has been able to recruit 18 young people with the help of financing of PLN 254 032 (EUR 60 000) via EFL. The company, based in central Poland, also invested in the purchase of new machinery to create independence from suppliers while improving product quality. When hiring new staff, the company's owner decided to employ young people with a keen interest in and understanding of new technologies to get the best out of this important investment: "Over the past six months I have employed 18 people between 16 and 24 years old, including students whom I have taught the welding profession. Newly recruited people occupy various positions such as locksmiths, welders, drivers or even office workers", said Mr Krzysztof Michalak proudly.

Onix, a fruit and vegetable processing company located north of the regional capital Poznan is another successful example of what the EIB can do to fight youth unemployment. Backed by a PLN 142 500 (EUR 33 750) investment from EFL, the company recruited and trained five full-time young people this year. "Onix enjoys a very good reputation on the market and our young team helps in building this

image. We employ young people mainly in production as well as in the sales/procurement department", said the President of the company, who is himself only 48 years old. Onix grows and exports fruit and vegetables all over Europe and cooperates with major supermarkets such as Lidl, Tesco, Leclerc and Intermarché. "At Onix, we think globally and act locally. Our 60 employees come mainly from neighbouring cities in order to maintain a proximity to the workplace", he added.

Facilitating labour market entry for youth

Smay, a leading designer and producer of ventilation and air-conditioning devices in Europe has also benefited from a PLN 88 113 (EUR 21 000) EFL financing last year which allowed it to offer apprenticeships and traineeships to Cracow students. "Our company employs many trainees. We give students the chance to work in a real environment and develop concrete projects. It's a win-win situation as trainees have the chance to show their potential while we benefit from unique ideas to place our company as a leader in the field", stressed the CEO of Smay, Cracow. The majority of new domestic sky-scrap-

ers (e.g. the Sky Tower in Wroclaw) use devices and patents produced by Smay. The company also sells its technologies to the EU and USA. Young people mostly work as designers and in logistics, process management and fields linked to digitally controlled machines. At the moment, the company employs 241 people, of whom a dozen are under 30 and work on a permanent basis.

Further South, in southeastern Poland, Stek-Rol sp. Z o.o, a network of convenience stores created in 2003, employs 430 people, 11% of whom are under 24 years old. The network generates revenues of PLN 150m (EUR 35.5m) a year and employs young people mainly as sellers, cashier-sellers, warehouse employees and shift managers. This year, the company concluded six lease agreements with EFL, including two agreements financed from EIB resources as part of the Jobs for Youth initiative. The company invested this in store furniture and refrigerating appliances for three newly opened stores. Since the beginning of the year, the firm has been developing dynamically and created 30 permanent jobs, five for young people under 24 years old. ■

Accelerating research and innovation in Austria



Interview

Stefan Pierer turned his passion into a profession. The CEO and Chairman of Austrian motorcycle manufacturer KTM AG has indulged in racing for most of his life. Yet competing globally for more cost-efficiency, safety and better materials has been his biggest challenge to date. Fortunately for him, a pit-stop at the EIB helped him fine-tune his research and innovation plans.

The EIB provided KTM with EUR 75m for its research, development and innovation (RDI) programme focusing on fuel economy, safety and the development of new and lightweight materials as well as zero emission concepts. The EIB's support is set in the framework of "InnovFin - EU Finance for Innovators" MidCap Growth Finance, which is financially backed by the European Union's research budget, Horizon 2020.

InnovFin is a new generation of financial instruments and advisory services designed to facilitate access to finance for innovative businesses. Up to the end of 2020, InnovFin will offer a range of tailored products which will make available more than EUR 24bn of finance for innovation by small, medium-sized and large compa-

nies and the promoters of research facilities, supporting up to EUR 48bn of final RDI investments.

KTM produces and develops race-ready off-road and street motorcycles. What kind of research and innovation is needed to make this a safer, faster and environmentally friendlier business?

Safety is the number one priority in our business. Unlike the automotive sector, where we have seen rapid progress in improving driver safety, we are still facing enormous challenges with regard to better safety for motorcyclists. There is no air-bag or crumple zone on a motorbike. In 50% of accidents, the motorcyclist is not responsible for causing the accident. He or

she has simply been overlooked by a car driver. Vehicle-to-vehicle communication, a technology designed to allow cars and motorcycles to communicate with each other, will become mandatory by 2020. This means a car driver will receive a signal as soon as a motorcycle approaches. This is the kind of research we are working on. Emissions reduction is another top priority for us.

Why did you approach the EIB to consider financial support for your RDI programme?

We were looking for non-standard financial instruments with a counterpart that is specialised in RDI financing. It was actually word of mouth that helped us approach the EIB. Another Austrian company told us about their positive experiences with the EIB and this is how we established the first contact. And I have to say, the kind of support we received from the EIB has been absolutely unique. The advantages the EIB offers are a perfect match to our needs in terms of the volume and the investment purpose. I was absolutely delighted with the swift and incredibly efficient handling on the part of the EIB. Even the contract negotiations ran smoothly and speedily.

KTM is a classic Austrian midcap. In many parts of Europe this segment of the economy faces a particularly hard time accessing appropriate and affordable finance. What have been your experiences?

I would rather call KTM a classic "niche world leader". We are very export oriented, with our export quota reaching 97% this year. More than half of our revenues come from outside Europe (52%), mostly from Asia, India and North America. Our business in the US currently stands at 20% of our total business volume. That's by far the biggest share in our total business. ■





A 20-year journey of success and promise

Since its establishment in 1994, the European Investment Fund (EIF) has developed to become the Group's SME expert, enhancing access to finance and encouraging competitiveness, innovation, and entrepreneurship in Europe.

1.5 million SMEs → committed over **17bn**
 → and mobilised over **80bn**
 of resources

The Fund has also invested in almost **500 SME**-focused funds and provided portfolio guarantees to over **300 banks**, giving financial support to countless businesses and entrepreneurs in Europe.

The backdrop against which the EIF was established was one of crisis – political instability, economic recession, a collapsing property market and a European currency crisis. No less than in recent years, jobs and growth were the words on everyone's lips.

In December 1992 the European Council urged the creation of a European Investment Fund to promote economic recovery in Europe. The EIF was created as a unique public-private partnership between the EIB, the European Commission and a series of other financial institutions, with a remit to provide guarantees to support SMEs and long-term investment in trans-European networks. Four years later, the EIF expanded its offer to venture capital funds focused on SMEs, acting as a catalyst to attract private and institutional investors and work towards a sustainable venture capital ecosystem.

The birth of the EIB Group

Whilst the EIB has been involved in the EIF since its inception, it was not until June 2000 that the Bank became the Fund's largest shareholder and EIF activity was entirely refocused on risk capital and

guarantees for SMEs. The EIB Group, with our joined-up approach to supporting European businesses, was born.

Growth came not only for Europe but also for the EIF itself. A first capital increase in 2007 and a second one early this year has meant an increase in the Fund's capital from the original ECU 2bn in 1994 to EUR 4.5bn now, more than doubling the EIF's operating capacity.

And it is not only in terms of size that the EIF has grown. Speaking of the EIF's widely recognised role as the risk finance provider for SMEs in Europe, EIB President Werner Hoyer said, "The EIF has proven to be fast, creative and innovative in seeking to promote such access, through the conception and implementation of products and instruments to support the heterogeneous European SME market."

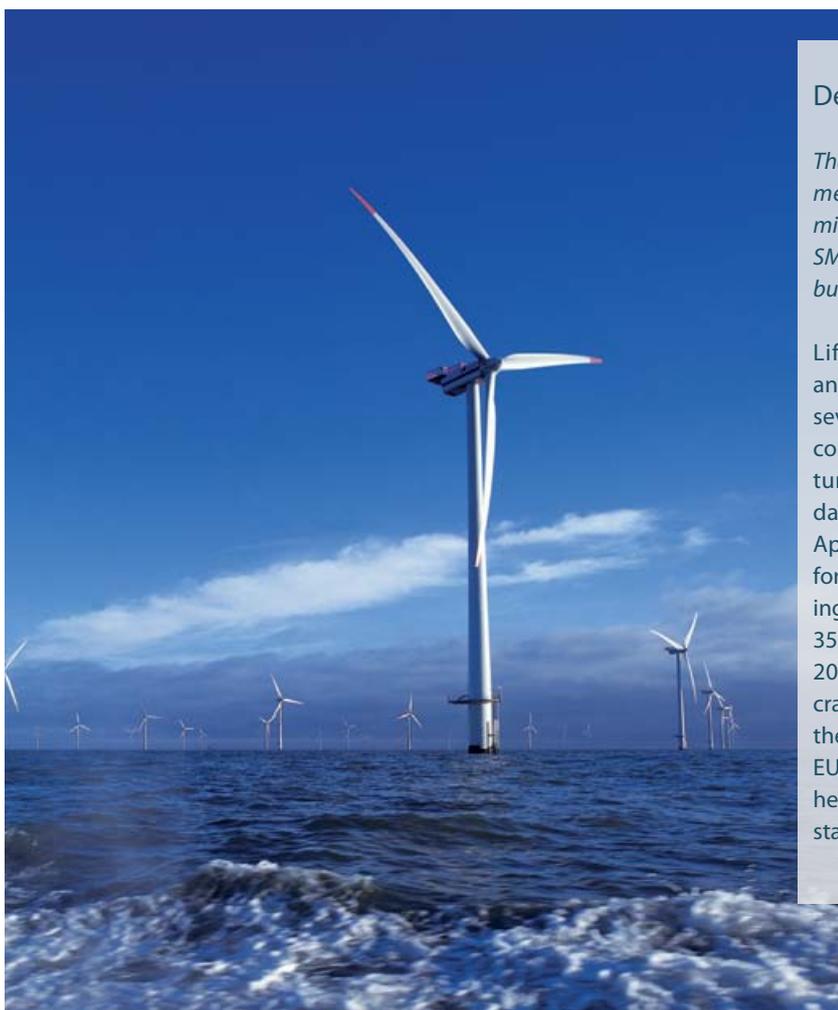
From pioneering business angel funds, to technology transfer, all the way to collaboration with national and regional governments to encourage absorption of Structural Funds, the EIF has proven its ability over the years to adapt to the changing needs of the SME marketplace, and address market gaps in a countercyclical manner, particularly in times of economic difficulties.

Diversity breeds success

The Fund's Chief Executive Pier Luigi Gilibert puts the institution's ability to thrive down to the scale, diversity and quality of its products. "Few would have imagined in 1994 that it would turn into the dynamic and diverse organisation it is today, having designed and implemented so many innovative financial products in support of Europe's SMEs. This being said, we cannot overlook the commitment of our staff and stakeholders without whose insight and collaboration this transformation would not have been possible."

Looking ahead there are many exciting challenges on the horizon for the institution, in no small part thanks to its expanded resources resulting from the latest 50% capital increase. The EIB Group is set to deepen its fruitful cooperation. New mandates and initiatives have been signed, including the COSME and Horizon 2020 programmes launched in collaboration with the European Commission.

If one's twenties are referred to as the defining decade, for the EIF the future looks full of promise. ■



Denmark: Lifting the barriers to wind power

Thanks to the EIF's close cooperation with financial intermediaries across Europe, and with the European Commission under the Risk Sharing Instrument, thousands of SMEs across Europe are able to start up and expand their businesses.

Lifting a piece of machinery from one location to another can be a challenge particularly when it weighs several tonnes. Imagine changing major wind turbine components weighing more than 20 tonnes on a wind turbine 100 metres above the ground! This is Liftra's daily challenge. Founded in Denmark in 2003, Liftra ApS designs and manufactures tools and technology for heavy equipment handling and machinery servicing in the wind turbine industry. The company employs 35 engineers at its Danish headquarters in Aalborg. In 2014 Liftra needed to partially finance a self-hoisting crane to operate primarily in its service business. Under the Risk Sharing Instrument initiative, they received an EU-guaranteed EUR 1m loan from Nordea Bank, which helped to finance their first self-hoisting cranes to kick-start their now rapidly growing service business.



Portugal: Entrepreneurship one stitch at a time

Throughout the European Union, 99% of all start-ups are micro or small enterprises and one third of those were launched by unemployed people. The EIF is a reliable financing partner for these ventures.

Since Dorinda opened her Lisbon-based sewing business she has never looked back. She had been working as a seamstress for a number of different sewing companies for most of her life but this didn't offer her any job security or a steady client base. The idea of opening her own sewing company had always been appealing but as a 50 year old seamstress, without a formal work contract, trying to get finance with no formal income was not easy. With the idea of opening her own sewing shop in mind, she went to Millennium bank and with a EUR 4 000 loan she was able to open a small shop in her local area. The shop is becoming more and more popular each day and she is considering providing a new laundry service in the future.



Sadara sees promise in Palestinian start-ups



Started by a Palestinian and an Israeli, Sadara Ventures, the first tech-oriented venture capital fund in Palestine, has so far raised USD 30m and invested in four web-based start-ups specialising in the region.

Despite the difficult situation in the Middle East, Sadara – which means “pioneering” in Arabic – saw the light of day in 2011 in Ramallah’s nascent IT sector. Since then, the founding partners, Yadin Kaufmann and Saed Nashef, have backed four start-ups out of an expected portfolio of 12 companies. The EIB was the first investor to commit to the fund and its participation played a critical role in attracting a host of leading international companies and foundations, including the Google Foundation, Cisco, the George Soros Economic Development Fund and the Skoll Foundation.

“We saw that there was a potentially interesting business opportunity and wanted to help build a knowledge-based economy centred on technology entrepreneurship in Palestine,” say the high-tech pioneers Kaufmann and Nashef.

Leveraging real business opportunities

The fund made its first investment in Yamsafer, an online travel website which enables travellers to book hotels online at discounted prices. Yamsafer was soon recognised in the region for its high quality Arabic content targeting online users. The fund’s second investment was in Souktel, a leader in custom mobile solutions for development projects whose products

include a job-matching application and dissemination of humanitarian information in frontier markets. PinchPoint, for its part, is a start-up that develops games for free downloads, and more recently Sadara made a fourth investment in a medical information site called WebTeb.

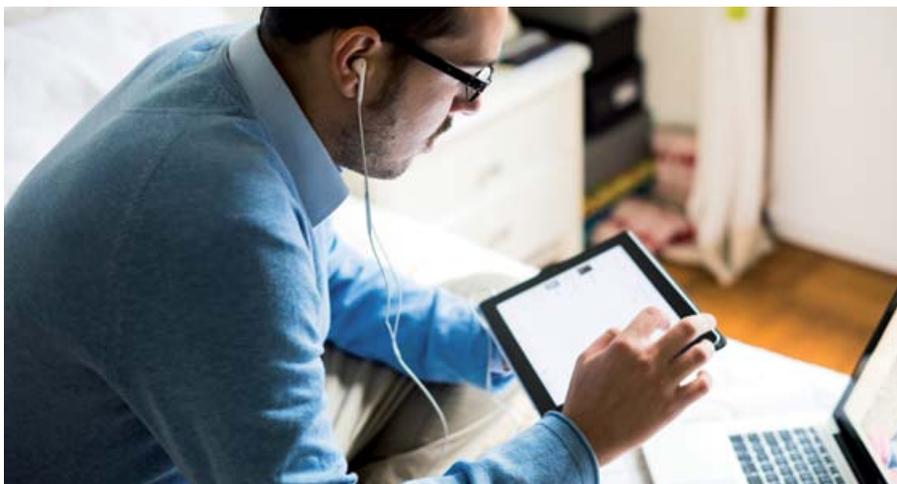
Kaufmann and Nashef both studied and worked in the high-tech industry in the US before finally returning to their respective countries and building “something to contribute”. “Yamsafer, Souktel, PinchPoint and WebTeb are all making progress, but it is too early to talk about success,” Nashef says, while adding “it took longer than expected to make our first investments because the first year was devoted to establishing our internal operations, generating deal flow and negotiating our investment in Souktel. They were the first such investments in Palestinian companies, so

we had to invest considerable time and effort to develop the appropriate models and structures.”

Backing the emergence of a strong IT sector

In 1990, Israel’s technology industry was small and financing was tough to come by. Today, its technology ecosystem is among the most highly developed in the world. Kaufmann believes the Palestinian market, too, holds promise for investment and growth. “Palestine is just starting. However, the ecosystem is growing, with a number of new tech-focused incubators, accelerators and events as well as other funds that are willing occasionally to make investments in technology companies,” he explains.

Sadara can allocate up to USD 2.5m per company. The fund also has the social objective of revitalising distressed regions in the Palestinian Territories and creating local jobs. In addition to supporting high-tech entrepreneurs, it encourages its portfolio companies to allocate up to 1% of their equity or revenues to a not-for-profit fund for education initiatives for underprivileged Palestinian youth: “something to contribute”. ■





Family values

For Family Bank in Kenya, banking is more than money – it is a calling and a matter of improving lives. Since 1984 Family Bank has been enabling people to create and sustain wealth by providing access to flexible, affordable financial services.

Family Bank's 1.47 million customers are mainly rural or urban slum dwellers whose primary concern is how to put basic provisions on the table for their families. Through Family Bank's financial support they have the possibility to change their social status, build decent lives and provide their children with basic medical care, food, clothes and education.

The key to positive change, says Family Bank CEO Peter Munyiri, is a customised product offering: "We sit with our clients and get to know them to be able to create loan facilities on the basis of their needs. In some cases a client starts with a small loan facility and progressively they move to other, larger, longer-term facilities. On other occasions, we see the opportunity for collaboration and we bring two entrepreneurs together to help them build their businesses and they act as co-guarantors for each other."

The relationship which Family Bank has developed with the EIB has been invaluable in enabling this approach. The EIB's long-term funding has helped to create a turnaround and ensure sustainability for the Kenyan microfinance provider. Secondly, the partnership with the EIB has strengthened their profile, ensuring a more matched balance sheet. For the customer this translates into more available funds and loans with repayment terms of up to 10 years.

A constant partner for growth

32 year old Daniel Kasimu has been able to improve the quality of his products thanks to Family Bank loans. Daniel has been operating his maize milling firm for the past six years together with his wife who assists him in the daily activities of the business. A client at Family Bank for

five years now, he has been able to boost his business through various loans going from KES 100 000 [EUR 890] to KES 650 000 [EUR 5 800].

Daniel's business targets individuals in Machakos, a city located 63 kilometres southeast of Nairobi, especially low income earners from the Kariobangi slum. Occasionally he also receives orders from local schools and government institutions. His business employs five workers on a permanent basis and has a monthly turnover of KES 600 000 [EUR 5 300].

"My main challenge is to meet the cost of electricity and source affordable raw materials. Thanks to the financing from Family Bank, I manage to buy in bulk to reduce the cost of production," Daniel said. Currently, Family Bank is financing his fifth KES 650 000 [EUR 5 800] loan, which enabled him to purchase a destoning machine. And Daniel does not intend to rest on his laurels: "I followed a number of courses in food production and business management in order to strengthen my business further. I am also looking forward to receiving a KES 1m [EUR 8 900] funding to brand my products and purchase more milling machines."

What the future holds for Family Bank

The Kenyan microfinance provider has a great growth plan. By the end of 2015 they will have broken through the threshold of over 100 branches and their loan volumes increase every year. From lending volumes of KES 27.9bn [EUR 250m] in 2013, Family Bank has seen net growth of over KES 6.7bn [EUR 60m] in the first eight months of 2014 alone. The bank has also become a key employer, increasing staff numbers from 700 to 1 567 in the last three years. They try to employ graduates to create opportunities for them to build careers and implement their knowledge.

All of this means that Family Bank can expand the business lives of SMEs and micro-enterprises; a fact that makes Family Bank all the happier. ■

A dream cast in carbon steel



SMEs require trustworthy financing partners for their survival and growth. Many small businesses start as an idea, with little else backing them. This was certainly the case of Romanian husband and wife team Adrian and Adela Cățoiu who embarked on a dream with only USD 100 as starting capital.

“Our company champions product quality and answering customers’ requirements and expectations. Throughout our journey banks have fuelled us.”

Some 23 years ago, the fresh-faced mechanical engineers on their first professional placement in a carbon steel fittings factory found themselves faced with the stark reality of their industry. While in Europe large companies had the benefit of resources to move with the times, in Romania the fittings industry was underdeveloped and simply did not respond to the needs of the customers it was serving. Existing factories were old and the technology used was obsolete.

A regal dream

On 26 August 1991 the Cățoiu set up their company as a beacon to guide their industry on the journey into the 21st century. Their business, which they named SARA – “the name of a princess” as Adela informs us – produces carbon steel fittings. Among other uses their items are mounted in chemical industry installations, refineries, shipyards and water supply dead-end mains.

Adrian and Adela’s ambition has always been to produce the best possible product. Whilst the couple freely admit that it has not always been easy, setting up their business has clearly been a labour of love: “We have enjoyed every minute of it and we always will. It has all come so naturally. The only thing which is exceptional in all of it has been the output.”

Loans fuelling development

But dreaming can only get you so far when you have a mere USD 100 in your pocket. SARA soon realised that to move forward they would need to start contracting loans. They began their partnership with EIB intermediary CEC Bank who accepted Adrian and Adela’s business minds as their capital. “We believed from the start in our partnership with the bank. And the bank believed in us too. We have always observed credit contract clauses and in this way we gained the bank’s confidence.”

In total SARA has received loans amounting to EUR 9.9m and their dream is becoming a reality. In terms of the size of

their manufacturing range they rank first in the world and they are among the top three European companies when considering their monthly production volume.

“Our company champions product quality and answering customers’ requirements and expectations. Throughout our journey banks have fuelled us. The good brains and the wonderful employees would have been useless in the absence of loans. The reason behind the loans has always been development, continuous enhancement of the business, but also the wish to prove that the dream can come true even if it starts with no capital at all.”

From humble beginnings the company, based in the small town of Buzău, has grown to provide employment for almost 200 people. Plans for expansion continue; their vision is to create another 200 jobs in the next four years and they are now investing in capacity building to develop employee expertise. “We feel that CEC BANK stands by us. We feel that our town is proud of us. We feel that employees and their families suffer and rejoice with us. We won’t stop here. We have always wanted more. Our dream shall go on.” ■

Publications

- SME Brochure
- Landmark Projects
- A watertight solution for a more secure future
- Promoting Economic and Social Cohesion in Europe

More @ www.eib.org/publications



Agenda

- **19 - 20/01/2015**
Financial Instruments 2014-2020 under European Structural and Investment Funds (ESIF): Launch of FI Compass, Brussels
- **02/02/2015**
EIB Board of Directors Seminar with Civil Society 2015, Luxembourg
- **First quarter 2015**
EIB Press Conference: Annual Press Conference of the EIB Group, Brussels

More @ www.eib.org/events

Workshop on EIB financing of SMEs through financial intermediaries

On 27 November 2014 the Bank organised a workshop for civil society in Brussels to present and discuss its financing of small and medium-sized enterprises (SMEs) through financial intermediaries in and outside the EU. This was in the context of the current Jobs and Growth agenda and also in response to consistent NGO interest in how the Bank uses partner banks to reach small businesses and the economic and development impacts and risks of doing so.

The workshop included presentations and an audience Q&A on how intermediated financing furthers the Bank's public policy goals and the kind of conditions that the Bank attaches to these operations.

17/10 Winners of the Social Innovation Tournament 2014

Adie, from France, and School4All, from Hungary, have been awarded the first and second prizes in the third edition of the Social Innovation Tournament, a competition organised by the European Investment Bank Institute to reward and promote innovative initiatives with an ethical or environmental impact in the fight against social exclusion.

Adie is an initiative that aims to launch social microfranchise networks designed to offer turnkey business models to low-income entrepreneurs, while School4All organises and creates opportunities for the inclusion of physically or mentally disabled children in public schools.

Blue Badge Style (UK), a style website and app for disabled people that allows users to explore travel options, restaurants, theatres, sporting arenas and retailers, won the Special Category Prize in the urban environment area.



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Please consult the Bank's website for the updated list of existing offices and their contact details.

The European Investment Bank Financing SMEs to power economic growth



The EIB is deepening cooperation across the Group to adapt to the many changing needs of SMEs and midcaps, which account for 99% of all businesses in the EU. Working through a wide network of financial institutions and investment funds, we have developed a comprehensive range of tailored instruments to enable continuous and affordable access to finance. www.eib.org