

**Annual Press Conference 2007****Briefing Note No 04****The Bank promoting European objectives**

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Promoting Small and Medium-sized Enterprises**Importance of SMEs for the European economy**

Small and medium-sized enterprises (SMEs) are a major source of employment, entrepreneurial skills, innovation as well as economic and social cohesion in the EU. The EU's aim is to promote successful entrepreneurship and to improve the business environment for SMEs, to allow them to meet the challenges faced in today's global knowledge-based economy and to realise their full potential.

Support for SMEs is one of the top priorities for the EIB Group

Support for SMEs has become a key operational priority for the EIB Group, in line with the strategic orientations approved by the Board of Governors in 2005. This transversal activity involves both EIB financings through the EU banking sector, and EIF support to SMEs through both providing equity (venture capital investments) and facilitating access to finance (via securitisation and guarantee schemes). A special effort to join the know-how of both institutions forming the EIB group has been made in 2006 and will be developed in 2007. A substantial capital increase for EIF is planned and will be implemented during 2007.

Achievements in 2006

Together EIB and EIF have supported an estimated 209 000 SMEs. About 26,000 SMEs in the EU-25 benefited from EIB Lines of credit of EUR 5.8bn through commercial banks. EIF venture capital (EUR 688m) and guarantee (EUR 2bn) activities helped to finance around 183 000 SMEs, of which nearly a third were micro-enterprises (less than 10 employees).

Key projects 2006

Belgium: "Brussels SME Growth and Occupation": In order to support SMEs located in the Brussels Region, regional public authorities requested the EIB to contribute to the set-up and financing of a company (B2E) specialised in the support of regional SMEs through the granting of long-term lending under a co-financing arrangement with commercial banks.

France: "OSEO programme création d'entreprises": Part-financing (up to EUR 60m) of a scheme to support the creation of enterprises (Micro and small enterprises, start-ups) launched by the French government to complement the commercial bank's product offering. The EIB's intervention complements the funding resources of OSEO BdPME and allows it to offer attractive funding conditions to the final beneficiaries of the programme.

Czech Republic: Komerční Banka Global loan (new banking counterpart): EUR 37.5m for investment projects of SMEs and municipalities in the Czech Republic, in the field of energy and energy savings, environmental protection, transport infrastructure, health, education, urban renewal and social housing. Komerční Banka is one of the major Czech commercial banks and has an extensive knowledge of the local market particularly through its strong branch network in the country. There are now ten active financial intermediaries in the Czech Republic.

Perspectives for 2007

A continued attention has been brought in 2006 to the improvement of the transparency of the Line of Credits, both in terms of information provided to the Bank on the use of its funds, and also in terms of information to final beneficiaries about the intervention of the Bank.

Proposals involving innovative financial structures in support of SMEs have been identified and submitted for Board approval. Such innovative transactions include risk-sharing mechanisms and/or combinations of national and regional SME support tools with EIB's products. In addition, diversification of banking counterparts (in particular in New Member States) continues to be actively pursued.

In late 2006, a Group strategic committee for the support of SMEs was created, which will review the Bank's group product offering. It will also consult European representative of SMEs and the banking community in order to implement the Bank's new policy on more risk taking for increased value added in the context of SME lending.

Increased Cooperation with the European Commission

In 2007, the European Commission's Competitiveness and Innovation Framework Programme (CIP) will come into effect, replacing and continuing on from the Multiannual Programme for Enterprise and Entrepreneurship (MAP). The financial instruments of the CIP's Entrepreneurship and Innovation programme will be managed by EIF and will include the High Growth Innovative SME Facility; the SME Guarantee Facility; and the Capacity Building Scheme. New windows of particular interest within the EUR 1.1bn mandate will include securitisation; a focus on seed and start-up investments; co-investment in funds and investments promoted by business angels; and greater support to technology transfer activities and enterprise creation.

JEREMIE is a joint EU Commission, EIF and EIB initiative designed to give EU Member States the option of using a portion of their 2007-2013 structural fund allocation to establish a revolving fund, managed by fund manager, to improve access to finance for SMEs in regional development areas through a tailored package of financial products. A dedicated JEREMIE team has been established at EIF to make an EU-wide evaluation of SME access to finance and to manage future JEREMIE investments. In partnership with National Managing Authorities, these specialists are currently evaluating – through to end-2007 – the options for JEREMIE in each case. Memoranda or Letters of Understanding have been signed in 2006 with the Slovak Republic, Greece and in 2007 with Romania, while negotiations are at an advanced stage with several other member states or regions. JEREMIE represents an innovative departure for SME financing, involving both significant leverage of structural funds and the establishment of a revolving facility through a Holding Fund – a progressive move away from a grant financing approach.

For further information on the EIB, visit its website www.eib.org.

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