

Introduction

Let me begin by saying that it is a great honour to have been invited to give this welcome address at the EU Finance Day for SMEs. This event is particularly timely given that we, in the European institutions, are currently in the process of preparing a whole new generation of European programmes for the period 2014 to 2020.

The event is all the more significant given the vital role that SMEs play in today's economy. Indeed, the large majority, more than 99% of all European businesses are SMEs and they provide nothing less than two out of every three private sector jobs and represent more than half the total value-added created

by business in the European Union.

Against this background,
in these opening remarks,

I should like to begin by discussing the framework conditions under which SMEs function before going on to outline something of the impact that H2020 will have on SMEs. I shall finish by saying a few words about the financial instruments.

1) ***Framework Conditions***

With regard to the framework conditions, I should like to make three remarks of a general nature:

~ Firstly, the financing of SMEs is a source of preoccupation given the current economic climate: a climate in which many SMEs have difficulty accessing the finance that is necessary to their smooth functioning or growth. To remedy this, we need to continue with a whole series of reforms with regard to the financial services in order to ensure that financial markets become more efficient and reliable. To this end, the EU is currently in the process of setting up a banking union that will provide supervision and coordination of the financial sector and the EP has recently voted in a new and historic resolution concerning banking regulation. This is a major step towards a more robust banking system and will represent, I believe, a set of improved opportunities for funding SMEs.

~Secondly, it is necessary that we ensure that the public sector meets its financial obligations with regard to the private sector as promptly as possible as late payments remain a significant bottle neck for many SMEs. At the same time, however, the public sector has a role to play in contributing to the financing of SMEs. It is necessary, I feel, that we make use of innovative public procurement alongside a safer regulatory environment and earlier provision of regulations and standards.

More generally, at a European level, in the EU budget there are two main programmes that will contribute funds to SMEs and these are H2020 and COSME. However, we should not forget the role of the regional funds and the CAP as potential – and powerful – sources of financing. Indeed, I would urge

the member states to devote a substantial part of their regional funds to SMEs. This has been the case in Portugal where 40% of the regional funds will be directly devoted to financing SMEs. Finally, the European Investment Bank and Project Bonds also have a useful role to play in this respect.

~ Thirdly, we need to make an effort to improve the competitiveness of European economies through the creation of a more favourable business environment as this involves, amongst other things, "smarter regulation" and less bureaucracy.

In this respect, the EU is making a particular effort to coordinate a number of structural reforms with regard to those countries that are lagging behind in terms of competitiveness. This involves more

flexible labour laws, streamlining public services, introducing competition into otherwise protected sectors and so on. These structural reforms should be included in the European semester.

Similarly, another difficulty that SMEs face is finding the right conditions for the firm foundation of an “innovation eco-system”. Indeed, SMEs often encounter a number of obstacles in seeking to lay the grounds to successful innovation such as, for example, questions related to the intellectual property rights framework. EU is also making steps in the right direction with the European Patent.

Finally, here, we must also improve the available skills base by increasing the number of Science, Technology, Engineering and Mathematics graduates

2) *Horizon 2020 and SMEs*

At this point, I should like to turn to the specific relations that have been foreseen for H2020 and SMEs. This is something that I have been deeply involved with as I was the rapporteur for the Specific Programme Implementing H2020. H2020 – as you will know – is the new European framework programme to fund research and innovation. By comparison with FP7, H2020 will cover the whole cycle of innovation and will foster increased industrial participation, including on the part of SMEs.

With regard to those elements in Horizon 2020 that directly concern SMEs – and which the Parliament has been able to include within the programme – I should like to make four remarks:

a) Firstly, in so far as SMEs are concerned, an

important development in Horizon 2020 includes an SME dedicated instrument that will support SMEs in three different phases:

Phase 1: Concept and feasibility assessment

Phase 2: R&D, demonstration, market replication

Phase 3: Commercialisation

b) Secondly, the Parliament has insisted on and achieved a dedicated budget and a single management structure for the SME instrument. The SME instrument will be allocated 7% of the *combined budget* for

Leadership in Enabling and Industrial Technologies – part of pillar II – on the one hand,

and Societal challenges – a part of pillar III – on the other hand.

c) Thirdly, concerning the second pillar, a simple and rapid scheme of “Innovation Vouchers” will fund research and innovation activities within Phase 2 of the SME instrument. This will promote the creation of start-ups and enhance research and innovation activities in existing SMEs

d) Finally, in this section, SMEs will benefit from at least 20% of the combined budget for Leadership in Enabling and Industrial Technologies and Societal challenges.

Taken together, this should be a source of real support for SMEs.

3) *H2020 and Financial Instruments*

The last theme that I should like to touch on is the question of the financial instruments. H2020 includes the new Debt and Equity facilities:

the debt facility will provide loans and guarantees, and the equity facility will provide finance for early and growth stage investments.

They will be implemented via

a mandate to,

or a partnership with,

the European Investment Bank group and, if

necessary, other international financial institutions and national intermediaries.

At the same time, these measures will be supported by a set of accompanying measures, dedicated to consolidating and raising the quality of Europe's science base. The goal is to promote research and innovation with a business-driven agenda whilst addressing the major societal challenges with we are all confronted. These financial instruments include a focus on activities such as piloting, demonstration, test-beds and market uptake.

Conclusion

This brings me to my conclusion and, here, I should like to stress that whilst funding is, of course, important for SMEs, funding by itself is not sufficient.

We must also ensure that a range of other factors have also been catered for. These include setting up appropriate macroeconomic conditions, putting in place properly conceived competition rules, guaranteeing a properly functioning market, introducing a balanced tax policy and building up a highly skilled services sector. If we manage to combine all of these factors with appropriate funding mechanisms, I am optimistic that we shall be able to create a flourishing environment of SMEs that will serve as a foundation for our future growth.

It only remains for me to wish you a highly fruitful and stimulating conference and I look forward to hearing the different views and arguments of the diverse range of participants that we have with us over

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the next two days.

Thank you very much.