

Brussels, 22 July 2015

Concept Note on the EBESM “Access to Finance for MSMEs” Activity

1. Objectives

The objective of this Access to Finance activity is to raise awareness and share information and good practices among all Charter/SBA coordinators about existing public policies, mechanisms and instruments supporting MSMEs financial needs for development (e.g. guarantees, risk capital, and microfinance).

The new activity’s goal is to contribute to unlock Access to Finance for MSMEs in the MED region. Current studies clearly indicate that access to finance remains insufficient compared to overall MSMEs needs (in most MED countries, less than 20% of credit financing goes to MSMEs). Implementing such policies will expand the private sector through the development of more robust, inclusive and sustainable growth, by raising MSMEs capacity, creating employment and improving competitiveness.

2. Approach

To initiate the EBESM Access to Finance activity, the SBA coordinators are invited to nominate their respective “Access to Finance” advisor. This person selected on the basis of specific competence in “MSME financing”, will take an active role in the **Working Group on Access to Finance**, whose activities will be supported by the EBESM project.

The Working Group will be provided with information from available studies, including recommendations/policy options to improve Access to Finance on key topics such as:

- (i) Developing guarantee instruments for local banks to expand SMEs financing portfolios;
- (ii) Supporting incentives to risk capital and start-up financing; and
- (iii) Promoting micro-finance and financial inclusion in unserved areas.

Indeed, to feed the activities of the Working Group, and deepen the policy dialogue, it is important to conduct a mapping study covering existing public programmes and operational financing mechanisms supporting the development of MSMEs at country level.

This mapping exercise will rely mainly on the information provided by national coordinators and whenever possible, will harmonise methodology and presentation of the current situations in a published brochure that will be disseminated in the national Access to Finance workshops. The content of the mapping study and the publication will be agreed in advance with you.

A similar mapping of existing support programmes is compiled by DG GROW at EU Member State level, which could serve as model to guide the discussions and efforts of the Working Group. It contains a table indicating the name of existing Access to Finance instruments, their available budget and possible evaluations of their respective impacts. Additionally an SME survey is conducted every year to assess programmes’ effectiveness.

(For more information, please see: http://ec.europa.eu/enterprise/policies/finance/guide-to-funding/indirect-funding/index_en.htm)

Based on the results of the mapping study, seminars will be organised at regional, sub-regional and country level to discuss policy options and instruments to sustainably unlock financing opportunities for MSMEs.

Lastly, the EU is working with European Financial Institutions (e.g. EIB, EBRD, KfW) on a number of financing support programmes which will be operational from 2016, to expand financing in partnership with local financial institutions. These financing programmes will be presented to you during our regional seminar that will be held beginning 2016.

3. Your involvement

In this perspective, we highly appreciate your support in supervising the collection of information for this mapping study and to nominate an "Access to finance" advisor who will be responsible, on your behalf, to compile information that will be shared at regional level with the assistance of resident experts mobilised by EBESM. To facilitate this task, comprehensive data-collecting templates will be provided by the Project using DG GROW tables; this will ensure more coherence with the SBA approach.

This mapping study should be built on information gathered from available studies, in particular the 2014 EU-OECD SBA assessment report and the EU-EIB publication "The potential of Mesofinance for Job creation in Mediterranean Partner countries". (See: <http://www.eib.org/infocentre/publications/all/femip-study-the-potential-of-mesofinance-for-job-creation.htm?lang=en>)

Based on these studies, we will focus on selected financing areas where public support is a necessity, such as:

- 1) Guarantee schemes available to local banks to expand financing to SMEs;
- 2) Risk capital for start-ups (e.g. business angels' networks, venture capital, private equity, etc.); and
- 3) Expansion of microfinance.

Concretely, we would like to suggest the following steps:

1) SBA/Charter coordinators will nominate their respective "Access to Finance" advisor who will join the Working Group on Access to Finance and help to compile a list of financing schemes/programmes available at country level, with the support of resident experts mobilised by EBESM, based on templates that will be provided by the Project. (Nomination of the Access to Finance advisor by end of August 2015; completion of data collection by mid-November 2015);

2) A regional seminar will be organised to address the commonly agreed approach and work plan on Access to Finance. (The regional seminar will take place in early 2016, date to be confirmed at a later stage);

3) The preparation of this regional seminar could also be envisaged through specialised workshops at sub-regional level where the three sub-themes being envisaged (guarantees, risk capital and microfinance) will be discussed in greater detail. Based on these discussions, recommendations will be formulated at regional level on how to enhance the

situation with regard to Access to Finance for MSMEs in the MED region. (Sub-regional workshops to be organised in November-December 2015);

4) Finally, policy recommendations will be defined at national level through in-country workshops during which country-specific actionable recommendations will be formulated. The brochure will also be distributed and discussed at country-level (In-country seminars to be organised after the regional seminar, from February to April 2016).

The “Access to Finance” dimension of EBESM strategy has been a constant focus of the SBA/Charter Coordinators’ recommendation for the project’s success, so we are happy to launch this important and highly visible theme with your full involvement.

Your contribution to this new aspect of EBESM impact on pro-MSME policies in the MED region will allow much greater visibility and a higher degree of high-level stakeholder involvement.

We look forward to acknowledging your choice of “Access to Finance Advisor” to have him or her participate actively in the Working Group.