SME pilot facility under InvestEU

Presentation of background & rationale

Brussels, 21 March 2024

Astrid Bartels, Head of Unit, Access to Finance

European Commission, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs
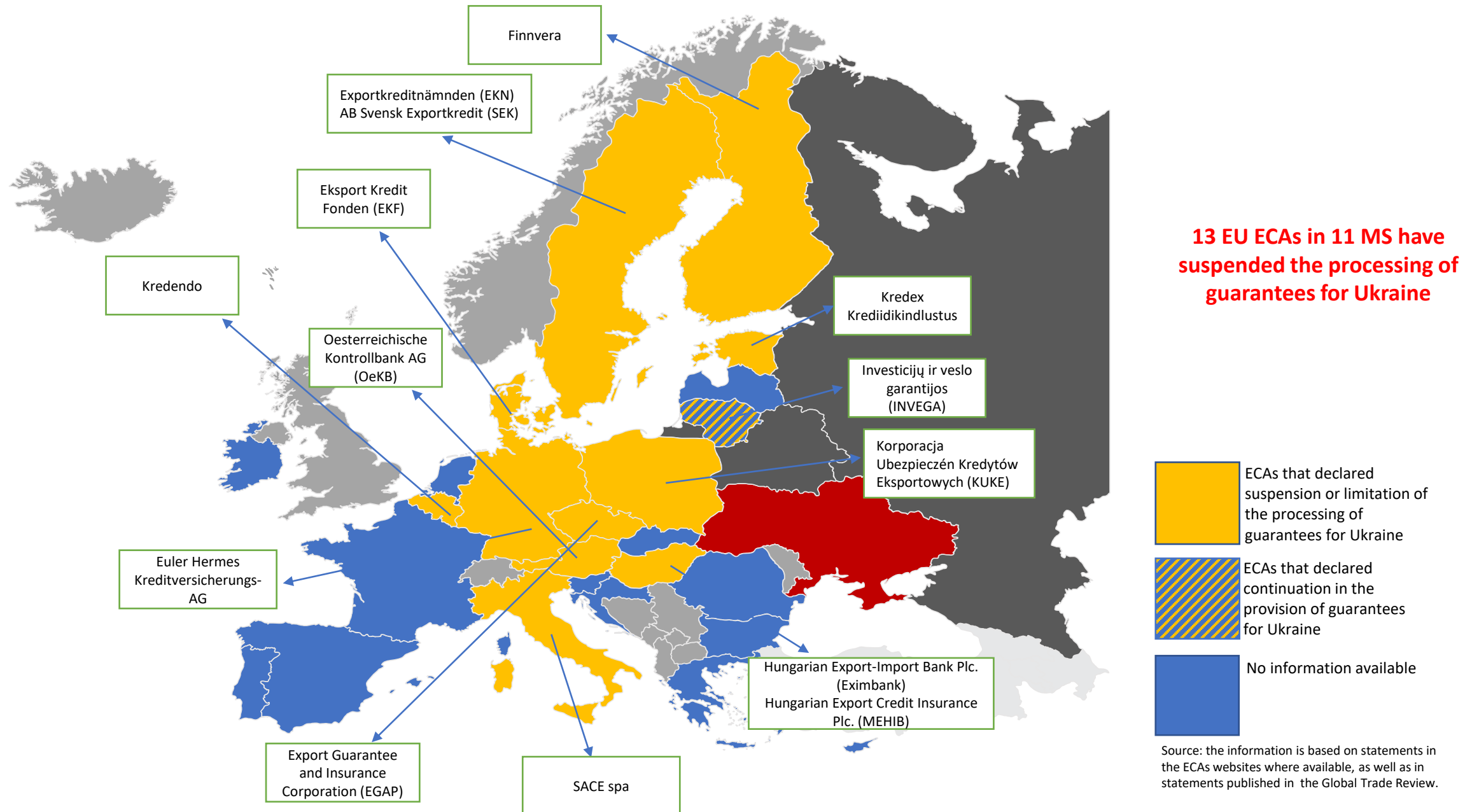
Background

- Launch of the Supply Chain Task Force on Ukraine in DG GROW (at the starting of the Russia invasion)

- Monitoring of import/export credit between EU and Ukrainian counterparties

- 2022-2023: TRADE and GROW conducted a number of surveys and discussion within the **Council Export Credit Group** about provision of risk coverage by Export Credit Agencies (ECAs) for export operations with Ukraine
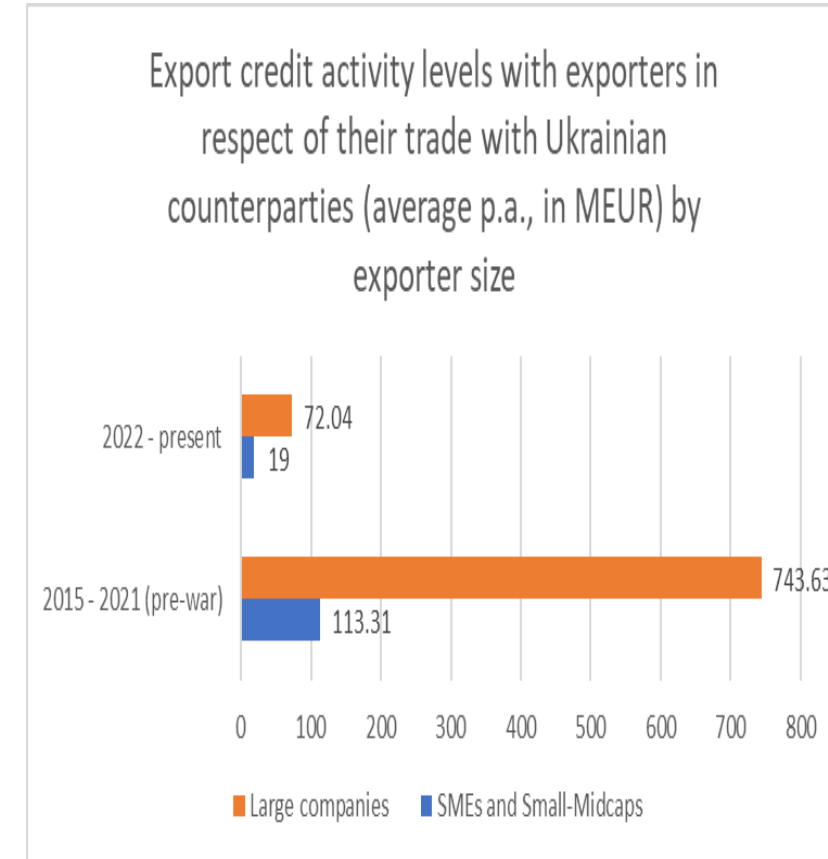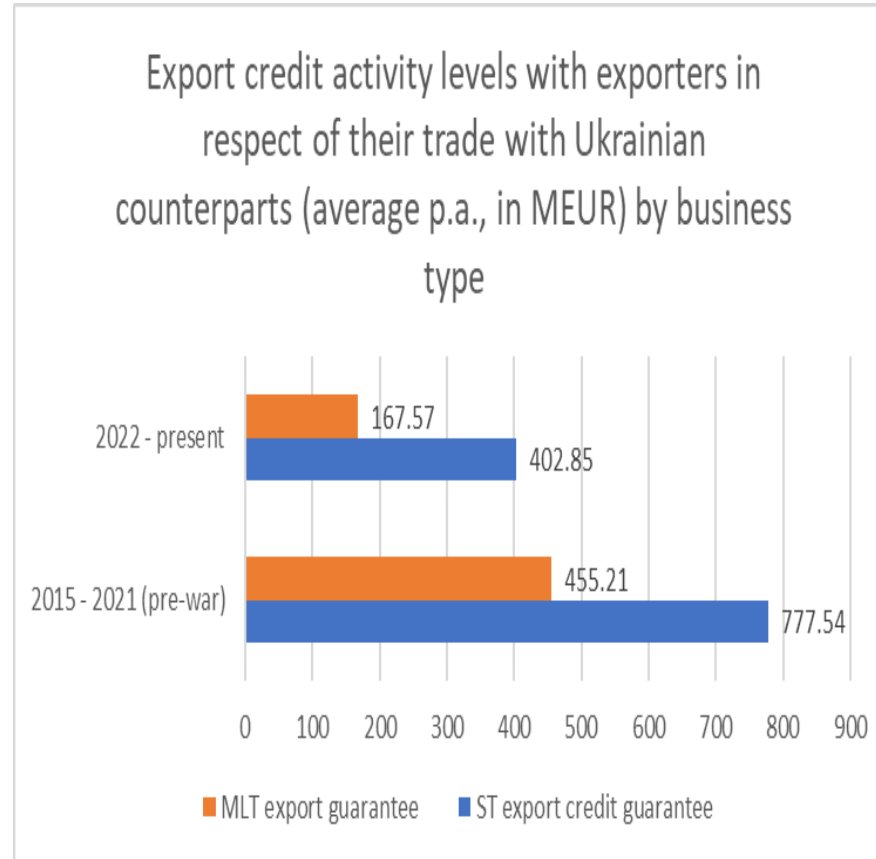
About Export Credit Agencies (ECAs)

- ECAs offer financing or, more common in the EU, risk insurance for export transactions - so called export credits.

- ECAs are institutions run or mandated by national governments and backed, in some form or other, by government funds (and hence rated respectively).

- Traditionally, their mission is to secure and create jobs in the home country by encouraging or facilitating exports, which they do by mitigating the risk associated with doing business abroad.

- ECAs typically require that the transactions they support involves a minimum share of national content (in the EU between 20% and 50%), parts produced or services rendered in the home country.

- However, over time and due to increasingly globalized supply chains, many ECAs have reduced their minimum percentages or pursue instead a national interest, which is understood more broadly.

- To date, there are no EU-level financial instruments that are geared towards ECAs as financial intermediaries.

Survey (25th April 2022) - EU export credit agencies (ECAs) reaction in terms of providing guarantees for Ukraine

Finnvera

Exportkreditnämnden (EKN)
AB Svensk Exportkredit (SEK)

Eksport Kredit
Fonden (EKF)

Kredendo

Oesterreichische
Kontrollbank AG
(OeKB)

Kredex
Krediidikindlustus

Investicijų ir veslo
garantijos
(INVEGA)

Korporacja
Ubezpieczén Kredytów
Eksportowych (KUKE)

Euler Hermes
Kreditversicherungs-
AG

Export Guarantee
and Insurance
Corporation (EGAP)

SACE spa

Hungarian Export-Import Bank Plc.
(Eximbank)
Hungarian Export Credit Insurance
Plc. (MEHIB)

13 EU ECAs in 11 MS have
suspended the processing of
guarantees for Ukraine

ECAs that declared
suspension or limitation of
the processing of
guarantees for Ukraine

ECAs that declared
continuation in the
provision of guarantees
for Ukraine

No information available

Source: the information is based on statements in
the ECAs websites where available, as well as in
statements published in the Global Trade Review.

ECAs' activities (July 2023)

- ✓ According to the data provided, it is evident that in the period after Russia's invasion of Ukraine, the **levels of export credit activity** of EU exporters in relation to their trade with Ukrainian counterparties decreased almost twice for MLT transactions and about three times for ST transactions.

- ✓ At the same time, the decrease in the levels of export credit activity in regard to the **size of exporters** is even more pronounced - more than ten times for large companies and nearly six times for SMEs and Small Mid-Caps.

Export credit activity levels with exporters in respect of their trade with Ukrainian counterparts (average p.a., in MEUR) by business type

2022 - present: MLT export guarantee 167.57; ST export credit guarantee 402.85
2015 - 2021 (pre-war): MLT export guarantee 455.21; ST export credit guarantee 777.54

- MLT export guarantee
- ST export credit guarantee

Export credit activity levels with exporters in respect of their trade with Ukrainian counterparties (average p.a., in MEUR) by exporter size

2022 - present: Large companies 72.04; SMEs and Small-Midcaps 19
2015 - 2021 (pre-war): Large companies 743.63; SMEs and Small-Midcaps 113.31

- Large companies
- SMEs and Small-Midcaps

European Commission

Relation with EIF

- Under the EC's InvestEU Programme (SME Window), the EIF offers a range of portfolio **guarantee products** that improve SMEs and Small Mid-caps access to debt finance, i.e. EIF provides (partial) guarantees to support, via the credit risk transfer, debt financing to SMEs and Small Mid-caps (on more advantageous terms than normally available).

- In the context of the war in Ukraine, the European Commission has approached EIF to explore how EIF can **support trade between the EU and Ukraine**, specifically by supporting small businesses in the EU exporting to Ukraine.

European Commission

'Quick fix' to support exports of EU SMEs to Ukraine

- Inclusion in the EIF 'call for expression of interest' for guarantees under the SME window of InvestEU: trade finance transactions for the benefit of trade with Ukraine as eligible transactions

- Applicable conditions:

  - capped portfolio guarantees (cap rate to be set at the expected loss level)

  - guarantee rate of 50%

  - eligible recipients: only SMEs

  - minimum maturity of covered transactions: 12 months

  - financial intermediaries to demonstrate that transactions would not be undertaken without EU backing.

Conditions considered not adequate to bring ECAs back on coverage on Ukraine.
GROW C1 started to explore with the EIF the setting up of a dedicated pilot facility under the SME window of InvestEU to cover solely export finance for Ukraine with improved guarantee conditions

Thank you

European Commission