

# Finland: European initiative to expand support of Finnish SMEs



©Getty Images

- **€350 million top-up of the successful “SME Initiative Finland”, adding to the existing portfolio of € 400 million already deployed to the benefit of Finnish SMEs**
- **Risk takers behind the guarantee facility are the Finnish Government, European Investment Bank Group (EIB & EIF) and the European Commission.**
- **Intermediaries where SMEs can request loans are Aktia Bank, OP Cooperative, POP Bank Centre Coop, OMA Savings Bank and Savings Bank’ Union Coop.**

The Government of Finland, together with EC and EIB Group reaffirm their strong commitment to Finnish SMEs in these difficult times by expanding the financing available under the “SME Initiative Finland”. Following an agreement between the European Commission, the Finnish Ministry of Economic Affairs and Employment, the European Investment Bank and the European Investment Fund, an additional €350 million in SME financing at preferential terms will be made available to small Finnish businesses.

This top-up of the SME Initiative Finland follows an agreement originally signed in 2016 between the same parties, which allowed Finnish banks to get an uncapped guarantees on their newly originated portfolios of SME loans, passing on fully the benefit to Finnish enterprises. Through the SME

Initiative, local companies were able to get financing with lower collateral requirements and longer maturities, especially allowing riskier and innovative businesses to receive preferential financing. As the original facility is now nearly fully used, the increase announced today means that this combined effort will ultimately support €750 million in loans with advantageous conditions to Finnish companies. The intermediaries who will make the financing available to Finnish businesses are Aktia Bank, Savings Bank Union Coop, Oma Savings Bank, OP Cooperative, and POP Bank Centre Coop.

*"With the help of the guarantees this additional funding provides, SMEs will be able to borrow more easily during these difficult times,"* Minister of Economic Affairs of Finland **Mika Lintilä** said. According to him, all instruments are needed to support companies during the coronavirus crisis and beyond.

*"This is an important signal, showing that Europe is there for its SMEs."* EIB Vice-President **Thomas Östros** stated. *"So far, The SME Initiative has been a great success in Finland, meaning that there was a request from the market to amplify this instrument, we are happy to participate in that once again."*

*"The EIF has been a key partner in financing SMEs for quite some years now,"* stated **Alain Godard**, Chief Executive of the EIF. *"In the ongoing situation, we reaffirm our commitment to these businesses and our financial intermediaries by making sure they can count on our support to weather the crisis."*

On a technical level, the project foresees a first loss piece funded by the Finnish Ministry of Economic Affairs and Employment, with further guarantee backing in the lower mezzanine tranche from the European Commission under its "InnovFin" programme, funded by the Horizon 2020 initiative. The upper mezzanine and senior tranches will be guaranteed by the EIF and EIB respectively.

The **SME Initiative** is a financial instrument set up between the European Commission (EC) and EIB Group, whereby a given Member State (MS) contributes structural funds (ESIF), and the EC in turn contributes COSME and/or Horizon 2020 (H2020) funds. SMEI-Finland's purpose is to provide effective portfolio credit risk transfer and capital relief at favourable conditions to incentivise financial intermediaries (FIs) to extend new loans/leases to Finnish SMEs with a reduction of the overall interest rate. The FIs' focus on the SME market supports the mandate's objectives and EIF's mission and strategy to enable financial institutions to enhance SME access to finance in Finland at more favourable interest rates, owing to the risk protection to the FIs.