Ministerie van Economische Zaken

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Date
Subject Situation with SME finance and the 'Additional Action Plan for SME Financing'

Dear Mr President,

During the debate on Innovation on 18 March last, in reply to the question on the subject from Senator Flierman, I promised to inform you about the precise state of affairs concerning the financing of small and medium-sized enterprises (SMEs).

In the spring, an official working group analysed the problems and the measures the government can take to improve the availability of financing for SMEs. Among its major findings were that the financial position of SMEs that seek financing is often weak, that the risks banks face in financing SMEs have increased and that there are insufficient alternatives to fill the gap left by the fall-off in bank lending.

It is very important to the government that SMEs with a healthy business plan can continue to raise adequate financing now that the economy is tentatively recovering. As previously announced, with the 'Additional Action Plan for SME Financing' the government intends to take the following additional measures.

**Further development of a market for equity capital.** Some SMEs have difficulty raising equity capital, which also hampers their ability to borrow. The supply of risk-bearing capital is not yet sufficiently developed in the Netherlands, particularly for small companies. In addition to existing instruments designed to help raise risk capital, the government will support efforts by market actors to create a fund for subordinated loans and provide an additional impulse of € 100 million for investments via business angels and venture-capital companies. In addition, on 1 July last, a new scheme was launched for early-phase financing for innovative start-ups and small companies. This scheme will become permanent.

**Expanding the range of financing.** SMEs depend heavily on banks to borrow capital. Because of the increased risks, the banks have become stricter in providing loans. The profitability of small loans, in particular, is also relatively unappealing for banks. The government has therefore already taken measures to encourage expansion of the range of options for raising finance, including organising pilot projects with credit unions, promoting crowdfunding and providing support for NPEX (the trading platform for securities of SMEs). The government will also support a number of new market initiatives by providing guarantees, expanding the portfolio of services provided by Qredits and launching actions relating to 'chain financing'. Expanding the range of financing will also facilitate combinations of different forms of financing, including bank loans.

**Better operation of market forces in SME financing and further improvement of government instruments.** Factors such as the risk and high handling costs mean that SME finance is a relatively unappealing market segment for banks. The handling costs are connected, among other things, with the quality of the applications submitted and the information that is available about a company and the relevant sector. In addition to ongoing projects such as the *Kredietpassport* [Credit Passport], the government is taking the initiative to improve the quality and accessibility of information about the creditworthiness of SMEs. Within six months, a plan will be drawn up in consultation with the relevant parties in the SME sector. That plan will build on the system of Standard Business Reporting (SBR), since SBR is a method of standardising the accounts of businesses so that the data can be used for multiple purposes. Further measures will also be taken to improve the government's existing financial instruments.

The information used in drafting the Additional Action Plan for SME Financing included the analyses in the report 'Bank lending and capital'[1] by De Nederlandsche Bank (DNB), the discussion paper of the Netherlands Bureau for Economic Policy Analysis (CPB) entitled 'De financiële positie van het MKB in Nederland [The financial position of the SME sector in the Netherlands],[2] and the Financial Monitor 2014-1 (annex 1). The government also incorporated the findings from the attached advisory report 'Het kleinbedrijf: Grote motor van Nederland' [Small businesses: A major engine of growth for the Netherlands] (annex 2), in which the authors broadly considered ways of exploiting the growth potential of small companies.[3] The measures in the Additional Action Plan will be fleshed out in consultation with stakeholders and experts, with a possible role for the Comité voor Ondernemerschap en Financiering [Committee for Entrepreneurship and Finance].

Section 1 of this letter provides a further analysis of the problems. In section 2, the additional measures the government is taking will be explained, as well as the budgetary consequences. By presenting this analysis and details of the measures that the government is taking to address the bottlenecks, I am complying with the wishes expressed by this House on 18 March last.

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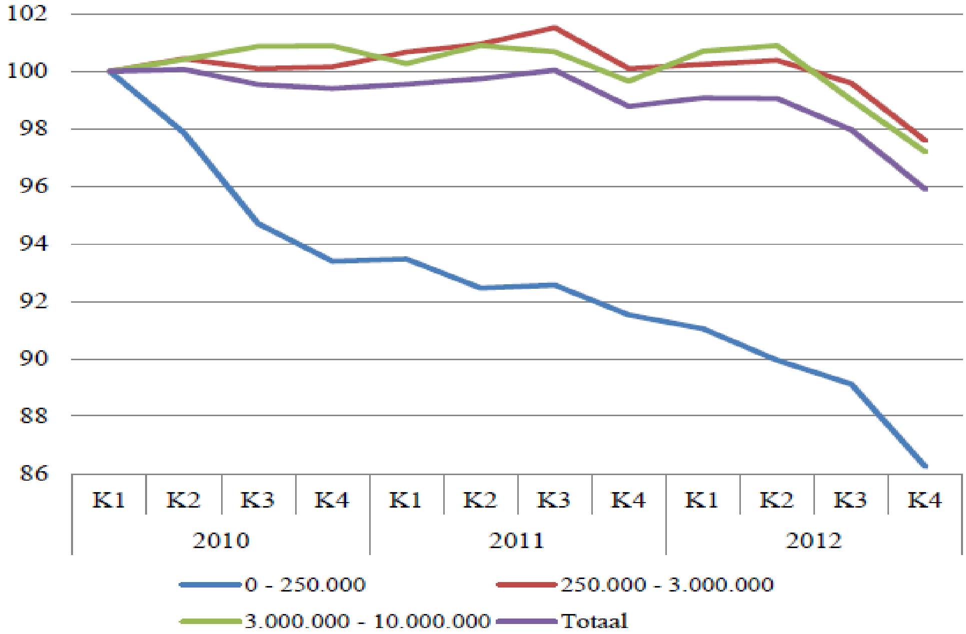
[1] Annex to Parliamentary Document 32 013 no. 59.
[2] CPB(2014), 'De financiële positie of the midden- en kleinbedrijf in Nederland', CPB Discussion Document.
[3] The advisory report explored ways of making better use of the growth potential of small companies. The report also identified bottlenecks and recommended measures in areas not directly relating to corporate financing, such as coaching, skills and regulation.

## 1. Analysis of the problem

Before the financial crisis, the Netherlands enjoyed a period of strong growth in business lending. In the pre-crisis period, at its peak business lending was growing at an annual rate of 16%.[4] In the last few years, however, the level of lending has declined. The smaller the size of the loan, the sooner the contraction started and the stronger it has been. While total business lending has been contracting since the second half of last year, the cumulative decline in the total volume of the smallest loans to SMEs (less than €250,000) was 14% in the period between 2010 and 2012 (see figure below). On the basis of the various analyses, the most important findings regarding the development of SME financing are presented below.

Total volume of outstanding bank loans to businesses




*Source: DNB study 'Bank lending and capital', 2014.*

The first finding is that the contraction in lending is to a large extent connected with the weakness of the economy. Domestic demand in the Netherlands has fallen off since the beginning of the crisis.[5] The SME sector, which depends to an above-average extent on domestic demand,[6] has been particularly hard hit by this. Confronted with the decline in domestic demand, the demand for credit among SMEs has declined substantially.

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[4] DNB, 'Kredietverlening door Nederlandse MFI's aan niet-financiële bedrijven in Nederland', http://www.statistics.dnb.nl/financieele-instellingen/banken/binnenlandse-bankbedrijf-monetair/index.jsp.
[5] Whereas the consumption by Belgian and German households rose between 2008 and 2012, household consumption in the Netherlands declined by 4.4%. Source: CBS, 'The Dutch economy in 2012,' p. 186.
[6] The export index of Panteia/EIM shows that only 8% of SMEs are exporters. The dependence on domestic demand is particularly great in the hospitality, retail and construction sectors.

Secondly, lending is a problem because the SMEs that do apply for loans are often in a weak financial position. Even before the crisis, the equity capital of Dutch SMEs was relatively low. Furthermore, it is not only the equity capital that has declined because of the crisis, but also the profitability of small companies in particular, so they have less scope to bolster their equity capital by retaining profits. In comparison with other countries, SMEs in the Netherlands also more often seek external credit to strengthen their working capital rather than using it for investment. Because its purpose is less specific, providing finance for working capital creates the risk that it will be used for loss financing, which is a reason for banks to be even more cautious. This is probably part of the reason for the high rejection rate of requests for loans from SMEs in the Netherlands.

Thirdly, in the face of the increased risks, banks have become stricter in providing loans. Banks have said that they underestimated risks ahead of the crisis. Consequently, the number of problem loans has risen sharply in recent years, to almost 6% of the entire SME-loan portfolio.[7] The banks and their regulators have since become more alert to the risks. The combination of the SMEs' weaker capital position and the stricter requirements imposed on banks, as well as the stricter enforcement of those requirements, is exerting pressure on lending as a whole.

Fourthly, there are structural factors that make it more difficult for SMEs than for large companies to secure financing. For example, the ratio of costs to income of SME loans is relatively unappealing, particularly for smaller loans. The costs of estimating the creditworthiness of an SME are relatively high, while the interest income in euros is, by definition, low because of the smaller size of the loan. There is also less information publicly available about SMEs than about large companies. As a result, information costs are high, which can also form an obstacle to raising capital. It is relatively expensive for capital providers to properly estimate the risks in the SME sector.

Fifth, the SME sector in the Netherlands, as in many other European countries, depends heavily on banks for external financing and there are still too few alternative sources of financing to supplement the lending by banks. A number of alternative financiers have recently appeared on the scene: various financial institutions and institutional and other investors are currently establishing SME investment funds. A number of credit unions, crowdfunding platforms and the trading platform for securities of SMEs, NPEX, have also been set up, partly with the support of the government. Banks are also important partners in these ventures.

Sixth, the balance-sheet position of banks has only a limited impact on lending. DNB expects banks to be able to comply with the requirements for strengthening their capital in the coming years and, at the same time, meet the demand for

[7] DNB, 'Overview of Financial Stability', Spring 2014, p. 12.

credit from businesses and households. In addition, the CPB recently reported that the fact that large companies in the Netherlands can borrow at an interest rate that is lower than in Germany is an important indicator that supply restrictions are not a major factor.[8]

DNB has also reviewed scenarios in which the economy grows faster than anticipated and/or bank profits grow by less than expected. In these scenarios, banks will not be able to meet the demand for credit. The DNB's scenarios are relatively conservative, however. For example, they are based on the assumption that banks are not able to issue shares and of growth not only in business loans, but of every balance-sheet item. In practice, therefore, the scope for lending could be greater. A modest increase in bank profits or a share issue would be enough to meet the additional demand for credit in these scenarios. The CPB argues that if the economy picks up, it will be easier for banks to raise equity capital. The CPB therefore regards problems with supply as unlikely from this perspective. The DNB's scenarios also contradict the CPB's and DNB's economic forecasts for this year and next.[9]

Some of the developments outlined above are temporary because they are connected with the financial crisis and the ensuing economic slowdown. However, some are of a more persistent nature. For example, the tightening of credit conditions and/or the price of credit relate in part to the closer scrutiny of risks. This is a healthy development, since, prior to the crisis, banks and other financiers frequently underestimated the risks. It would be unwise for government policy to bring about a return to the very relaxed lending criteria that existed on the eve of the crisis. It is, however, crucial to address possible bottlenecks in the financing of SMEs and to ensure that fundamentally healthy SMEs can continue to secure adequate financing during the transition to a more diversified financial market.

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[8] CPB, 'Risicorapportage Financiële Markten 2014', p27: "The difference between the lending to large and small businesses, in conjunction with the slow economic growth, is an important indicator that supply restrictions are not a major factor."
[9] In its recent June Forecast 2014, the CPB projected economic growth of 0.75% in 2014 and 1.25% in 2015.

## 2. Additional measures

Financing business is primarily a market activity. The government cannot and does not wish to assume the role of the providers of financing. At the same time, the government can take measures that will contribute to a healthy supply of finance. In that context, it is always important to carefully consider where the market is not growing sufficiently or quickly enough. Inherent to this approach is that many measures will be temporary and can be phased out once an adequate supply of finance is available from the market. The following box provides an overview of existing financing instruments, most of which address structural bottlenecks in the market for business finance.

**Financing instruments**

The Ministry of Economic Affairs already possesses a wide range of instruments to promote corporate financing. These instruments have already been significantly expanded and intensified since the start of the credit crisis. The guarantee scheme for loans to SMEs (BMKB), the guarantee scheme for business finance (GO) and the Growth Facility Scheme (Groeifaciliteit) facilitated more than € 8 billion euro in loans to SMEs in the period 2009-2013. In addition, since 2009, banks, insurance companies and the Ministry of Economic Affairs have invested € 120 million in Qredits (government contribution: € 45 million) to provide small loans to entrepreneurs who cannot secure financing from the bank.

The SME+ Innovation Fund was established in 2012 to provide risk-bearing capital to stimulate innovation. For the period 2012-2015, a total of € 500 million has been earmarked to finance innovation credit, seed capital and risk capital via the Dutch Venture Initiative (DVI). It is a revolving fund, so money that is repaid is reinvested in innovative companies. The government decided last year to increase the fund by € 75 million, which will be devoted to early-phase financing and a facility for co-investment with business angels.

The Ministry of Economic Affairs is also a shareholder in the Regional Development Agencies, which have a combined capital of € 350 million to acquire participating interests in young, innovative companies.

There is also a wide range of instruments for companies with international operations, particularly the export credit insurance instruments and the Dutch Good Growth Fund.

In light of the problems and the existing instruments, the government is taking a number of additional measures designed to strengthen the capital position of SMEs, to stimulate alternative sources of financing and to improve the operation of the market. It is also taking measures to improve the effectiveness of the existing instruments.

Additional measures are also being taken at the European level. At the beginning of June, the European Central Bank (ECB) announced a new monetary policy to encourage banks to enlarge their portfolios of business loans. The ECB will lend banks, at a low interest rate, a sum equal to 7% of their loans (position at the end of April) to the non-financial private sector (excluding mortgages). Two further tranches of this so-called TLTRO programme will follow in September and December. The aim of the programme is make it more appealing to provide business loans, including loans to SMEs. The size of the programme is expected to reach around € 400 billion. The ECB is also preparing a programme to buy up securitised loans (asset-backed securities).

The table below shows the additional measures the government is taking to address the problems with SME financing, including the amount of public funding involved. On the basis of the proposed actions and the anticipated effects on SME financing, it is estimated that these measures will generate around € 2.5 billion in new SME finance in the market: up to approximately € 1 billion via the SME+ Innovation Fund, approximately € 500 million through expansion of the range of financing, and approximately € 1 billion from the further development of the provision of equity capital to SMEs. Whether the new measures will create new SME finance depends in part on their implementation and in part on developments in the market, as is explained below for each of the measures.

| **Measures** | **Use of public funds 2014-2019** |
|---|---|
| **Cash** | |
| 1. Cash reserve for establishment of subordinated loans fund<br>*subordinated loans for SMEs* | € 12 million |
| 2. Innovation Funds: DVI+<br>*risk capital for SMEs via the DVI* | € 100 million |
| 3. Innovation Fund: Early-phase financing<br>*for innovative start-ups and small companies* | € 25 million |
| 4. Supporting measures: 'SBR+'<br>*improving credit information about SMEs* | € 5 million |
| 5. Supporting measures: skills<br>*improving knowledge and expertise of SMEs* | € 5 million |
| 6. Supporting measures: streamlining<br>*better presentation and organisation of instruments* | € 3 million |
| 7. Supporting measures: chain financing<br>*programme for inclusion of SMEs* | € 5 million |
| **Total funds** | **€ 155 million** |

| **Guarantees** | |
|---|---|
| 1. Guarantees for establishment of subordinated loans fund<br>*Subordinated loans for SMEs* | € 500 million |
| 2. Guarantees for new suppliers<br>*Expansion of range of SME financing* | € 400 million |
| 3. Expansion of Qredits<br>*Small loans for SMEs* | € 100 million |
| **Total guarantees** | **€ 1,000 million** |

The funds will be covered for € 100 million from the reserve for August that was included in the Spring Memorandum 2014. The funds and the remaining cover will be included in the Ministry of Economic Affairs' budget in the Budget for 2015. The guarantees will be covered by the under-utilisation of the guarantee schemes. The current expectation is that approximately € 1 billion of the amount available in guarantees under the ministry's instruments will not be used this year and next, and can therefore be used for new measures under the Additional Action Plan. Of that amount, € 500 million is already earmarked for further development of a market for equity capital and € 500 million to expand the range of financing, of which € 100 million is intended for expansion of Qredits' portfolio of services. With an economic recovery, however, the use of the guarantee schemes could again increase substantially, as occurred in 2011. The government will therefore constantly monitor developments in the use of the schemes. If necessary, the amount available for guarantees will be allocated flexibly amongst the new measures. The measures are explained below.

*2.1 Increasing the supply of risk-bearing capital*

The government is taking the following measures to strengthen the supply of risk-bearing capital for SMEs.

- Support for market parties in creating a fund for subordinated loans. The quartermaster of the National Investment Institution (NII) also called for this in his report to the government. Together with the NII, the government intends to investigate the potential size of the market for such a fund, which market parties are already developing initiatives and what gaps there still are. In implementation of the motion by member of the House of Representatives De Vries[10] on 17 June last, the government will also ask the NII to explore the possibility of providing subordinated loans for projects that require financing of € 100,000 or more. The Ministry of Economic Affairs will be happy to involve relevant market parties, including the Netherlands Association of Banks, in fleshing out the details of the fund

[10] Parliamentary Document 32 637 no. 142.

In his report, the quartermaster of the NII estimated that the annual requirement in terms of subordinated capital for SMEs comes to € 650 million. A fund for subordinated capital will act as a catalyst for additional (bank) financing and will therefore create leverage. It is therefore estimated that the € 500 million that the government can now use to provide guarantees for funds designed to strengthen equity capital will generate at least € 1 billion in total new financing for SMEs.
The government is reserving additional liquidity of € 12 million with which it can provide guarantees for the financing of a fund for subordinated loans if the aforementioned study shows that there is a need for them. Such guarantees must fall within the government's guarantee framework, they must be cost effective and they must not constitute state aid. The cash reserve is intended to absorb differences in expenditure and income in years when insufficient reserves have been built up from the break-even premium.

- The government will invest an additional € 100 million in venture capital companies and business angels for SMEs through the Dutch Venture Initiative (DVI). As with the initial investment in DVI, it is the government's intention that the European Investment Fund (EIF) will again invest at least € 50 million. The DVI only participates in funds that are co-financed for at least 50% by private investors, so this measure is expected to generate between € 300 and € 450 million in new venture capital. Since this extra venture capital will also enable companies to raise new loan capital, the measure is expected to generate approximately € 700 million to € 1 billion in new financing for the SME sector.

- The new pillar of the SME+ Innovation Fund, the new scheme for early-phase financing, was opened with a one-off injection from the 2014 stimulation package on 1 July last. The government is making funds permanently available for this new scheme, which is designed to finance academic and innovative start-ups and existing innovative SMEs.

- A tax incentive*.* The government will assess the proposals in the StartUpNL Agenda of the member of the House of Representatives Lucas on the basis of existing evaluations of effectiveness, target group reach and budgetary impact. However, the government is still reluctant to introduce new fiscal measures.

### *2.2 Expanding the supply of SME financing*

The government has already taken measures to expand the range of financing for SMEs and reduce their dependency on banks. Banks themselves support this approach, because they too see the benefits of strengthening the capital position of SMEs from alternative sources. The government is encouraging new suppliers of SME finance through pilot projects with credit unions, by promoting crowdfunding and other alternative forms of financing, devoting attention to regulation, providing support for expansion of the SME trading platform NPEX and conducting research, including a study into chain financing for SMEs. Qredits has also been established with the support of the banks and insurance companies to provide loans up to a current maximum of € 150,000. The government will take the following additional measures.

- Guarantees for the start-up of activities by new suppliers of SME finance. A number of prospective new suppliers of financing for SMEs do not yet have the track record demanded by potential investors (funders). The government intends to provide guarantees for these funders in order to facilitate the start-up of new suppliers. The guarantees must fall within the government's guarantee framework, they must be cost effective and they must not constitute state aid. The government expects that a budget of € 400 million will be needed for guarantees to launch initiatives that meet the criteria. It is estimated that this sum will generate at least € 400 million in new financing in the market.

  The government has received a number of applications for a guarantee for the funding of new suppliers of SME finance and will assess these applications on the basis of the above criteria.

- Expansion of Qredits' portfolio of services. Qredits makes a contribution to corporate financing by handling loan applications that have been rejected by the bank. It also provides coaching and mentoring for entrepreneurs, which are important for the growth of a small company.

  In the last five years, Qredits has evolved into a professional lender for small companies in the Netherlands. Having handled more than 20,000 applications, financed 5,000 businesses and provided loans of € 82 million, and with a relatively small default ratio of 4%, it is now a highly experienced lender. The organisation has grown into a professional team of 49 employees (45 FTEs) and 550 voluntary coaches.

  Qredits employs a system where applications are personally screened by experienced business advisors and a (start-up) loan is provided in combination with coaching and expert credit management, which allows for flexibility in the terms of the loan. The model corresponds with the wishes of entrepreneurs in the small-business sector. Since 1 November 2013, thanks to a contribution from the government, insurers and banks, Qredits has been able to provide more loans and now has two financial products:

  - Microcredit: a loan of up to € 50,000;
  - SME credit: a loan from € 50,000 - € 150,000.

  In view of the contribution Qredits makes to the financing of small companies, the government has consented to a further expansion of the scope of its activities. This will involve:

- Increasing the credit limit. Small loans that require intensive assessment and management are not sufficiently profitable for banks. With partners and external experts, the government is therefore investigating whether the maximum limit for loans that Qredits may provide to companies referred or rejected by banks can be raised to €250,000 from the beginning of 2015.
- Providing working capital. A substantial part of the financial requirements of companies, particularly smaller companies, is met by an overdraft facility. This facility is mainly intended for working capital. Partly in view of the growing demand for working capital and the rising percentage of rejections, partners are therefore being sought to handle payment transactions so that Qredits can provide current account facilities.

It is expected that this expansion of Qredits' activities will require around € 100 million in additional funding. The Ministry of Economic Affairs is currently holding talks with various interested parties, including the EIB, about the conditions under which they would be willing to provide additional financing for Qredits. For the time being, the government has € 100 million available to provide guarantees should a government guarantee be needed to secure new funding for Qredits. The expectation is that the expansion of Qredits' activities will generate at least € 100 million in new financing in the market.

- Chain financing. A study that the House of Representatives received, together with the letter on the 'Half-year report on the use of the Ministry of Economic Affairs' financing instruments'[11] on 11 April last, showed that there seem to be possibilities to allow SMEs to join chain-financing programmes and hence reduce their dependence on bank financing. Concrete measures will be fleshed out this year in consultation with the major customers of SME products and services and with stakeholders in the financial sector. In the Additional Action Plan, € 5 million is earmarked to set up and promote chain financing.

- Securitisation of loans. The securitisation of loans by banks creates scope for new lending. In the last few years, banks and (institutional) investors and the government have been engaged in talks about specific steps that could be taken. Those discussions have led to a number of specific initiatives and funds. For example, the insurance companies recently announced the creation of a fund for co-financing with ABN AMRO totalling € 280 million. Projects organised via the NII could also possibly help to reduce the size of the balance sheets of banks.

- Increased investments by the EIB and the EIF in the Netherlands. The European Investment Bank (EIB) and the European Investment Fund (EIF) want to become more active in the Dutch market. The government is working with these institutions to facilitate more financing in the Netherlands, for SMEs among others. In that context, they opened an office in the Netherlands in the presence of the Prime Minister on 15 May last. In the third quarter of 2014, an

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[11] Parliamentary Document 32637 no. 125

event will be organised in association with the Ministry of Economic Affairs to present the instruments offered by the EIB, EIF and the government for growing and innovative companies.

- Wherever necessary and possible, prudential regulations will be amended to create a better balance between risk and oversight. The current regulation of the financial sector is tailored to banks and larger financial institutions. These rules may not be appropriate for emerging alternative forms of financing, such as credit unions and crowdfunding. The government is therefore investigating, together with the regulators and private actors, what possibilities there are to tailor the regulatory regime more to alternative forms of financing, without increasing the risks for consumers.

*2.3 Improving the operation of market forces and existing government instruments*

The government is taking the following measures to improve the operation of market forces in relation to SME finance and existing financing instruments.

- Financing SMEs could be made more profitable for financiers by reducing the costs. The costs for a financier of handling loan applications depend heavily on the quality of the application and the information available about the company and the relevant sector. Various initiatives are already underway to improve the supply of information to SMEs, such as the Financieringsdesk [Financial Desk] at the Chamber of Commerce, the Ondernemerskredietdesk [Business Credit Desk] (run by MKB-Nederland, VNO-NCW and the Netherlands Association of Banks) and the national and regional publicity campaigns organised by MKB-Nederland. The Kredietpassport, which is currently being developed, could also help to reduce the handling costs for financiers. To supplement these activities, the government is taking steps to improve the quality and accessibility of information about the creditworthiness of SMEs. With better and more easily accessible information about the creditworthiness of SMEs, the premium for uncertainty that capital providers include in the return they demand will decline, as will the costs of assessment and management.

  Many other countries in Europe have central credit information offices, and the ECB is exploring the possibility of establishing a European standard. Any proposals for a similar approach in the Netherlands must reflect this situation in order to avoid double investment. Within six months, a plan will be formulated in consultation with the relevant parties in the SME sector, including MKB-Nederland, the Chamber of Commerce, financiers and suppliers of credit information about SMEs. It will build on the actions that are already being taken in relation to Standard Business Reporting (SBR+). A sum of € 5 million is earmarked in the Additional Action Plan for the implementation of the plan.

- Business skills. In its advisory report on measures to exploit the growth potential of small companies more effectively, McKinsey also mentioned bottlenecks and recommended actions in relation to business skills. For example, it was found that entrepreneurs in the small-business sector do not always possess the skills needed for successful growth. Although there is an extensive range of programmes designed to enable entrepreneurs with small companies to develop the skills they need, in some respects the supply does not entirely meet the requirements. There is also a mismatch between supply and demand. In the Additional Action Plan, the government has earmarked € 5 million to encourage small companies to be more ambitious and improve the skills they need to achieve growth. The relevant measures will be fleshed out in the autumn.

- Improving the financing instruments. The government's financing instruments enable thousands of companies to raise hundreds of millions of euro every year, particularly to finance a start-up, growth and innovation. Because of the necessary expansion of the schemes in the last few years, there is now a wide variety of instruments appropriate to companies with different risk profiles and in different life phases. As a result, the instruments are not always transparent for businesses and financiers. It is also essential to ensure that the instruments constantly respond to developments in the financial sector. The government intends to increase the effectiveness of existing government instruments with the following measures.

- Streamlining and improving access to the financing instruments. One option is to transfer some of the schemes to a ring-fenced 'Financieringwinkel' [Financial Store] managed by the Netherlands Enterprise Agency (RVO). This option would also cover the guarantee schemes for the agricultural sector. This will increase the transparency of the instruments for businesses and financiers and could further enhance the quality and efficiency of their implementation. In the Additional Action Plan, € 3 million is earmarked to carry out this operation.

- Monitoring the budgets for the financing schemes. There is currently more than enough capacity to meet all of the applications for guarantees. When the economy recovers, however, the use of the guarantee schemes could increase substantially, as occurred in 2011. The government will therefore constantly monitor developments in the use of the schemes.

- Extending the stimulation measures in 2014 by an additional year. These measures consist of a temporary increase in the guarantee percentages and the ceilings for loans that make use of all or parts of the BMKB and GO schemes, as well as an additional stimulus for the Innovation Credit scheme for SMEs. It makes sense to retain this additional capacity since, with the tentative recovery of the economy, the demand from SMEs is likely to grow.

- Using some of the current guarantee funds to support new initiatives to expand the supply of risk-bearing capital. The current under-utilisation of the guarantee schemes provides the scope for this. This point is discussed under the measures relating to the further development of equity-capital financing and expansion of the supply of finance.

- Increasing the possibilities for covering working capital under guarantees. It is already possible, with the existing instruments, to provide guarantees for working capital, but the possibility of providing a further stimulus is being investigated, since working capital is an important component of the financial requirement of SMEs and is usually the primary financial requirement during an economic recovery.

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|---|---|
| H.G.J. Kamp | Jeroen Dijsselbloem |
| Minister of Economic Affairs | Minister of Finance |