



ENHANCING LONG-TERM FINANCE FOR SMEs IN EUROPE

High-level
Expert Group
Deliberation

Session 2 in Paris,
11th March 2026

This initiative is jointly promoted by

INBONIS[̄]RATING
THE CREDIT RATING AGENCY FOR SME AND MIDCAPS



**SME FINANCE
FORUM**



EXECUTIVE SUMMARY

BUILDING A SCALABLE LONG-TERM FINANCING ECOSYSTEM

for SMEs and mid-caps in Europe

The report *Enhancing Long-Term Finance for SMEs in Europe* presents the **conclusions** of a high-level expert deliberation convened by INBONIS Rating and the SME Finance Forum in March 2026, **focused on one of Europe's most pressing structural challenges: the persistent gap in long-term financing for SMEs and mid-caps**. Despite their central role in employment, value chains, and regional growth, these companies continue to operate within a financing model that remains heavily dependent on bank credit and insufficiently connected to long-term, patient capital. This imbalance is occurring in a broader context where Europe faces a significant competitiveness challenge, requiring substantial investment—estimated at €1.3 trillion annually—to support the green, digital, and industrial transitions, while at the same time struggling to effectively channel its abundant private savings into productive investment.

At the heart of the problem lies a structural disconnect between savings and investment. European households hold vast financial resources, yet a significant share remains in low-yield or non-productive assets, while capital continues to flow abroad. This “savings paradox” is particularly detrimental for SMEs, whose financing constraints are less about access to bank loans and more about the lack of long-term investment capacity. The challenge is further compounded by the heterogeneity of the SME landscape: while backbone SMEs suffer from chronic underinvestment due to weak balance sheets, scale-ups and mid-caps face difficulties accessing growth capital and scalable market financing within a fragmented European system. At the same time, banks—still the dominant financing channel—are increasingly constrained by regulatory and balance-sheet limitations, reducing their ability to provide long-dated risk capital.

In response, **the Expert Group does not propose a single solution but rather outlines a systemic approach to building a more effective financing ecosystem**. Central to this vision is the need to

strengthen SME balance sheets through hybrid and quasi-equity instruments, while expanding the role of risk-sharing structures that allow banks to originate financing and distribute part of the exposure to long-term investors. Securitization is identified as a key, albeit politically complex, mechanism to bridge the gap between banking and capital markets. Equally important is the need to improve SME visibility through better data, standardized information, and wider use of independent credit assessments, which are seen as essential preconditions for attracting institutional capital at scale.

Beyond financing instruments, **the report emphasizes the importance of developing deeper capital markets and more effective scaling pathways for mid-caps and growth companies**, including improved access to public markets and stronger exit options within Europe. Public policy also plays a catalytic role through blended finance and guarantee schemes, which can crowd in private investment by reducing risk for institutional investors. At the same time, mobilizing household savings will require not only better investment products and tax incentives, but also a stronger culture of long-term investment and improved financial literacy. Finally, the report underscores that none of these solutions can reach full scale without addressing Europe's regulatory fragmentation, which continues to act as a barrier to cross-border investment and market integration.

Overall, the report's central conclusion is that Europe does not lack capital, but rather an integrated system capable of connecting savings, financial intermediation, and investment at scale. Addressing this challenge will require coordinated action across public and private actors, combining financial innovation, regulatory alignment, improved transparency, and cultural change. The objective is not incremental reform, but the development of a more coherent and scalable financing architecture capable of supporting Europe's SMEs and mid-caps as engines of long-term growth.

KEY CONCLUSIONS AND IMMEDIATE PRIORITIES

The Expert Group's main conclusion is that Europe does not need a single new instrument; it needs a more integrated financing ecosystem capable of connecting savings, intermediation and long-term investment for SMEs and mid-caps.

1 Expanding liquidity and market access for scale-ups and mid-caps

- ▶ Strengthen later-stage financing channels for scale-ups and internationally growing mid-caps.
- ▶ Simplify access to public markets for SMEs and mid-caps through more proportionate listing requirements and a single-entry point under stronger European coordination.
- ▶ Develop stronger growth-market segments and market platforms (for example, a European Deep Tech Exchange) capable of supporting firms beyond domestic scale.

2 Turning SME risk into an investable asset class through data, ratings and transparency

- ▶ Improve SME visibility through stronger data standardization and more transparent reporting.
- ▶ Expand the use of independent credit assessment tools to make SME risk more understandable, comparable and investable.
- ▶ Reduce transaction costs and facilitate institutional participation through better information and more consistent market standards.

3 Using blended finance and public guarantees to crowd in private capital

- ▶ Use guarantees, first-loss protection and other risk-sharing mechanisms to make SME and mid-cap exposure investable at scale.
- ▶ Deploy blended-finance structures that bring together public institutions, banks, private managers and institutional investors.
- ▶ Position public intervention as a catalyst for private capital, not as a substitute for it.

4 Strengthening the financing capacity of backbone SMEs through recapitalization and risk-sharing

- ▶ Promote hybrid and quasi-equity instruments, including profit-participating loans and subordinated instruments, to reinforce long-term investment capacity.
- ▶ Develop broader risk-sharing structures that allow banks to continue originating finance while distributing part of the exposure to other long-term investors.

5 Revitalizing securitization as a bridge between banking and capital markets

- ▶ Revitalize securitization as a structural bridge between Europe's bank-based system and deeper capital markets.

6 Mobilizing savings through attractive retail channels, tax incentives and financial literacy

- ▶ Strengthen retail investment channels such as ELTIF 2.0, long-term savings products and individual investment accounts.
- ▶ Complement product design with simpler tax incentives and clearer intermediation structures, drawing inspiration from national models such as Sweden and France.
- ▶ Foster a stronger risk appetite and a broader long-term investment culture by building more positive narratives around equity, productive investment and responsible risk-taking.
- ▶ Improve financial literacy and adapt communication strategies to the channels and formats through which younger and newer investors engage with financial content, including digital platforms and the more constructive use of influencers.

7 Reducing fragmentation through regulatory alignment and a European scaling framework

- ▶ Advance a "28th regime" to allow firms to operate and scale across the Union under a more coherent framework.
- ▶ Reduce national gold-plating and move towards simpler, more harmonized rules for market access and financial products.
- ▶ Treat regulatory alignment as an enabling condition for the broader long-term financing agenda, not as a secondary institutional issue.

1. Introduction

by Alberto Sánchez Navalpotro, CEO of Inbonis Rating and Raphaëlle Aubert, Head of the IFC Paris Office and IFC Representative for France, Spain and Israel



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When Inbonis Rating and the SME Finance Forum first convened this Expert Group in Paris in April 2024, the challenge was already clear—and it remains so today: Europe's SMEs and mid-caps face a structural gap in long-term financing. Despite their central role in employment, value chains and regional economic dynamism, these companies continue to rely heavily on bank credit, with limited access to the patient capital needed to invest, innovate and grow. At the time, the equity and hybrid capital shortfall was estimated at €450–600 billion, while banks accounted for around 70% of SME financing in Europe.

On March 11th, 2026, we convened this group for a second time, bringing together high-level experts from across Europe to challenge the status quo, share best practices and develop practical solutions. This renewed gathering comes at a particularly relevant moment. The warnings of Enrico Letta and Mario Draghi have elevated SME financing to the core of Europe's competitiveness agenda, highlighting the gap between abundant private savings and limited productive investment.

This initiative is not intended to remain at the level of discussion and diagnosis. It is about making tangible progress. In other words, this is not just a think tank, it is a do tank.

Building on the foundations laid in Paris, this second deliberation aimed to deepen the analysis of barriers to long-term financing, strengthen alignment among stakeholders and identify actionable measures. Our ambition is to generate lasting value: to inform the public and private debate, support effective policy design and maintain momentum among committed institutions. The conclusions of this report should be understood not as an endpoint, but as a further step in a broader collective effort.

This document summarizes the collective intelligence generated in the deliberation, around the theme:



Turning EU Savings into a Financing Engine for SMEs Under Existing Regulation.



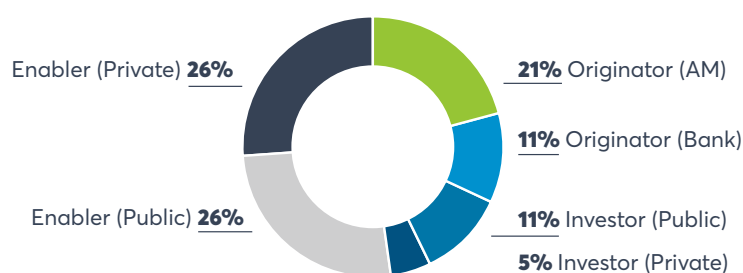
2. Methodology

In this **second edition** of the initiative *Enhancing Long-Term Finance for SMEs in Europe*, we once again followed the deliberative methodology developed by the Ethosfera Foundation. This methodology is designed to ensure inclusive and meaningful participation among a broad range of relevant stakeholders. Throughout the process, we upheld the core principles of deliberation, including **mutual respect, intellectual openness, curiosity, and empathy**. The end-goal of this **deliberative exercise was to generate collective intelligence** oriented towards concrete and actionable solutions.

The process included the following phases:

1. Selecting the group of high-level experts

we gathered in the same room Experts from 6 relevant stakeholder groups that can impact SME finance in Europe.



*AM = Asset Manager

2. Analyzing the context

we developed an analysis of the situation with relevant data and trends and identified a number of news and academic articles that we shared with the deliberators ahead of time.

3. Identifying and reflecting the various issues at stake from different perspectives

we identified the most relevant issues associated with SME long-term finance and contextualized them taking into account the various dimensions.

4. Choosing two keynote speakers

among the deliberators that introduce the framework of the discussion and expose various possible alternatives of action or questions to the group.

5. Engaging in the actual deliberation

in small sub-groups of four or five deliberators per table. Tables were designed to each include various representatives of the six categories of stakeholders. Each table assigned a spokesperson in charge of conducting the deliberation and presenting the main conclusions before the rest of the deliberators.

6. Generating collective intelligence

at the end of the deliberation in small groups, the various spokespersons presented their main solutions and conclusions, which were ordered by the main moderator on a flipchart. The group of deliberators decided collectively on the best solutions amongst the various alternatives by using an interactive polling online tool.

3. The Key Note Speakers

The session benefited from the participation of **two keynote speakers** whose contributions helped frame the broader strategic debate on long-term SME and mid-cap finance in Europe. Their insights on the EU’s structural capital deficit and on replicable financing models provided an important foundation for the subsequent discussion and working sessions.

Antonio H. García del Riego currently serves as President of the Audit Committee of the European Economic and Social Committee (EESC) and represents both the Spanish Banking Association (AEB) and the Spanish Confederation of Business Organizations (CEOE). With more than three decades of experience in international banking and European financial affairs, his professional background combines senior banking expertise with extensive involvement in European institutional and regulatory discussions. During the deliberation, his intervention focused on the broader structural challenges facing Europe’s financing ecosystem, particularly the disconnect between Europe’s large savings base and its limited investment capacity, the importance of scale and integration in European capital markets, and the need to strengthen long-term financing channels for SMEs and growth companies.

Sébastien Raspiller is Secretary General of the French Autorité des Marchés Financiers (AMF), France’s financial markets authority. A graduate of the École Polytechnique and ENSAE, he spent most of his career at the French Treasury, where he held several senior positions related to financial regulation, business financing, insurance markets, and capital markets policy before joining the AMF in 2023. His intervention addressed the practical and regulatory dimensions of the Savings and Investment Union, emphasizing the importance of political momentum, financial integration, mobilization of household savings, and the development of financing structures capable of supporting long-term investment in Europe’s productive economy.



4. The Group of Experts



Our working group of experts is intended to have a multi-year collaborative agenda with annual in-person meetings and concrete outcomes, to be jointly determined by members of the Expert Group. Meetings of the working group are governed by Chatham House Rules. Every participant expresses their personal opinion, which does not necessarily represent the views of their institutions.

Expert Group members represent all key stakeholders involved directly and indirectly in SME financing in Europe. They have diverse relevant backgrounds and knowledge related to the topics of discussions. Members of the network are expected to: identify innovative solutions to the problems and jointly define a collaborative agenda for the next steps.

Among the Experts who attended:

Name	Institution	Expert job title	Country
Pedro Guerrero Meseguer	Asociación Española de Banca (AEB)	Head of European Affairs and Strategy	Spain
David Muresianu	Association Française de la Gestion financière (AFG)	Director of Real Assets	France
Sebastien Raspiller	Autorité des marchés financiers (AMF)	General Secretary	France
Simon Janin	Amundi	Group Head of Governance & Public Affairs	France
Antoine De la Guéronnière	BNP Paribas Asset Management	Public Affairs, Head of Internal Governance	France
Zakaria Kanbar	France Assureurs	Financing & Investment	France
Holger Seifert	Council of Europe Development Bank (CEB)	Senior Technical Advisor	France
Antonio García del Riego	European Economic and Social Committee (EESC)	President of the Audit Committee	Belgium
Rosa Armesto	Federation of European Securities Exchanges	General Director	Belgium
Camille Sutter	French Treasury	Head of Corporate Financing and Development Division	France
Gaëtan Parchliniak	FundPartner AM	General Secretary and Head of Compliance	France
Raphaëlle Aubert	International Finance Corporation (IFC)	IFC Representative for France & Spain	France
Alberto Sánchez Navalpotro	Inbonis Rating	CEO	Spain / France
Elena Herrero-Beaumont	Inbonis Rating	Head of Research and Institutional Relations	Spain
Christophe Martin	LBP AM	Product Specialist, Real and Private Assets	France
Xavier Rule	Neot Capital	Investment Officer	France
Alejandra Medina	Organisation for Economic Co-operation and Development (OECD)	Head of Financial Economics Unit	France
Olivier Tonneau	Quantonation	Managing Partner	France
Cecile Levi	Tikehau Capital	Head of Private Debt	France
Veronique Ormezzano	VYGE Consulting	Independent Advisor Financial Regulation	France

5. Issues and Key Learnings

DELIBERATION OBJECTIVE

What will it take to turn EU Savings into a Financing Engine for SMEs Under Existing Regulation

5.1 What is at stake?

This section builds on the preparatory materials circulated to participants ahead of the forum, which are reproduced in [Annex I](#), and summarizes the main structural issues that framed the deliberation. Below are the key issues:

The European Union faces a structural growth challenge that has reached the status of an **“existential challenge”**. Since 2000, **real disposable income per capita in the United States has grown nearly twice as fast as in the EU**, a gap primarily explained by Europe’s weaker productivity performance. At the same time, Europe’s demographic outlook is deteriorating rapidly: **by 2040, its workforce is projected to shrink by close to 2 million workers per year**.

To sustain its social model - which accounts for 50% of global welfare expenditure despite representing only 7% of the world’s population - Europe must achieve significantly stronger growth. The European Central Bank estimates that the investments required for the green and digital transition, alongside defense and technological leadership, amount to roughly **€1.3 trillion per year until 2031**. This financial effort exceeds the relative scale of the Marshall Plan and turns **productivity into the sole engine capable of sustaining Europe’s ambitions**.

— The Savings Paradox and Capital Flight

At the heart of this challenge lies a **savings paradox**. Europe does not lack wealth; it lacks the scale and the mechanisms needed to connect savings with productive investment. **European households hold around €33 trillion in financial assets**, with roughly €10 trillion sitting in deposits and around 34% of savings still locked in cash or low-yield instruments. At the same time, **approximately €300 billion in European savings flows out of the EU each year**, primarily towards the United States, effectively financing the innovation and expansion of global competitors.



— The Structural Crisis in the SME Ecosystem

The consequences of this disconnect are particularly acute in the SME ecosystem, which remains the foundation of Europe's productive fabric. **SMEs account for almost 99% of European companies** and roughly two-thirds of employment, yet the system still misdiagnoses their financing problem as one of insufficient bank credit. In reality, only around 5% of SMEs report real obstacles in accessing bank loans; **the deeper issue is the lack of long-term investment capacity.**

Europe's SME landscape is not homogeneous. **Backbone SMEs**, which anchor regional economies and supply chains, continue to suffer from chronic underinvestment because they lack predictable long-term instruments. **Scale-ups**, by contrast, require patient capital, equity and deeper markets, but often fail to reach the necessary scale within fragmented national systems. The result is a dual failure: Europe's backbone SMEs under-invest, while its scale-ups under-scale and are too often pushed to look abroad for financing. This broader structural weakness is reflected in an **estimated equity and hybrid capital shortfall of €450–600 billion for European SMEs.**

— The Limitations of the Current Model

These tensions are intensified by the limitations of the current financial model. **Europe remains heavily bank-based**, with banks providing around 70% of external corporate financing (compared to only 30-40% in the U.S.). Yet banks are increasingly constrained by regulatory frameworks like **CRR3 and balance-sheet constraints**, which act as a "straitjacket" preventing them from holding the long-term risk necessary for future growth, particularly beyond the four-year maturity threshold.

At the same time, **fragmented capital markets, regulatory layering, bureaucratic complexity and limited SME visibility continue to function as productivity taxes on growth.** Bureaucracy is identified by 55% of European SMEs as their greatest non-financial obstacle; financial research coverage for smaller listed companies has fallen sharply; and both investors and firms still face significant information and literacy barriers in accessing non-bank finance. The challenge, therefore, is not simply to design new instruments, but to **build a financing ecosystem capable of mobilizing Europe's own savings into Europe's own companies**—at the scale and speed that the current moment demands.

5.2. Key questions discussed

The deliberation was structured around a set of practical questions aimed at understanding how Europe can better align savings, financial intermediation and regulation with the long-term financing needs of SMEs and mid-caps. In particular, the discussion focused on the following questions:

1. How can Europe better connect private savings with the long-term financing needs of SMEs and mid-caps?

Participants examined how the Savings and Investment Union could help turn Europe's large savings base into productive investment. This also involved discussing how to better identify investment appetite across sectors and regions, particularly in relation to backbone SMEs and scale-ups, to channel capital more efficiently towards the segments where it can have the greatest long-term impact.

2. Where is the financing gap most acute today, and how should solutions differ across company profiles?

The discussion highlighted the need to distinguish more clearly between backbone SMEs, scale-ups and internationally growing mid-caps, whose financing needs differ significantly in terms of long-term investment, growth capital and market access.

3. Which financing instruments and market structures are most promising for expanding long-term finance beyond traditional bank lending?

This brought together discussions on securitization, blended finance, originate-to-distribute models and the broader role of banks, public institutions, investors and asset managers in mobilizing capital at scale.

4. What regulatory and market changes would be most effective in unlocking long-term SME finance?

Participants discussed the implications of prudential regulation, including CRR3, as well as the broader effects of fragmentation, regulatory incoherence and limited European scale.

5. How can better transparency, data and financial understanding help SMEs reach non-bank investors?

The discussion also addressed the role of ratings, standardized information and financial literacy in reducing opacity and helping both companies and investors engage more confidently with non-bank financing opportunities.

5.3. Solutions designed by the Expert Group

The Expert Group did not converge around a single instrument or institutional reform. Instead, it set out a **multi-layered solution set** based on one central idea: Europe needs a more effective system to transform abundant savings into long-term productive investment for SMEs and mid-caps. In doing so, the Group consistently recognized that Europe's business landscape is not homogeneous and that financing solutions must be adapted to different company profiles, particularly backbone SMEs, scale-ups, and internationally growing mid-caps. The proposals that emerged from the discussion therefore combine banking, capital markets, public risk-sharing, regulatory simplification, better information and cultural change. **Taken together, they amount to a systemic rather than incremental response.**

1. Strengthening the financing capacity of backbone SMEs through recapitalization and risk-sharing.

One of the clearest conclusions to emerge from the discussion was that Europe needs instruments capable of strengthening the balance sheets of backbone SMEs without forcing entrepreneurs to dilute control or relying exclusively on bank lending. In this context, **hybrid and quasi-equity instruments** were identified as particularly promising. Profit-participating loans, subordinated instruments, and similar solutions were seen as effective means of reinforcing investment capacity and improving solvency while preserving ownership structures, which remain a decisive consideration in Europe's predominantly family-owned SME landscape. Hybrid finance was therefore regarded as one of the most practical bridges between Europe's savings surplus and the long-term investment needs of its productive economy.

At the same time, the discussion stressed that improving long-term SME finance requires **broader risk-sharing mechanisms**. Banks remain essential because of their proximity to firms and their role in originating and monitoring financing, but their capacity to hold long-dated risk is constrained by prudential requirements and the structure of their own liabilities. As a result, the Group favored structures in which banks continue to originate financing while part of the exposure is distributed to other long-term investors. **The objective is not to replace banks, but to extend their financing capacity through a more collaborative financing architecture.**

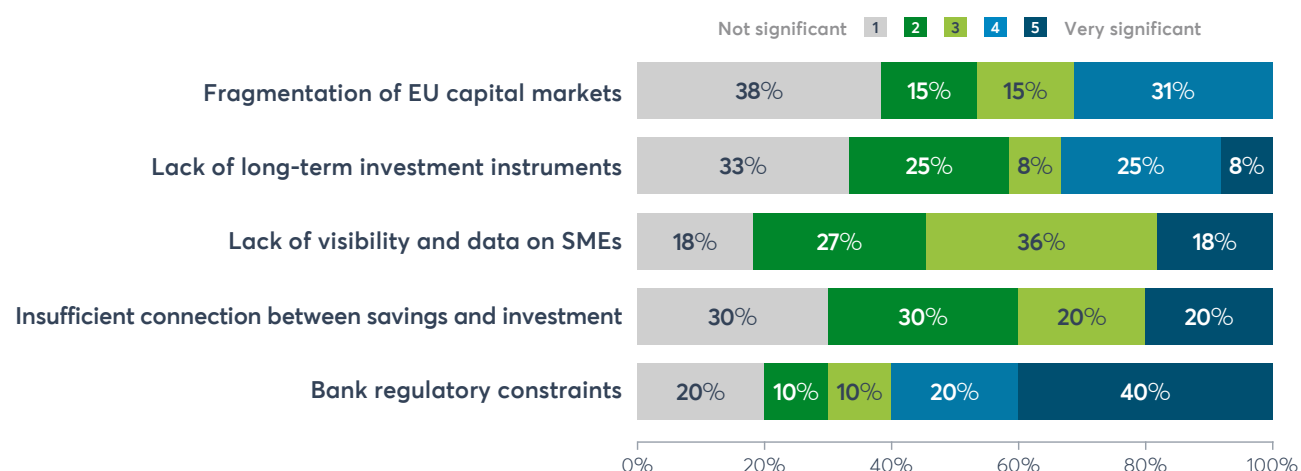
➔ EESC opinion: institutional support for hybrid financing instruments

This position is aligned with the **European Economic and Social Committee's own-initiative opinion** adopted in 2023, which **recommends promoting hybrid debt instruments** as a way to diversify financing sources for SMEs and reduce excessive reliance on traditional bank lending. The Committee notes that many European firms emerged from the COVID-19 crisis with weakened balance sheets and face an equity and hybrid capital gap estimated at between €450 and €600 billion. In this context, hybrid instruments such as profit-participating loans and subordinated bonds are presented as **useful tools to reinforce firms' financial structure** and support long-term investment capacity. The opinion also underlines that, to ensure these instruments are allocated efficiently and reach viable firms, **market standards such as independent credit ratings are essential**, as they improve transparency, support investor risk assessment and facilitate the participation of institutional capital.

2. Revitalizing securitization as a bridge between banking and capital markets.

Within this broader risk-sharing framework, **securitization** emerged as a central element of the solution set. The Group repeatedly returned to the view that Europe cannot simultaneously tighten bank capital requirements and expect banks alone to provide significantly greater volumes of long-term financing to SMEs. In this context, **revitalized securitization was presented as a necessary bridge between Europe’s predominantly bank-based financial system and a deeper, more developed market-based ecosystem**. If properly designed, securitization could release balance-sheet capacity, support a more efficient recycling of capital, and help **transform SME credit risk into a more standardized and investable European asset class**.

What is the main constraint for SME growth in Europe today?



At the same time, the discussion also made clear that, although participants acknowledged its strategic importance, securitization is not regarded as the most politically straightforward reform to implement in the short term. This does not diminish its structural relevance. Rather, it suggests that the Group sees securitization as a key component of Europe’s long-term financing architecture, even if other measures may prove more immediately actionable.

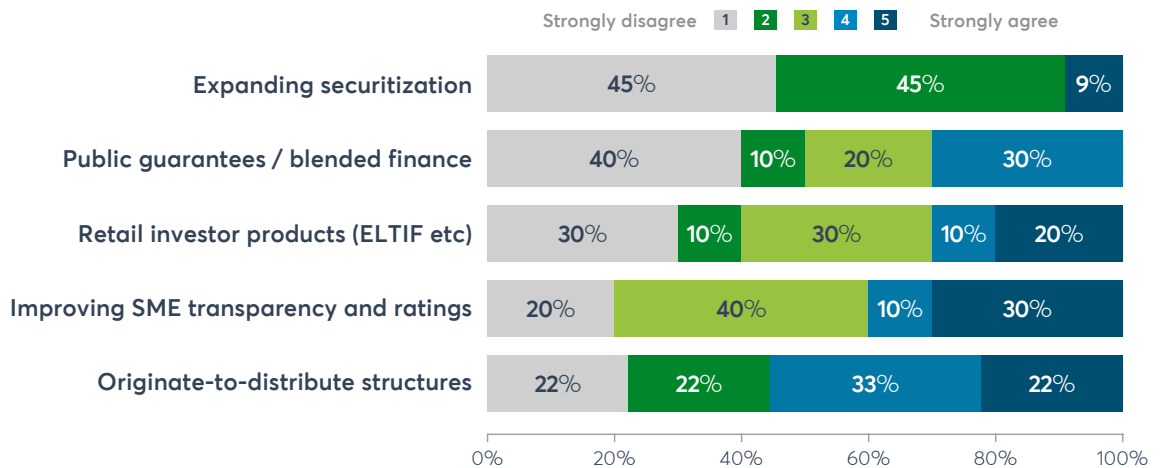


3. Turning SME risk into an investable asset class through data, ratings and transparency

A major area of consensus concerned the need to **improve SME visibility**. The Expert Group recognized that European savings cannot be channeled efficiently towards SMEs as long as these firms remain too opaque, too fragmented in their reporting, and insufficiently covered by research and market information. For that reason, the discussion placed strong emphasis on data standardization, greater transparency, and the wider use of independent credit assessment tools. The objective is to make SME risk more comparable, more understandable and, ultimately, more investable at scale.

This was seen not as a secondary supporting reform, but as one of the most **practical preconditions for broadening non-bank finance**. Better data and more transparent risk assessment can reduce transaction costs, improve pricing, strengthen research coverage, and make it easier for institutional investors to participate in SME financing. In this sense, the Group regarded better information as one of the most actionable levers for immediate progress. Put simply, **before Europe can scale a more effective financing model, it must first make SMEs more visible, more legible and more investable**.

Which solution seems most feasible in the short term?



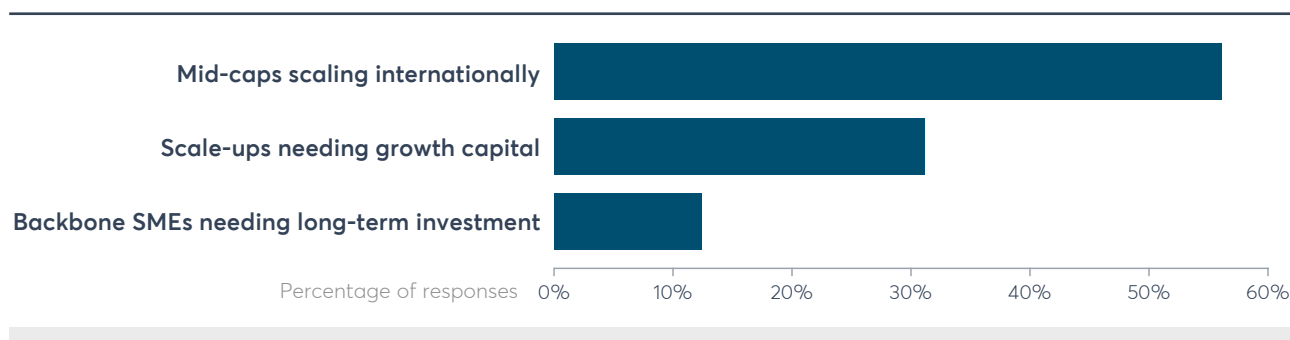
4. Expanding liquidity and market access for scale-ups and mid-caps

For scale-ups and internationally growing mid-caps, the Expert Group focused on the **financing ceiling** that continues to constrain growth within Europe. The discussion highlighted a common underlying problem: beyond the early growth stage, many firms still lack access to sufficiently large pools of patient capital, credible exit routes, and deep public markets capable of supporting further expansion. As a result, the Group placed particular emphasis on measures aimed at strengthening Europe’s market infrastructure for later-stage financing.

Among the main proposals was the creation of a **European Deep Tech Exchange, or a comparable public-market platform**, designed to attract pension funds and large asset managers to higher-risk, innovation-driven companies under an appropriate supervisory framework. The Group also supported **simplifying access to public markets** for SMEs and mid-caps through more **proportionate listing requirements** and a **single-entry point** under stronger European coordination. Attention was also given to the role of **growth markets, or alternative market segments**, as an intermediate step between private financing and the main market of a stock exchange. In this respect, examples from Asia were cited to illustrate how lower-tier alternative markets can serve as effective scaling channels for growing companies, highlighting an area that Europe should explore further. **The objective is not merely to reduce administrative complexity, but to create a more effective financing escalator enabling firms to move from domestic growth to European scale without being pushed abroad in search of liquidity, listings, or long-term capital.**

These proposals were underpinned by a broader concern repeatedly raised during the discussion: Europe still lacks sufficiently deep and credible exit opportunities for many of its most promising companies. Several participants noted that some of the most mature European technology firms continue to turn to the United States for listings because European markets do not yet offer the same depth, scale and investor base for large, risky, and capital-intensive growth stories. In this context, **internationally scaling mid-caps were identified as the segment where the financing gap is currently most acute.**

Where is the biggest financing gap today?

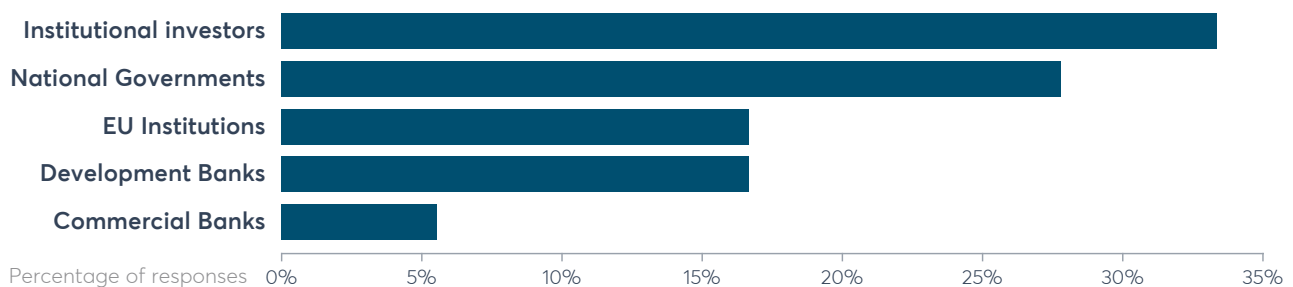




5. Using blended finance and public guarantees to crowd in private capital

The Expert Group also placed significant emphasis on **blended finance and public guarantees** as catalytic tools for expanding long-term SME and mid-cap finance. The underlying rationale was clear: the public sector should not be expected to substitute for private financing, but it can play a decisive role in making certain forms of SME and mid-cap exposure investable for private actors that would otherwise remain on the sidelines. In practical terms, this means using **public balance sheets more strategically**—through first-loss protection, guarantees or other forms of risk absorption—to **crowd in private capital from institutional investors operating under tighter risk constraints**.

Which actor should take the lead in unlocking SME long-term finance?



Blended finance was therefore identified as a particularly powerful instrument when **political will, appropriate structures, and a clear investment objective are aligned**. To illustrate this approach, the Group referred both to recent European practice and to international experience. The **France Relance** program was cited as evidence that participative loans and subordinated debt can be deployed at scale through structures combining bank origination, private managers, institutional investors and partial state guarantees. Similarly, the discussion drew on **IFC experience**, including the **Managed Co-Lending Portfolio Program (MCP)**, to show how blended finance can channel capital towards platforms that would otherwise remain outside the investable universe of more conservative institutional investors. The broader conclusion was that the role of **public policy is not to replace private capital, but to make large-scale private participation possible**.

▶ **France Relance: a blended-finance model for SME recapitalization**

France's **France Relance programme** was launched in 2021 to stimulate productive investment among SMEs and mid-caps through **participative loans and subordinated bonds**. The initiative mobilised approximately €8.6 billion between 2021 and 2023 and supported around 1,500 companies through long-term instruments combining bank origination, private credit managers and institutional investors. The programme relies on a risk-sharing structure in which banks and asset managers originate the financing while large institutional investors (particularly insurers) provide the majority of the funding, supported by a partial state guarantee.

6. Mobilizing savings through attractive retail channels, tax incentives and financial literacy

A further set of solutions focused on the **mobilization of household savings**. The Group recognized that Europe's savings base can only become a meaningful source of long-term finance if savers are offered **attractive, intelligible and properly intermediate channels through which to invest**. In that context, the strengthening of ELTIF 2.0, the development of long-term savings products and individual investment accounts, and the use of simpler tax incentives inspired by successful national models such as Sweden and France were all identified as relevant avenues. Sweden was highlighted as a particularly relevant example: Swedish pension assets represent around 110% of GDP, and the country is one of Europe's leading performers in terms of unicorns per capita, illustrating the importance of a stronger connection between long-term savings and growth financing.

The Group's message, however, was **not to encourage direct retail exposure to SME risk without safeguards, but to develop clearer and more effective channels through which household savings can support productive investment**. In particular, the discussion stressed that some form of intermediation is likely to be more appropriate for long-term SME finance, especially given the inherent illiquidity of many of the underlying assets. It was therefore seen as essential to be fully transparent—both with retail and institutional investors—about the liquidity constraints of such products. Long-term investments in instruments such as junior SME debt cannot be presented as highly liquid, and any effort to broaden participation must be accompanied by clear disclosure, realistic expectations, and, where feasible, appropriately designed liquidity windows.

At the same time, the discussion made clear that **product design alone will not be sufficient**. One of the most recurrent themes across the forum was that **Europe's difficulty lies not simply in the lack of savings vehicles, but in the weakness of its risk appetite and its broader culture of long-term investment**. Participants stressed **the need to build more positive narratives** around equity, long-term investment, and responsible risk-taking, both for savers and for companies. This includes helping households understand the long-term benefits of productive investment and helping SMEs become more familiar with non-bank financing options.

This point was illustrated by the contrast between the strong public familiarity with assets such as Bitcoin and the much weaker understanding of other long-term investment options. This led to a broader reflection on **financial education and communication**. Participants noted that **financial literacy efforts cannot rely exclusively on traditional institutional channels**, particularly if the objective is to reach younger or newer investors. The discussion explicitly referred to the growing influence of **finfluencers**, the role of **social media** in shaping investment behavior, and **the need to adapt communication strategies** to the channels through which younger audiences consume financial content. While concerns were raised about conflicts of interest, weak ethical standards, and the gamification of investment on these platforms, some participants also argued that these same channels could be used more constructively to promote sounder financial understanding and more productive forms of investment. In that sense, **improving financial literacy was understood not only as a matter of education in a narrow sense, but also of learning how to communicate differently, including through digital formats capable of reaching new generations of savers and investors**.



7. Reducing fragmentation through regulatory alignment and a European scaling framework

The Expert Group also concluded that no financing solution will reach full scale unless Europe addresses fragmentation more decisively. **Regulatory alignment** therefore emerged not as a secondary institutional issue, but as a core condition for the effectiveness of the broader reform agenda. In particular, the discussion supported the **development of a “28th regime”**, understood as an optional EU-wide legal framework that would allow firms to operate, raise capital, and scale across the Union under a more coherent set of rules. This was seen as a practical way to reduce cross-border legal friction, facilitate capital formation, and **support the broader objective of a more integrated European capital market**.

Closely linked to this was support for a more **coherent supervisory and regulatory framework**, including the reduction of national gold-plating and the development of simpler, more harmonized rules for market access and financial products. A recurring point throughout the discussion was that **fragmentation acts as a hidden tax on growth and investment**: it raises transaction costs, limits market depth, keeps capital largely national, and makes intermediation more expensive. Without greater regulatory coherence, firms struggle to move from domestic growth to European scale, and many of the other solutions under consideration—from public market development and blended finance to securitization and cross-border investment—remain harder to implement effectively. In that sense, **regulatory alignment was understood as an enabling framework for the entire long-term financing agenda**.

6. Immediate priorities emerging from the discussion

1 Promote deep and scalable financing pathways for midcaps and scaleups

First, the most acute financing gap was consistently associated with internationally scaling mid-caps, followed by scale-ups requiring growth capital. This suggests that the most pressing challenge is no longer simply access to finance in general terms, but the absence of sufficiently deep and scalable financing pathways for companies seeking to expand beyond their domestic markets.

2 Promote better SME data, greater transparency, wider use of credit assessment tools

Second, the measures seen as most actionable in the near term were those capable of improving market functioning without requiring a full redesign of the system from the outset. In practice, this points above all to better SME data, greater transparency, wider use of credit assessment tools, and more effective mechanisms for connecting banks, investors, and public institutions within a broader financing chain. The discussion also pointed to the possible value of creating room for regulatory experimentation when addressing clear and urgent market gaps. This was not understood narrowly as a conventional sandbox, but more broadly as a flexible framework within which public and private actors could work together to test and scale financing solutions more rapidly. By contrast, more politically sensitive reforms—while still regarded as strategically important—are likely to require a longer implementation horizon.

3 Promote practical steps on the side of institutional investors and governments

Third, the discussion pointed to institutional investors and national governments as two of the key actors in unlocking progress. This implies that the next phase should focus not only on high-level policy design, but also on practical steps to improve investability, mobilize long-term capital, and create a more credible bridge between public ambition and private participation.

4 Promote clearly defined and consistently implemented industrial policies

Lastly, the main barrier to progress was not seen as a lack of possible solutions, but as a lack of political momentum and implementation capacity. In this regard, the discussion stressed that accelerating implementation will also require industrial policies that are clearly defined, consistently implemented, and visible to industrial actors, many of whom remain concerned by regulatory shifts and broader policy uncertainty. While a broad direction of travel appears to be shared, the debate made clear that translating that direction into practical reform will require stronger coordination, clearer priorities, and sustained institutional commitment.

7. Overall assessment

Overall, the solutions designed by the Expert Group point to a coherent strategic direction. **The central conclusion was not that Europe needs one new instrument, but that it needs a more integrated financing ecosystem capable of connecting savings, intermediation, and investment on a greater scale.** In that ecosystem, banks would remain central, but their financing capacity would be extended through risk-sharing and securitization; SMEs would gain stronger balance sheets through hybrid instruments; institutional investors would be brought in through greater transparency, standardization, and more investable structures; scale-ups and mid-caps would benefit from stronger public-market pathways and deeper later-stage financing; and household savings would be mobilized through more attractive retail channels, tax incentives, and stronger financial literacy.

What emerges, therefore, is a systemic rather than a piecemeal agenda. Europe does not need to choose between banks and markets, between public and private capital, or between supporting backbone SMEs and enabling scale-ups. It needs to connect these elements within a more flexible, coherent, and scalable financing architecture. **The common thread running through all the proposals is clear: long-term SME and mid-cap finance in Europe will only improve in a durable way only if the Union moves beyond isolated instruments and towards a genuinely integrated investment framework capable of retaining European savings and directing them towards European growth.**



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Note on sources: In addition to the references listed above, this paper also relies on **primary source materials** generated during the deliberation: (i) transcripts of the audio recordings made during the event and (ii) the results of the survey conducted among participants during the deliberation.

Annex I

Long-Term Financing for SME Growth Forum

A Central Pillar of the European
Competitiveness Strategy

Preparatory Materials

Paris, March 11th, 2026

1. Introduction: The Competitiveness and Investment Challenge in the EU.

The core premise of this forum builds on a historic warning that has now acquired unprecedented urgency. Sixty years after Servan-Schreiber's alert in *Le Défi Américain*, the reports by Mario Draghi and Enrico Letta confirm that financial fragmentation and low productivity constitute a structural growth challenge that Europe can no longer afford to ignore. The gap is tangible: since 2000, real disposable income per capita in the United States has grown almost twice as fast as in the EU, a difference that is explained—by around 70%—by Europe's weaker productivity performance.

This situation amounts to an "existential challenge" for Europe, reinforced by an unprecedented demographic shift: by 2040, Europe's workforce is projected to shrink by close to 2 million workers each year. This decline turns productivity into the sole engine capable of sustaining Europe's ambitions (technological leadership, climate responsibility, and independence in an unpredictable global stage) without compromising the well-being of future generations. The scale of investment required for the twin transition, together with the strengthening of defense capacity, is equally unprecedented: the ECB now estimates annual investment needs for 2025–31 at nearly €1,200 billion, a financial effort that far exceeds that of the Marshall Plan.


In this context, SME financing becomes a cornerstone of Europe's economic competitiveness and resilience. The Union's strategic autonomy depends on the system's ability to connect, at scale, the €10 trillion in household deposits with long-term productive projects. If private capital does not scale up to meet these needs, the burden will fall on already strained public balance sheets, compromising the sustainability of the European social model.

2. Reality Check on the SME Ecosystem: Heterogeneity and Investment Barriers.

The European SME ecosystem is often misdiagnosed when its primary challenge is simplified as a lack of access to bank credit. Data from the ECB's SAFE surveys confirm that only around 5% of SMEs report actual bank-loan obstacles; the real issue lies in insufficient long-term investment capacity.

This investment paralysis is aggravated by a public policy approach that overlooks the sector's dual nature. On one hand, backbone SMEs, reliant on relationship banking, suffer from chronic underinvestment due to the lack of suitable instruments. On the other hand, scale-ups and high-growth firms, responsible for driving disruptive innovation, struggle to reach the necessary scale in Europe due to fragmented national markets and a shortage of patient capital. As a result, Europe's backbone SMEs under-invest, while Europe's scale-ups under-scale and they are often compelled to relocate to the United States in search of deeper and more integrated capital markets.

Finally, there is a critical barrier that is both structural and cultural: 53% of unlisted companies cite owners' reluctance to share control as the main reason for not seeking market-based financing. This financial "tragedy" leads firms to accept mediocre investment levels rather than dilute decision-making power. Closing this gap therefore requires the development of financial instruments that strengthen corporate balance sheets without compromising family control or increasing excessive leverage.



3. The Savings Paradox: Towards a Savings and Investment Union (SIU).

Europe faces a structural contradiction: it is a continent of major savers, yet it fails to channel that wealth into its own growth and innovation. The EU holds a vast stock of private savings (around €33 trillion) of which approximately 34% remains locked in cash and low-yield deposits. The most critical symptom of this malfunction is the annual outflow of capital. Due to the fragmentation of the single financial market, roughly €300 billion in European savings flows each year to external markets, primarily to the U.S. economy. This capital drain means that European household savings end up financing the innovation and scale-up of global competitors, rather than strengthening the industrial fabric of the Union's SMEs and scale-ups.

To reverse this trend, policymakers are urged to transform the incomplete Capital Markets Union into a genuine Savings and Investment Union (SIU). The SIU's objective is to fully integrate financial services to retain private savings within the EU while also attracting external resources. The SIU is conceived as an indispensable prerequisite for financing the EU's strategic objectives, since, without the mobilization of private capital, the cost of these transitions will be unsustainable for national public budgets.

Unlocking this savings pool requires the deployment of scalable and attractive financial instruments for retail investors. A key tool in this regard is the strengthening of ELTIF 2.0 (the European Long-Term Investment Fund), a framework designed to democratize retail savers' access to investments in SMEs and unlisted assets. However, to reach a meaningful scale, it is imperative for Member States to integrate national fiscal incentives that compensate for the lower liquidity of these assets. Complementarily, the proposal includes the creation of long-term savings products and individual investment accounts with simplified taxation, following successful models such as those implemented in Sweden and France^[1].

4. Why Banks Cannot Act Alone: Limits of the Banking Strategy and the CRR3 Framework.

Mobilizing savings is insufficient if the banking channel, which provides around 70% of external financing in the EU (compared to 40% in the U.S.), operates under a regulatory framework that acts as a straitjacket. While relationship banking remains the traditional backbone of European SME finance, CRR3 regulations and balance-sheet management structurally limit banks' ability to hold very long-term risk. For maturities beyond the four-year threshold, bank debt must be complemented by quasi-equity instruments, patient capital, and subordinated financing, as long-term lending entails high capital consumption when funded with short-term liabilities.

To overcome these limits, the model must evolve towards an "originate-to-distribute" system, in which banks serve as bridges to capital markets. The key lever is to revitalize securitization (which in Europe represents only 0.3% of GDP, compared with 4% in the U.S.) to release balance-sheet capacity and transform SME risk into a standardized, EU-wide asset class that connects private savings with productive investment.

[1] Sweden's ISK and France's PEA — Plan d'Épargne en Actions, are tax-advantaged retail investment wrappers mainly for equities / equity funds. Their success comes from simple, well-known tax treatment, mainly capital gains tax relief after a holding period, which makes it a long-term equity savings vehicle. This is further explained in the case study at the end of the document.

5. Implementation: Two Financing Tracks.

— 5.1. Track 1 (Backbone): Recapitalisation and Risk-Sharing

The strategy for “backbone” SMEs should focus on increasing long-term investment capacity and strengthening their capital structure, without overburdening bank balance sheets or undermining corporate ownership. The main proposals are:

- **Hybrid and quasi-equity instruments:** Profit participating loans are emerging as one of the most effective tools to recapitalize firms without diluting voting control. As deeply subordinated debt, they can be treated as equity-like capital for solvency purposes, improving creditworthiness while preserving family governance.
- **Revitalising securitisation:** This is a critical element for transitioning towards an “originate-to-distribute” model. Adjusting capital requirements for simple, transparent and standardised categories would enable banks to release balance sheet capacity and unlock new credit for productive investment.
- **Data standardisation and transparency:** SME risk must be turned into a standardised European asset class through a common, comparable EU-wide financial data framework that allows markets to assess and price SME risk efficiently at continental scale, reducing transaction costs and attracting household savings currently sitting in deposits.

— 5.2. Track 2 (Scale-ups): Liquidity and Public Markets.

The strategy for scale-ups must remove the “financing ceiling” that pushes them to relocate to the United States. Key proposals to strengthen this segment include:

- **Creating a European Deep Tech Exchange:** Establish a European public-market platform with a dedicated prudential regime and EU-level supervision, designed to attract pension funds and large asset managers towards higher-risk technology opportunities.
- **A single-entry point for SMEs and Mid-caps:** Access to public markets for SMEs and mid-caps should be simplified through listing requirements proportionate to firms’ size and structure. These segments should be consolidated under the direct oversight of ESMA (a unified IPO gateway) to provide the scale and visibility required to attract international investors.
- **Scaling up blended finance:** The public sector should act as a catalyst by taking on the highest-risk tranches (via the EIB or national vehicles) including the “equity tranche”. This would enable the “crowding-in” of private capital into large-scale technology deployment, closing the later-stage financing gap that currently separates the EU from its global competitors.



6. Regulatory Alignment and the “28th Regime”.

- **Bureaucracy** has become the main non-financial brake on innovation: 55% of European SMEs identify it as their greatest obstacle. The cost of navigating 27 fragmented national systems constitutes a productivity tax that Europe can no longer afford. Against this backdrop, an operational simplification agenda is proposed, built around a 28th regime, a proposed optional, EU-wide legal framework that would sit alongside the 27 national company law systems and provide a single, standardised European corporate form applicable across participating Member States. It is based on solid treaty foundations and aims to:
 - Allow firms to incorporate once and operate across the EU under one coherent set of rules.
 - Reduce cross-border legal fragmentation. While physical borders are gone, legislative borders are still on.
 - Facilitate scaling, capital raising and potentially IPOs.
 - Serve as a building block for deeper Capital Markets Union.
- **A Single Rulebook (NSMIA model)**: Inspired by the *U.S. National Securities Markets Improvement Act*, a Single Rulebook is proposed to eliminate national “gold-plating” and harmonize simple financial products across the Union.

7. Visibility and Financial Literacy

To conclude, information asymmetries act as critical barriers preventing savings from being channeled into productive projects. To address the invisibility of SMEs and reduce their dependence on bank credit, it is imperative to incentivize financial research coverage, which has declined by 38.5% for companies with a market capitalization below €300 million following the implementation of regulations such as MiFID II. This support—delivered through subsidies or the public provision of data—is essential to reduce market opacity and lower the cost of capital for smaller companies.

Simultaneously, given that only 53% of small business owners correctly understand fundamental concepts such as equity capital or ownership, it is necessary to establish public–private collaboration frameworks - involving chambers of commerce, stock exchange operators and private capital associations - to provide technical training for managers and advisers on the use of non-bank financing sources. At a higher strategic level, Enrico Letta's proposal to introduce a “Fifth Freedom” aims to elevate research, innovation and knowledge to the status of a fundamental freedom within the European Union. This new framework would allow talent and data to scale across the continent's borders, acting as a driver of competitiveness and strategic autonomy, an ambition that must be complemented by embedding financial literacy into the education system to empower future generations of savers.

8. Two Policy Initiatives Supporting SME Recapitalisation and Investment

Recent policy developments at both the European and national levels highlight the growing recognition that SMEs require new financial instruments to strengthen their balance sheets and sustain long-term investment. Two initiatives illustrate this momentum:

1. The European Economic and Social Committee's opinion on hybrid financing instruments

In an own-initiative opinion adopted in 2023, the European Economic and Social Committee (EESC) recommends promoting hybrid debt instruments as a way to diversify financing sources for SMEs and reduce excessive reliance on traditional bank lending. The Committee notes that many European firms emerged from the COVID-19 crisis with weakened balance sheets and face an equity and hybrid capital gap estimated between €450 and €600 billion. Hybrid instruments (such as profit-participating loans and subordinated bonds) can strengthen companies' solvency while preserving ownership structures, which is particularly important in Europe's predominantly family-owned SME landscape. To ensure that these instruments are allocated efficiently and reach viable firms, the opinion also highlights the importance of market standards such as independent credit ratings, which can improve transparency, help investors assess risk and facilitate the participation of institutional capital.

2. The French government's "France Relance" programme supporting participative loans and subordinated debt.

France's France Relance programme was launched in 2021 to stimulate productive investment among SMEs and mid-caps through participative loans and subordinated bonds. The initiative mobilised approximately €8.6 billion between 2021 and 2023 and supported around 1,500 companies through long-term instruments combining bank origination, private credit managers and institutional investors. The programme relies on a risk-sharing structure in which banks and asset managers originate the financing while large institutional investors (particularly insurers) provide the majority of the funding, supported by a partial state guarantee.

Together, these initiatives demonstrate a growing policy consensus in Europe: strengthening SMEs' capital structures requires financial instruments that sit between debt and equity, enabling companies to invest, innovate and grow without diluting ownership. Hybrid and participative financing solutions therefore represent a promising bridge between Europe's abundant savings and the long-term investment needs of its productive economy.



ENHANCING LONG-TERM FINANCE FOR SMEs IN EUROPE

High-level Expert
Group Deliberation

Session 2 in Paris, 11th March 2026

INBONISRATING
THE CREDIT RATING AGENCY FOR SME

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