

Evaluation of data and sources underlying the analysis of market gaps in access to finance for SMEs in the EU

ANNEXES



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Annex 1 Details of key data sources

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
INTERNATIONAL LEVEL				
World Business Environment Survey (WBES)	The World Bank	<p>The World Business Environment Survey, a project of the World Bank's Investment Climate and Institute Units, was administered to more than 10,000 firms in 80 countries in late 1999 and early 2000. Questions in the survey focused on the quality of the investment climate as shaped by domestic economic policy; governance; regulatory; infrastructure; financial impediments; and assessments of the quality of public services.</p> <p>There is a section on SMEs' access to finance.</p> <p>The survey covers the following European countries: United Kingdom, France, Germany, Spain, Portugal, Italy and Sweden.</p>	There is no definition.	There is one question on the extent to which entrepreneurs perceived access to finance as an obstacle to growth.

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Capital Access Index 2005: Best Markets for Entrepreneurial Finance	Milken Institute	The fundamental objective of this index is to evaluate the ability of new and existing businesses to access capital in countries around the world. 121 countries are covered.	The problem is not defined.	The index encompasses seven broad dimensions of capital access. Underlying these seven categories are 56 quantitative and qualitative variables from multiple data sources. There are six sub-categories: Macroeconomic Environment (ME), Institutional Environment (IE), Financial and Banking Institutions (FI), Equity Market Development (EM), Bond Market Development (BM), Alternative Sources of Capital (AC) and International Access (IA).
Promoting Entrepreneurship and Innovative SMEs in a global economy - Financing Innovative SME 2004 - Towards a More Responsible and Inclusive Globalisation http://www.oecd.org/dataoecd/5/24/31919590.pdf	OECD	This paper is the result of the 2 nd OECD ministerial conference on SMEs in Istanbul in 2004	Literature review.	The paper acknowledges the poor empirical basis for making informed policy making in the area of SMEs. Deficiencies have been identified at two levels: <ul style="list-style-type: none"> • the underlying statistical base providing the factual foundation for analysis is poor, especially at comparative level; • available high-quality empirical analysis, such as cross-country comparative studies and longitudinal studies, is limited. There are two main basic problems for this state of the affairs: <ul style="list-style-type: none"> • SMEs statistics are just a subset of structural business statistics. • There is a need to contain costs at statistical agencies and to reduce SME burden to collect data. Policy recommendations on how to improve SMEs statistics.
OECD Entrepreneurship Indicators Project: Entrepreneurship Statistics and Data	OECD	OECD is trying to develop a comprehensive statistical and data framework on entrepreneurship. This is a major task that is still in progress and it is difficult to foresee when it will be accomplished.	Not defined.	SMEs' access to finance is not specifically addressed as a separate issue. However, the project aims at addressing some issues that touch upon SMEs' access to finance, such as the factors that influence entrepreneurship and data on start-ups.

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OECD Small and Medium Enterprise Outlook - 2002 Edition	OECD	This biennial report covers SME policy trends in 28 OECD countries and presents findings of recent work undertaken on themes such as enterprise demography, taxation, SMEs and entrepreneurship, SMEs and environmental management, and the implications of global industrial restructuring for SMEs.	Not defined.	<p>Seek to identify and implement best practice policies aiming at alleviating SME difficulties in diverse area (including financing) and to broaden and deepen analysis of SME policies.</p> <p>Overview of trends in SME performance and policies as well as profile. International comparisons of key SMEs indicators and trends in OECD countries are also included</p>
EUROPEAN LEVEL				
Euro barometer Surveys				
SMEs' access to finance 2005	Euro-barometer 2005	A survey to assess the extent to which SMEs face difficulties when it comes to access finance.	Not defined.	<p>Opinion Survey of SMEs' managers: a total of 3,047 managers from the 15 old MSs were interviewed by telephone in September 2005 under the Flash Euro Barometer polling system to assess the extent to which SMEs face difficulties in accessing finance.</p> <p>The survey asked questions about the financial state of SMEs compare to last year, including a rating on the importance of the easy access to finance to assure the development of the company; the use of financial instruments (from banks, leasing, public institutions supporting investment, private investors, private financing companies, venture capital companies), the amount of last loan applied for.</p> <p>It asked to assess the access to finance from banks, the amount lent, the uses of small loans, the use of venture capital, the financial management, the source of information and advise on SME financing.</p>
SMEs' access to finance in New Member States	Flash Euro-barometer 2006	<p>Survey on 1,500 business managers from the New Member States (NMSs).</p> <p>Less than 75% of SMEs</p>	Not defined.	This survey on NMS used the same questions of the 2005 Survey on old MSs enabling comparison between EU15 and new MSs.

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		<p>surveyed in the NMS had sufficient financing to go ahead with their projects.</p> <p>Perceptions about the ease to obtain bank finance were mixed, as 42% of the SMEs surveyed in NMS thought it was easy and 44% perceived it as difficult.</p> <p>The use of venture capital was virtually non-existent among SMEs in NMS and its use was not on the agenda for the near future.</p> <p>SMEs tend to meet their financial needs internally.</p>		
SMEs' access to finance. Overall Summary of the two Surveys.	Flash Eurobarometer: Commission Executive Summary 2006	Summary of the 2005 and 2006 surveys.	Not defined.	This is a comparison between the 2005 survey on EU-15 and the 2006 survey on the New Member States.
Entrepreneurial Attitudes in Europe and in the US	Flash Eurobarometer Entrepreneurship	<p>Survey on entrepreneurship attitude in Europe and in the US.</p> <p>The survey has been repeated every year from 2000 to 2004.</p> <p>The survey does not address specifically SMEs access to finance problems. However there is one question (number 12) covering the issue of access to finance when asking about obstacles in starting a business.</p>	Not defined.	<p>Opinion poll (a total of 21,051 people were interviewed, 18,547 European citizens, 1,003 Americans, 501 Icelanders, 500 native of Lichtenstein and 500 Norwegians).</p> <p>The data are broken down by country, gender, age and other socio-demographic characteristics. Comparison with the US is carried out.</p> <p>The repetition of the same survey for four years permits the analysis of changes and trends over time.</p> <p>For example, the lack of financial support has always been quoted as a major obstacle in starting up a business.</p>

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				<p>In 2004, 74% of EU25 respondents believed that the lack of available financial support was the major obstacle to starting-up their own business. On the contrary, this was seen as the major obstacles by only 69% of Americans.</p> <p>Question 12 specifically addressed the issue of finance: Do you strongly agree, agree, disagree, strongly disagree, I do not know, with the following opinions?</p> <ul style="list-style-type: none"> • it is difficult to start one's own business due to lack of available financial support • it is difficult to start one's own business due to the complex administrative procedures • it is difficult to obtain sufficient information on how to start a business • one should not start a business if there is a risk it might fail • the current climate is not favourable for people who want to start their own business
<p>Observatory of European SME</p>				

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SME in focus: Main Results from the 2002 Observatory of European SME	Observatory of European SME 2002 - SME in focus - Main results from the 2002 Observatory of European SME.	Overview of the 2002 situation in the SMEs' sector in Europe through statistics on main indicators.	No definition of the problem.	Reviews of surveys. 12% of SMEs reported that they did not get the loans needed. Banks refused to give loans to SMEs for the following reasons: <ul style="list-style-type: none"> • the enterprises could not provide enough collateral (this was true in particular for the micro and small enterprises, 23%) • the bank was not satisfied with the performance of the business (7%), • the bank was not satisfied with the information provides (5%). It is more difficult for high-tech enterprises to find financial resources for the following reasons: high-risk project, long development period, intangible assets. Financing problems are more striking in the start up and early development stage.
Highlights from the 2001 Survey	ENSR Survey 2001	<p>The ENSR Surveys on SMEs, carried out in the framework of the Observatory of European SMEs, should contribute to the knowledge of the actual state of affairs in the business sector in Europe.</p> <p>The survey does not specifically address the issues of SMEs' access to finance. However, there is a question on major business constraints.</p> <p>The 2001 ENSR Survey on SMEs uses a Computer Assisted Telephone Interviewing (CATI) system to collect data from entrepreneurs and managers within SMEs. SMEs are defined as: independent private enterprises with less</p>	No definition of the problem.	Entrepreneurs have been asked to identify from a series of bottlenecks listed (i.e. lack of skilled labour, access to finance, administrative regulations, implementing new technology, implementing new forms of organisations, quality management, infrastructure, introduction of the EURO) the single most important constraint on their business performance over the last two years. Data by size of enterprise. Access to finance has been indicated the major source of constraints by 13% of the respondents.

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		<p>than 250 employees in all sectors of industry covering 19 countries (EU15 plus Iceland, Liechtenstein, Norway and Switzerland). In total 7,662 interviews were carried out.</p>		
<p>Highlights from the 2002 Survey</p>	<p>ENRS Survey 2002</p>	<p>Access to finance has a specific section in the questionnaire.</p>	<p>No definition of the problem.</p>	<p>Entrepreneurs have been asked to identify from a series of bottlenecks listed (see above ENSR Survey 2001) the single most important constraint on their business performance over the last two years. 13% of SMEs report that difficulties in accessing finance represent a serious business constraint.</p> <p>Data are compared with previous years' surveys: the number of SMEs experiencing constraints related to 'access to finance' shows some variation over the years, but it remains within the same order of magnitude.</p> <p>Entrepreneurs have been asked to identify their sources of finance amongst: loans guarantee schemes, mutual guarantee schemes, interest subsidies, non-refundable aid on capital.</p> <p>Information provided:</p> <ul style="list-style-type: none"> • Number of credit lines with banks • Liabilities available in Euro or local currency • Terms for largest bank loan • Information in possession of bank • Satisfaction with bank service • Reasons for dissatisfaction with bank • Requested bank loans acquired • Most important reasons for not acquiring

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				<p>bank loans</p> <ul style="list-style-type: none"> • Changed bank accounts • Most important reasons for bank account changes • Financial support services used • Reasons for not using financial support services
<p>Highlights from the 2003 Observatory</p>	<p>ENRS Survey 2003</p>	<p>The 2003 ENSR covers countries from Europe19.</p> <p>7, 750 SMEs were interviewed, covering 0.04% of all SMEs. To be representative the sample was stratified in terms of industry, enterprise size, country.</p> <p>A specific section of the report is dedicated to access to finance.</p>	<p>No definition of the problem.</p>	<p>Entrepreneurs have been asked to identify the problems of access to finance from a number of constraints. Access to finance ranked third as a major business constraint (indicated by 10% of SMEs). Data are broken down by a firm's size and firm sector (industry, trade, service).</p> <p>Although comparisons with previous ENRS surveys are possible, figures are not exactly comparable, as new factors of constraints were progressively introduced in the questionnaires (i.e. a new element of business constraint introduced was 'purchasing power of customers').</p> <p>Other questions asked:</p> <ul style="list-style-type: none"> • percentage of SME with credit line by number of banks and size class. • reasons for dissatisfaction with the most important bank, by enterprise size (in percent), with possible answer being: interests too high, bank charges too high, poor services, additional bank loan was refused, existing credit facilities was reduced, existing credit facilities was withdrawn, to long waiting time before approval). • Description of types of financing used by SMEs (10% of the European SMEs rely on loan guarantee schemes because they do not have sufficient collateral to access loans. Young

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				<p>enterprises use it more (12% of SME with less than 5 years) compare to 8% of SMEs with more than 10 years in business. The use of financial support services are quite high among SMEs for which access to finance is difficult. However, SMEs are not always aware of the existence of these schemes and often do not realise that such schemes might improve their financial situation.</p>
<p>2003/2 SME and Access to Finance</p>	<p>Observatory of European SMEs 2003/2 Report</p>	<p>The Observatory of European SMEs was established in 1992 to monitor the economic performance of SMEs in Europe. The task was to provide information on SMEs at national and European level. The Observatory reports cover a range of thematic issues such as access to finance.</p> <p>The report focuses on finance through borrowing/debt financing and provides a comprehensive analysis of the situation of debt financing for SMEs. Debt financing includes: financing through overdraft and bank loans, leasing and factoring. The report does not focus on equity financing.</p> <p>Highlights from the survey:</p> <ul style="list-style-type: none"> • Transparency is a key issue for both bank and SMEs • SMEs are not used to providing information about 	<p>SMEs have consistently considered access to finance a problem. This relates to access to equity as well as to debt financing.</p>	<p>The information is based on the ENSR Enterprise Survey 2002 and other secondary data such as existing literature, national and international publications, case studies, databases (i.e. BACH-database), other business surveys (e.g. Grant Thornton, the European Central Bank Annual Report and Eurostat).</p> <p>Data provided:</p> <ul style="list-style-type: none"> • Percentage of SMEs with credit lines, by number of banks and sectors. • Percentage of SMEs with credit lines, by number of banks and size class. • Percentage of SMEs, by maturity period for the largest bank loan and sector. • Information regularly provided to the most important bank, by enterprise size (i.e. balance sheet, profit/loss statement, budget for the next years, financial plan and cash flow forecast, information on inventories, information on unpaid invoices). • SMEs from whom the banks have no relevant information at all, by legal status (i.e. sole proprietor, partnership, private limited enterprise, public limited enterprise, other). • Reasons for dissatisfaction with the most important bank, by enterprise size (i.e. interest rates too high, banks charges too high, poor service, additional

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		their structure and business performance to banks on a regular basis. <ul style="list-style-type: none"> • Banks' procedures such as rating and business assessments are not clear to SMEs. 		bank loan was refused, existing credit facility was reduced, existing credit facility was withdrawn). <ul style="list-style-type: none"> • last 3 years, by class of years in operation, in percent.

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				<ul style="list-style-type: none"> • Most important reasons for changing a major bank account, by size (i.e. more favourable conditions with the new bank, better service with the new bank, additional loan was refused by former bank). • Most important reason for not obtaining an additional bank loans (i.e. not enough guarantee collateral, bank not satisfied with business performance, etc). • Amount of owed to trade creditors becoming due and payable within one year, 2000 as a percentage of total capital, by countries, firm size and sectors. • Payment behaviour in Europe 2001-2002 in days. • Equipment leased by type of asset in percentage. • Factoring: data on the factoring turnover in Europe and factoring development. • Availability of financial support services and extent of guarantee in percent by country. .
Enterprise Policy Scoreboard				

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Enterprise Policy Scoreboard 2001	European Commission Working Paper 2001	It raises some questions on the unsatisfactory availability of data.	SMEs and start-ups do not have access to stock market and cannot obtain bank loans because their cash flow only allows to service debts after a number of years of growth. Hence they need to seek alternative forms of finance such as venture capital. However venture capital in some MS is still in its infancy.	Data from the EVCA Yearbook 2000: In 1999 Venture capital involved many types of investments: seed investments (2%), start-up (11%), expansion investment (30%), replacement capital (5%) and restructuring capital (52%). Early stage financing which is crucial for entrepreneurship is still a very limited part of the capital provided. However, early stage financing as a share of GDP has doubled from 1999 to 2000. Indicators collected: <ul style="list-style-type: none"> ▪ Indicators of early stage/late stage venture capital ▪ Indicator of Venture capital as a percentage of GDP ▪ Indicators of loan guarantees. ▪ Indicators of business angels
Enterprise Policy Scoreboard 2002	European Commission Working Paper 2002	Comparison with the US. The development of venture capital is a key issue for supporting early stage venture capital. Although the amount of venture capital has been increasing in recent years it remains in most MS significantly less than in the US. Business Angels Networks are closely associated with venture capital funding, but they are more prominent in US than in Europe. Equity finance is very important in supporting innovative enterprises, but European institutional investors have invested less in equity markets than in the US.	No definition of the problem.	Some of the indicators provided are as follow: <ul style="list-style-type: none"> ▪ Stock market and new listed companies (source: International Federation of Stock Exchange (FIBV) 2002). ▪ Institutional capital (pension funds): percentage of pension funds invested in shares. ▪ Venture capital Equity Capital: (source European Commission BACH database). ▪ Number of Business Angels Networks (source EBAN) ▪ Stock option and financing of start-ups

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Enterprise Policy Scoreboard 2003 no 2	European Commission Working Paper 2003	SMEs report that access to finance remains a critical constraint for their growth. Access to finance differs from country to country. In some MSs (i.e. Germany and Austria) SMEs rely on bank loans. In others (i.e. UK and Ireland) capital financing is more developed. New and small firms perceive more frequently access to finance problems than older and bigger one (24% of SME under 5 years of age reported financial constraints but only 12% of those older than 10 years). According to ENSR survey access to finance is the second most important obstacle for SMEs after the lack of skilled labour.	No definition.	Data based on the ENSR survey.
Benchmarking Enterprise Policy: Results from the 2004 Scoreboard	European Commission Working Paper 2004.	The Scoreboard monitors the development of the framework conditions that define the business environment in the European Union on the basis of indicators.	No definition.	Review of existing data (e.g. ENSR survey, EVCA, EBAN and FIBV -International Federation of STOCK Exchange).

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DG Enterprise and Industry's general documents				
How to deal with the new rating culture: A practical guide to loan financing for SMEs	DG Enterprise and Industry	Paper on how banks use rating. Banks collect both quantitative and qualitative information on SME. 75% of the mid-sized and large banks consider indebtedness of firms to be of high or very important as a rating factor. 50% of these banks also place the same importance on liquidity and profitability. Collecting information on SMEs also involved face-to-face meetings where banks try to assess if the SME is well managed. 50% of banks attached great importance to SME' management as a rating factor. Qualitative information depends on the size of the firm and size of the loan in question. Qualitative factors have more influence on the rating for larger SMEs or larger loans. For start-ups companies the rating process is different since they cannot provide historical financial data: qualitative information account for about 60% of the rating (business plan, management credential, management financial expertise).	No clear definition.	44 major European banks were asked to complete a detailed survey on Basel II and credit management - 33 participated. 1,000 small and mid-sized banks were asked to complete an abbreviated version - 71 participated. In addition 67 banking associations were addressed with a questionnaire on the implementation status of Basel II with a section on credit-risk measurement (27 replied). The survey covers EU15 MSs plus Norway and Switzerland.

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Third Round table of Bankers and SMEs 2000	DG Enterprise and Industry	<p>This the most important report coming from the Round Table with SMEs and leading representative from the Banking Sector.</p> <p>The first Round Table was established in 1993 to develop better cooperation between the financial institutions and SMEs and to make practical proposals to improve SMEs' access to finance.</p> <p>The report has focused on vulnerable SMEs including micro-borrowers, women entrepreneurs, young entrepreneurs, start-ups, ethnic minorities, etc. It also addressed several other problematic issues such as high-tech borrower and exchange of best practice in guarantee schemes.</p>	No clear definition.	<p>Stakeholder consultations.</p> <p>This form of consultation is useful to gain valuable insights into the problems of SMEs financing. For example, the objectives, problems and concerns of banks are identified and compared with the objectives, problems and concerns of SMEs.</p> <p>The main issues that banks have with SMEs are identified (e.g. lack of essential information, lack of collateral, uneconomic small loan requests, shorter and less stable relationship, regulations).</p> <p>The main problems and concerns of SMEs are identified (e.g. the loan are too sophisticated or too inflexible, slow decision process, preferential rates offered only to bigger companies, high demand for personal collateral, rigid repayment schedules, refusal to offer all clients the total range of available financing products such as mezzanine financing and long-term loans, etc).</p> <p>Best practice and suggestions on how to improve SMEs' access to finance are put forward.</p>

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European Central Bank (ECB)				
The Euro Area Bank Lending Survey	European Central Bank (ECB) Quarterly publication started in 2003	The paper provides information collected through a panel survey of banks in the Euro area. It does not address the issue of SMEs' access to finance, but provide some useful data on bank lending. The survey addresses issues such as credit standards for approving loans, credit terms and conditions applied to enterprises and households, assessment of the conditions affecting credit demand. The survey is addressed to senior loan officers of a representative sample of banks (90 banks). SMEs definition: firms with annual turnover of less than EUR 50 million.	The problem of SMEs' access to finance is not defined.	Panel survey of 90 representative banks in the Euro area. Questions asked: how have your bank's credit standards for the approval of loans or credit lines to enterprises changed? (Breakdown between SMEs and large enterprises, short-term loans and loan-term loans), factors affecting the approval of loans or credit lines, conditions and terms for approving loans or credit lines, demand for loans or credit lines, factors affecting the demand for loans or credit lines, expectation for the future. Example of information provided (from the January 2006 survey): banks reported a net easing of credit standards on both loans to SMEs (-2% from 7% in the previous quarter), a strong increase in net demand for loans to SMEs (24% in January from 16% in October).
Structural Analysis of the EU Banking Sector 2002	ECB 2002	This is the first annual report on the structural analysis of the EU banking sector. This report has been prepared by the Banking Supervision Committee (BSC) of the European System of Central Banks in the context of its activity of monitoring the stability of the EU banking sector. The aim of the report is to provide an overview of the most relevant structural developments in the EU banking sector in 2001 and, to a certain extent, in the first half of 2002. The analysis is based on	The report does not address the issue of SMEs' access to finance but provides some useful insights into the banking sector.	The report covers a large number of areas including the regulatory and market environment in which banks operate, banking structures and operations, structural changes in the overall banking risk profile, risk management systems and actions by public authorities. One of the main findings of the report is that banks have adopted higher bank profitability requirements and thus a more cautious approach to lending as a result of pressure to increase efficiency. This would suggest that banks need more information on enterprises, and that enterprises with poor business performance need to adapt their liabilities to the firm's actual economic situation (i.e. by increasing collaterals, reducing existing liabilities, etc).

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		qualitative assessments by central banks and banking supervisory authorities.		
European Investment Bank (EIB)				
Bank Survey evidence on "bank lending to SMEs in the European Union"	European Investment Bank, 2003	The survey looks at the Europe's changing financial landscape (Basel, etc.) and the impact of these changes on SME finance. Survey of some 400 credit institutions in the EU carried out by the EIB in the summer 2003. Response from 74 participating banks. The aim is to better understand the recent trends in the credit market for SMEs and the prospects for SME bank lending in the future.	Market failure.	Collect information about the volume, performance and conditions of bank lending to firms. Indicators like: <ul style="list-style-type: none"> • main obstacles to the development of bank lending to firms by size class, • composition of the enterprise portfolio by bank type and bank size. Data sources and surveys can only provide an indirect evidence of possible financing problems encountered by SMEs in the credit market since actual EU aggregates of stocks and flows of banks loans are not available.

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Evaluation of SME Global Loans in the Enlarged Union	European Investment Bank	Desk review of twenty-five Global Loans which were either dedicated to SMEs or which had SMEs as a principal lending objective.	No definition.	No measurement of the problem but evaluation of SMEs' access to finance schemes (relevance, efficacy, efficiency, sustainability).
Are financial constraints hindering the growth of SMEs in Europe?	European Investment Bank EIB Papers, Volume 8 no.2 2003	Empirical investigation on SMEs' finance constraints.	There is anecdotal evidence of SME problems in accessing finance, but this cannot be taken as hard proof. SMEs may complain to trigger financial support from the government. Higher interest rates and more collateral may be a sign that the market is working efficiently (the probability of default tends to decrease with the size of the firm). The paper analyses whether SMEs suffer from a structural financing problem that hinder their growth. Two questions: do capital structures of firms differ across size classes? And does a possibly distinct capital structure of SMEs hinder their growth?	Analysis of the capital structure of firms (balance sheets). A large share of relatively expensive financing sources, such as trade debt, could be an indication that SMEs suffer from financial constraints more than large firms. A low proportion of bank debt could indicate difficulties. Source of information: own calculation based on AMADEUS DVD (database on balance sheets and income statements of some 4 million firms of all size classes) of Bureau Van Dijk. Seeking for evidence of capital constraints: surveys (European Observatory of SMEs) and a model of firm's growth, estimated on the basis of data published in firms' annual reports (database OSIRIS, Bureaux Van Dijk).

[European Venture Capital Association \(EVCA\)](#)

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Survey of the Economic and Social Impact of Venture Capital in Europe.	European Venture Capital Association EVCA 2002	<p>Role played by venture capitalists in the seed, start-up and expansion stages of an enterprise.</p> <p>This is the third annual EVCA corporate venturing report, launched in 2001. The data were updated in 2002.</p>	No definition of the problem.	Data and information on Venture Capital investments in Europe. The information covers 117 companies of which 82 provided information through questionnaires.
EVCA Yearbook 2006 – Annual Survey 2006	European Venture Capital Association	<p>Annual European Private Equity Survey (performed by Thomson Financial and PWC on behalf of EVCA) covers 27 countries regarding fundraising, investment and divestment activities. It also offers a pan-European overview comprising data collected from more than 1,100 private equity firms, presenting in-depth trend analysis including syndication, captivity, investment stages, industry sectors and many more.</p> <p>Countries included in the survey: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, The Netherlands, Poland, Portugal, Slovakia, Spain, Sweden Switzerland and United Kingdom.</p>	No definition of the problem.	Comprehensive data on Venture Capital investments in Europe, by countries.

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Monthly EVCA barometers	European Venture Capital Association (EVCA)	Information on trends of private equity.	No definition of the problem.	Published monthly report based on various source: Eurostat, Deutsche Borse, Thomson Financial, EVCA yearly reports.
2006 Benchmarking Study	European Private Equity and Venture Capital Association (EVCA), 2006	It aims to explain the optimum tax and legal environments in which entrepreneurship can flourish, as well as illustrate the substantial divergence between existing EU member state tax and legal environments at a specific period in time.	No definition of the problem.	Information has been collected for each MS on core issues influencing entrepreneurship (fund structures, merger regulation, pension funds, company tax rates, company tax rates for SMEs, capital gains tax for individuals, tax incentives for individuals investing in private equity, taxation of stock options, entrepreneurial environment and fiscal incentives for R&D). Each issue has then been scored on a country-by-country basis (from one, for favourable environments, through to three for less favourable environments).
Central and Eastern European Statistics 2004	EVCA Central and Eastern Europe Taskforce, October 2005	The task force has been implemented as a platform to launch initiatives for the benefits of EVCA members in these regions. Aimed at the development and promotion of private equity and VC in the region. Update of annual activity statistics in 2004.	No definition of the problem.	Source of information: EVCA Annual statistic survey presented in the EVCA Yearbook 2005. Information provided: statistic on the type of investments, exits value are measured by Investment cost (divestment by trade sale, public market, write-off, principal loans, etc.).

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Database and surveys				
The International Business Owner Survey (IBOS)	Grant Thornton Survey	<p>The survey covers over 6,000 medium-sized businesses in 25 countries worldwide. It is published every year. It is a valuable source of global business information, gauging opinions on the economic outlook and company expectations for the year ahead.</p> <p>Country covered: France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden, the UK, Turkey, Canada, Mexico, the US, Australia, New Zealand, Hong Kong, Japan, the Philippines, Singapore, Taiwan, China, Russia, India, South Africa.</p>	No definition.	<p>There is a question on the major constraints on business expansions (rating scale).</p> <p>Data are provided on the factors of business constraints, access to finance included, across the years (from 2003 to 2005).</p>
Global Entrepreneurship Monitor 2005	GEM Global Entrepreneurship Monitor	<p>GEM published an annual report on cross-national entrepreneurial activities. The reporting started in 1999 with 10 participating countries to include 35 countries in 2005. National teams from 43 countries have contributed to the project.</p> <p>GEM is a major research project aimed at describing and analysing entrepreneurial processes within a wide range of countries. In particular, GEM focuses on three main objectives:</p> <ul style="list-style-type: none"> • To measure differences in the 	No definition.	<p>GEM uses adult population surveys to estimate the extent and amount of funding from informal investors composed of family, friends, and foolhardy strangers (informal venture capital) and it uses data from venture capital associations to determine the amount and extent of formal venture capital (classic venture capital) which is invested in seed, start-up, early-stage, and expansion-stage companies.</p> <p>Data enable cross-country comparison (i.e. European countries and US).</p> <p>Information provided:</p> <ul style="list-style-type: none"> • Data on classic venture capital investment as a percentage of GDP across countries • Data on classic venture capital investment in high-tech sectors by countries. • Data on the level of venture capital investment per

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
		<p>level of entrepreneurial activity between countries.</p> <ul style="list-style-type: none"> • To uncover factors determining the levels of entrepreneurial activity. • To identify policies that may enhance the level of entrepreneurial activity. <p>The European countries covered are: Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Netherlands, Norway, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom.</p>		<p>company, by countries (e.g. data showing that in the US venture capital is invested in fewer companies than in Europe but much more money is invested per company).</p> <p>The report claims that in recent years, research on formal venture capital has increased substantially, but there is little research on informal investments such as by family and friends.</p> <p>The 2005 reports provide a "Focus Insert on Financing Entrepreneurial Companies".</p>

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
BACH Database	European Commission. DG Economic and Financial Affairs	<p>BACH is a database containing harmonised annual accounts statistics of non-financial enterprises for 11 European Countries (Germany, Finland, France, Italy, Spain, Belgium, the Netherlands, Portugal, Austria, Denmark and Sweden) plus Japan and the United States, broken down by major activity sector and by size. Data are provided from 1987. These data can be used as a basis for a whole series of comparative analysis of the financial structures or profitability of companies by country, sector, size or year.</p> <p>The database has been developed in co-operation with the European Committee of Central Balance Sheet Data Offices (ECCB).</p> <p>BACH is free of charge and for internal use only.</p>	<p>It does not address the issue of SMEs' access to finance, but it provides data that can be used for analysing SMEs' capital structure.</p>	<p>BACH provided the following information:</p> <ul style="list-style-type: none"> • Balance Sheet Assets • Balance Sheet Liabilities • Profit and Loss Account • Statement of Investments • Statement of Depreciation • BACH Layout <p>It provides the user with detailed information on :</p> <ul style="list-style-type: none"> • the content of each variable in the BACH database, • the statistical treatment, composition and coverage of the national balance sheet statistics included in BACH, • the national accounting outline and the data collection forms of the different central banks or statistical offices. <p>Harmonisation work has been at the centre of this project and comparability has remained its main objective, occasionally at the cost of a reduction in the amount of detailed information.</p> <p>Although harmonisation and comparability is at the centre of this project, it is not possible to harmonise the data fully due to the special characteristics of the national accounting methodologies and the difficulty of drawing up accounting documents a posteriori using a common layout.</p> <p>While trend comparisons can certainly be made, comparisons in terms of amount, level and size are more difficult (or even impossible in some cases) due to substantial differences in the accounting system and financial environment of each country.</p> <p>The data are limited to 11 European countries and thus it cannot be used as a representative sample for all European countries.</p>

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
		<p>The European Committee of Central Balance Sheet Data Offices was set up in 1987 to improve the analysis of companies' data through the exchange of information, comparison of analytical methods and studies. It is composed of institutions from twelve European Union Member States, European Commission and OECD. Members are Oesterreichische Nationalbank, Bank Nationale de Belgique, Bank of England, Statistics Finland, Banque de France, Deutsche Bundesbank, Bank of Greece, Central Bank of Ireland, Centrale dei Bilanci, Centraal Bureau voor de Statistiek, Banco de Portugal, and Banco de España.</p>		

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
AMADEUS database	Bureau Van Dijk	<p>AMADEUS is a standardised annual accounts (for up to 10 years), consolidated and unconsolidated, financial ratios, activities and ownership for approximately 9 million companies throughout Europe, including Eastern Europe.</p> <p>Access to database on payment by subscription or pay-per-view.</p>	<p>It does not address the issue of SMEs' access to finance, but it enables the extrapolation of data for the analysis of SMEs capital structure.</p>	<p>Standard financial items provided by the database:</p> <ul style="list-style-type: none"> • 23 balance sheet items • 25 profit and loss account items • 26 ratios <p>Consolidated statements are provided when available. Up to 10 years of information is provided per company.</p> <p>AMADEUS allows international credit analysis and risk management.</p> <p>Academics with an expertise in economic and finance use the database to undertake empirical analyses.</p> <p>Shortcomings: The database is not consistent in the definition of financial debt across different countries. There are data errors (i.e. the sum of individual assets on balance sheets is not always equal to reported total asset, the sum of individual liabilities is not equal to total liabilities).</p>
OSIRIS Database	Bureau Van Dijk	<p>OSIRIS is a comprehensive database of listed companies, banks and insurance companies around the world.</p> <p>Covering more than 190 countries OSIRIS contains information on over 45,000 companies with the following breakdown:</p> <ul style="list-style-type: none"> • North America 12,600 • Europe (Excl. Eastern Europe) 10,500 • Eastern Europe 800 • Middle East 900 • Far East & Central Asia 13,500 • Oceania 2,250 • South & Central America 	<p>It does not address the issue of SMEs' access to finance, but it enables the extrapolation of data for the analysis of SMEs capital structure.</p>	<p>OSIRIS contains specific report formats for companies, banks and insurance companies and also has reports that reflect accounting procedures in the major world regions.</p> <p>In addition to the income statement, balance sheet, cash flow statement and ratios, OSIRIS provides ownerships, subsidiaries, ratings, earnings estimates, stock data, additional industry codes (ICB codes) and access to regulatory filings for US companies.</p> <p>Complementary information comes from further 15 expert providers to give a broader perspective for in-depth corporate research.</p> <p>Academics with an expertise in economic and finance use the database to undertake empirical analyses.</p>

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
		3,800 • Africa 1,600 Access to database on payment by subscription or pay-per-view.		
ORBIS database	Bureau Van Dijk	ORBIS is a global database which has information on over 20 million companies (September 2006). The companies breakdown as follows: - over 44,000 listed companies worldwide, - over 27,500 banks and 7,700 insurance companies, - over 13 million European companies from 45 countries, - over 2.1 million US and Canadian companies, - over 3 million South and Central American companies, - over 1.3 million Japanese companies, - approximately 35,000 African companies. Access to database on payment by subscription or pay-per-view.	It does not address the issue of SMEs' access to finance, but it enables the extrapolation of data for the analysis of SMEs capital structure.	Academics with an expertise in economic and finance use the database to undertake empirical analyses.
Deloitte: Global Trends in venture Capital 2006 Survey	Deloitte	Global report on Venture Capital sponsored by Deloitte in associations with Venture Capital associations of Europe, UK, US, China, Singapore, India, Israel, Canada, Taiwan, Brazil, Malaysia. This is an annual survey. It is based on 505 responses from general partners of venture capital companies with assets	Does not define the problem.	The survey has been designed to show the degree to which venture capitalists are expanding their worldwide investments, identify territories they are targeting for expansion. Respondents were asked about the barriers they saw to establishing footholds in various geographic markets as well as the ongoing challenges they encounter doing business in other territories. The format for the 2006 survey closely matched the previous year's so that trends could be analysed. There is nothing specific on SMEs.

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
		<p>under management ranging from less than \$100 million to greater than \$1 billion. Of the 505 total respondents, 279 were based in the Americas, 140 in Europe, Middle East and Africa and 86 in Asia Pacific.</p>		
SECTORAL LEVEL				
<p>High-tech SMEs in Europe 2002 no 6</p>	<p>Observatory of European SMEs 2002 / No 6 High-tech SMEs in Europe</p>		<p>High-tech SMEs face more difficulties in accessing financing: high risk/uncertainty, long development periods, intangible assets, information asymmetry. However, empirical data suggest that access to finance may not represent the most significant obstacles and its relevance differs considerable by country, type of enterprise and life cycle. The problem is more severe in countries having a bank loan culture. Financing problems are more striking in the start up and early development stage. Private equity and venture capital are more adequate for financing high-tech SMEs, but the European venture capital is not as developed as in US. Venture capital remains an option only for small elite of enterprises. Financing innovation is reported as a major problem in Denmark.</p>	<p>Source of information: literature review, national studies, statistics and case studies from the 15 MS plus Iceland, Lichtenstein, Norway and Switzerland.</p>

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Financing Innovative SME in a Global Economy, OECD 2004	OECD 2004		<p>The concept of a financing gap generally refers to a shortage in the supply of capital to meet the demand. This concept, however, does not distinguish between actual gaps and perceptions of gaps. Responses based on business surveys indicate that innovative SME face financial constraints. The observation that some firms cannot obtain capital is not itself evidence of a gap. In a competitive market, some firms will be, and should be denied financing if their risk profile far exceeds the willingness of investors to supply funds at a given rate. Specifically, a financing gap is said to exist if firms that merit financing cannot obtain it in financial markets due to the existence of market imperfections. Financing gaps can reflect either demand-side or supply-side constraints or both. The supply side constraints predominate if appropriate sources of finance are not available on terms and conditions suitable for innovative SME. The demand side constraints exist if entrepreneurs do not make use of existing financing opportunities, because of a shortage of good projects or lack of persuasive business plans.</p>	No measurement but literature review.
Final Report on Technology Transfer Accelerator (TTA)	European Investment Fund, September 2005	<p>This report presents a number of recommendations and ideas to support the emergence of an effective technology transfer industry in Europe. The aim of the report is to assess the feasibility and define the operational modalities of a new type of targeted risk capital and technology transfer investment vehicle linking centres of excellence from different European countries. The aim is to bridge the financing gap between research and early stage financing through a new scheme.</p> <p>The main conclusion is that there is indeed a clear market failure in the area of technology</p>	Market failures.	Sources are the European Innovation Scoreboard, BCG, TTA Project interviews; OECD (Main Science and Technology Indicators, November 2004) and indicators built like: the distribution of Sources of Finance for Early-Stage Technology Development in the US.

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		transfer and a "considerable weakness of early stage venture investing in Europe".		
<u>National Level</u>				
A pocketbook of enterprise policy indicators, 2004 Edition	Enterprise Policy Scoreboard 2004 (DG ENTR)		No definition.	Several indicators are available for each MS and candidate countries (e.g. market capitalisation in % of GDP). Access to finance is a point of strength in Spain and a point of weaknesses in Germany, Italy, Poland and Hungary.
<u>Belgium</u>				

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
SME Financing in Belgium	KU Antwerp	<p>The survey aims at describing the situation of finance for SMEs in the 3 Belgian regions: Dutch, Walloon and Bruxelles Capitale.</p> <p>The survey asked in which measure the SMEs face problems of finance. It also requested about the knowledge they have on the new Basel rules and the impact on the new banking rules. It also asked if the SMEs are using the public funding for financing the activities and how do they see the role of the state in the future.</p>	No specific definition.	391 responses which indicated the sources of finance, the relationship with the bank, the major problems of accessing finance, the financial incentives it would use in the coming 3 years.
<u>ITALY</u>				
Small Business Finance in Italy	Luigi Guiso, European Investment Bank EIB Papers, Volume 8 no.2 2003 Occasional paper	Italian SMEs show a fairly limited use of financial debt (almost a third of the sample analysed). Is this because SMEs face problems in access finance or is a choice of the entrepreneurs? Using a survey data on Italian manufacturing firms, the paper examines firms' capital structure and their access to financial debt such as bank loans to investigate whether there is a problem of credit rationing.	Credit rationing.	<p>Objective: Measuring SMEs' capital structure: Data used: Survey of manufacturing firms undertaken by Microcredito Centrale (Capitalia). This is an Italian investment bank that conducts every 3 years a survey on manufacturing firms – most of them are SMEs. The main purpose of the survey is to collect information on several aspects of firm's activities, with a focus on technological innovation and investment in R&D. However the survey also collects data on firm's balance sheets and income statements. The survey is based on a sample of over 4,000 manufacturing firms. Data on balance sheets and income statements offers a description of firms' assets and liabilities and key profitability indicators. Data show that the average trade debt is about 21% of the assets, but tends to be less for small companies. The importance of bank debt decreases with firm's size (for very small firms bank debts fully accounts for financial debt, while for larger SMEs, banks debts makes up 80% of financial debt. For the share of equity, data show that the very small firms have the lowest ratio. The analysis of debt structure of SMEs shows that</p>

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				<p>banks are the main source of financial debt.</p> <p>The Microcredito Survey includes questions that allow studying if firms are excluded from the credit market and how possible exclusion depends on the firm's size. Firms are asked whether they:</p> <ul style="list-style-type: none"> • demanded a larger volume of loans at the prevailing market interest rate • were willing to pay a slightly higher interest rate to obtain additional loan finance • applied for additional loans but there turned down
				<p>Answers to these questions can be used to identify credit-rationed firms.</p> <p>The author adopted two definitions of credit rationed: A broad definition: a firm applied for additional loan finance but was turned down (credit rationing type 1) A narrower definition: the firm was turned down although it was willing to pay a higher interest rate (credit rationing type 2).</p> <p>A special section of the Survey reports information on firms' relations with financial intermediaries, access to bank credit and on firms' credit applications that have been denied, allowing the identification of credit-rationed firms.</p>
UK				
Report on SMEs financing 2004	Centre for Small and Medium sized Enterprises (CSME) Warwick Business School	CSME is researching on SMEs' access to finance. For example, in April 2006 the Centre held a workshop on SMEs finance.	No definition.	In 2004 CSME was commissioned by the Bank of England a survey on SMEs' access to finance. The aims of the study was to: <ul style="list-style-type: none"> • Provide benchmarking data on the availability of credit to SMEs and the types of finance used. • Collect information on the relationship between SMEs and their providers of finance. • Develop a general purpose micro database for quantitative research on business finance (offering, for

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
				<p>example, scope for comparisons with US business finances). The survey was conducted among a representative sample of 2,500 SMEs, in the private sector, in the UK.</p>
<p>Department for Trade and Industry: Small Business Survey</p>	<p>Department for Trade and Industry</p>	<p>Annual Surveys started in 2003 and still on-going.</p>	<p>No definition of the problem.</p>	<p>The surveys cover general small business issues, with a sample size of 7,505. A specific section of the questionnaire is dedicated to finance. Information provided concerns the reasons for seeking for finance, the difficulties in raising finance and impact on the business.</p>
<p>Bridging the Financial Gap- HM Treasury 2003</p>	<p>HM Treasury UK</p>	<p>Review of existing information on SMEs access to finance.</p>	<p>The UK has a well developed capital market in comparison to other European countries; nevertheless market imperfections mean that a minority face difficulties in raising the finance that they need to support early stage of growth. SMEs suffer most from these market failures.</p>	<p>Various surveys.</p>

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
The Supply of Banking Services by clearing banks to SME	Competition Commission 2002 UK	The financial market for SMEs lacks effective competition among suppliers. There is restriction and distortion in price competition leading to excessive prices and profits. (E.g. The current profits of the clearing banks on services to SMEs are over £2 billion a year and the average return on equity between 1998 and 2000 is 36 per cent compared with an estimated cost of equity of about 15 per cent).	Market failure (lack of competition).	Evidence and views were collected from banks, building societies, other financial institutions and organisations, regulatory authorities, SME representative and advisory bodies, consumer bodies, chambers of commerce, trade associations, government departments and agencies and local authorities. Methodology: face to face interviews, and review of data and statistics available.
Small Business Omnibus Survey 2002	Scottish Executive	SMEs' surveys addressing general business issues (i.e. the contribution of SMEs to the economy, types of SMEs, etc).	No definition of the problems. The survey contains some data on SMEs finance: <ul style="list-style-type: none"> • 26% of businesses had tried to raise finance in the past year and 22% of firms were successful. Figures for the UK as a whole were lower: 20% and 18% respectively. • 27% were aware of business angels and 11% of businesses were aware of LINC Scotland an organisation that helps bring together business angels and businesses seeking finance. • 49% reported problems with late payments 	SMEs' Survey A total of 4,217 businesses across the UK took part in the survey, including 1,002 SMEs in Scotland. The stratified sample was selected at random from a sample of 4,000 organisations that in turn had been randomly selected from the D&B database of enterprises in Scotland. The survey was carried out by telephone and the questionnaire was completed by the interviewer using CATI (Computer Assisted Telephone Interviewing) software. In total 1,756 organisations were contacted and asked to participate. This produced 1,002 completed interviews, and a refusal rate of 14%.
Bank of England Finance for Small Firms	The Bank of England	From 1991 to 2004 the Bank of England had monitored the availability of finance to SMEs. The task was to identify any areas where access to appropriate finance seemed to be problematic, to investigate and highlight those issues with key stakeholders. The reporting stopped in 2004.	No definition.	Reports and articles.

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
Annual Report on Finance for SMEs	The Bank of England	Annual publication from 1994 to 2004. The reports address different issues related to SMEs: finance the economic conjuncture for SMEs and different types of finance available for SMEs (bank finance, leasing, equity finance). The reports might have a final section with articles addressing specific issues: i.e. analysis of the SMEs' financial structure. With the years the reports have gone from being descriptive to being more analytical. The need to improve data available on SMEs is pointed out in the most recent reports. The reporting stopped in 2004.	No real definition.	The reports are based on data from: <ul style="list-style-type: none"> • SMEs' surveys undertaken by other institutions (banks, research centres, Chamber of Commerce, Business Associations) • Banks reports • Analysis of SMEs financial structure, based on data on company accounts provided by the Bureau van Dijk
Quarterly Report on Small Business Statistics	Bank of England	The Quarterly Report on Small Business Statistics has been published from 2000 to 2003.	No definition.	The statistics quoted in the report are drawn from a number of sources: <ul style="list-style-type: none"> • British Bankers' Association (BBA) • Factors and Discounters Associations (FDA): Figures • Finance and Leasing Associations: Annual Survey of Business Finance • British Venture Capital Association (BVCA): Report on investment Activities • London Stock Exchange Statistics • Centre for Business Research, Cambridge • NatWest Quarterly Survey of Small Business in Britain • CBI (Confederation of British Industry): Quarterly SME Trend Survey • British Chamber of Commerce Quarterly Economic Survey • Grant Thornton International Business

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				<p>Owner Survey</p> <p>Because of the variety of definitions used, care should be taken when comparing different data series.</p>
CBI Quarterly SMEs Trend Survey	Confederation British Industry (CBI)	<p>Quarterly SMEs Trend Survey is part of the CBI Quarterly Industrial Trends Survey.</p> <p>The SMEs Survey is limited to manufacturing sector. The Survey addresses broad SMEs issues and macroeconomic environment.</p> <p>The full report needs to be purchased (£125 a single item).</p>	No definition.	<p>The survey was based on 575 manufacturing companies with fewer than 500 employees, of which 477 employed fewer than 200 staff.</p> <p>There are three questions in which access to credit and finance can be mentioned by respondents:</p> <ul style="list-style-type: none"> • factors likely to limit export orders • factors likely to limit capital expenditure authorisation • factors likely to limit output.
Sustainable Support for SME	British Bankers Associations	<p>The BBA has a statistical unit that monitors the main banks services to the SME market.</p> <p>Small businesses are defined here as those commercial businesses with an annual bank account turnover of £1 million or less.</p>		<p>Information available:</p> <ul style="list-style-type: none"> • Term lending • The annual rate of growth in overdraft lending • Deposits, • Number of SMEs establishing new banking relationships. <p>Information is presented as overall aggregate. Only general press release is available. Detailed information is for internal use only.</p>
Household Survey of Entrepreneurship: Follow-up Survey 2002	Small Business Service (SBS) – Unit within the Department of Trade and Industry	<p>In 2001 SBS commissioned IFF Research to conduct a large-scale survey of Household Entrepreneurs. This was a market measurement exercise intended to establish the numbers of people in England who were currently engaged in entrepreneurial activity; those</p>	No definition of the problem.	<p>Questions are asked to assess how access to finance is perceived or has been a real problem for people thinking/ willing to start up a business.</p> <p>In total, 7122 interviews were conducted with a random sample of adults in July and August.</p> <p>The prime objective of the 2002 study was to re-contact these same respondents, particularly those</p>

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		thinking about going into business; and those not intending to go into business. One off exercise.		intending to go into business, and find out their experiences of the last year.
A government action plan for small business Making the UK the best place in the world to start and grow a business The evidence base	SBS / DTI	Sound evidence and analysis which complements the Government Action Plan for Small Business by providing a more detailed analysis of the evidence base justifying the case for the new actions. Each report is structured as: - the rationale for intervention – why action is required. - the evidence base – the nature and extent of the problem to be tackled. - how the government will measure its success in delivering the new actions.	Market failure: both in the debt and equity markets (i.e. information asymmetries between the borrowers and the lenders). .	Source of information: review of the statistics and research literature on small businesses, academic research, and government reports.

GERMANY

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
Financing the German Mittelstand	EIB 2003 Occasional paper	<p>The paper documents the equity shortage and dependence on bank debt typically associated with the SMEs (Mittelstand).</p> <p>Different definitions of small, medium and large firms add difficulties (for example, the standard European definition of small, medium and large firms is different from the definition used by the IfM - Institut für Mittelstandsforschung).</p>	SMEs have to cope with an inadequate equity base and an overdependence on local banks for the provision of external finance.	<p>The paper reviews the empirical evidence on SMEs financing in Germany and present the results of a SMEs Survey to find empirical evidence of SMEs' difficulties in accessing credit.</p> <p>The existing empirical evidence on SMEs financing is quite limited due to the lack of adequate quantitative data sources. In Germany, corporation, limited liability partnerships and partnership completely owned to submit their annual reports to the company register. However, due to the absence of adequate legal sanction, only a minority of SMEs' disclosed annual figures.</p> <p>In studying SMEs financing, researchers have to rely heavily on surveys. Available surveys provide detailed insights into how SMEs view their own situation and economic environment, but tend to offer little information on capital structure, financing cost, and other useful information. One exception is the study of the Deutscher Sparkassen – und Giroverband (DSGV) based on its balance-sheet database consisting of some 170,000 annual reports.</p>
KfW Start-up Monitoring	KfW Bank	This is an annual household survey. It has started in 2002 and there are four surveys at the moment.	Does not define the problem.	40,000 people are interviewed over the telephone and asked if they have tried to set up a business, then 800 of those that have tried to set up a business are interviewed in details. Some of the questions asked cover access to finance (e.g. types of financial needs, difficulties and main issues in accessing finance).
KfW SME Panel	KfW Bank	It consists of a written questionnaire sent to a panel of German SMEs every 2 years, starting in 2003. The questionnaire is sent to 80,000 SMEs with a return rate of 9,000 for 2006 (the replies were 15,000 in the first year).	Does not define the problem.	The Panel is about SMEs' issues in general (e.g. investments plans, business climate, innovation behaviour, and plans to hire new staff) with some questions on SMEs' financial needs and difficulties in accessing finance (i.e. reasons for credit refusal).

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
Finland				
Bank of Finland General Firm Survey http://www.bof.fi/fin/3_rahoytusmarkkinat/3.6_Raportit/index.stm	Bank of Finland	The Bank of Finland undertakes a survey, every two years, on all firms, covering a wide range of issues, amongst which access to finance. The project is run together with the Ministry of Trade and Industry and the Business Associations.	Does not define the problem.	The questions asked are: does the company need to access finance?; has the company sought for external finance in the last six months?; is the company planning to seek external finance in the next six months?. There is a question on venture capital, asking whether the demand for venture capital has increased.
Finnvera Survey on SMEs	Finnvera	Finnvera is the public agency responsible for granting banks' loans and guarantee to SMEs that undertakes a SMEs survey ever six months.	Does not define the problem.	The survey has more questions on SMEs' access to finance than the Bank of Finland General Firm Survey. The main strength of this survey is that it is produced every six months, providing policy-makers with up-to-date information and data. However, the survey should be complemented with other studies, such as econometric analysis, to fully assess the problem of SMEs access to finance and to establish the effectiveness of public intervention.
France				
43e enquête semestrielle sur la conjoncture des PME	Oseo, July 2006	Since 1985, the survey is carried out twice a year in May and November. 10 000 companies of less than 500 employees are surveyed by post. The 1.000 first replies are taken into account after quality checks. The survey allows following the evolution of the SMEs behaviour in France	The survey does not define the problem of access to finance, but describes the situation within 1,000 SMEs.	30% of SME face cash problems, 75% think they have a good rate of return on investment. The survey also requests the amount of equipment investment according to the type and the financing plan (which type of finance they will use) Calculate an investment indicator by sector, which compare the SME idea of investment plan between Y-1 and Y (indicateur prévisionnel d'investissement).

Title	Organisation	General description	How the problem of SMEs' access to finance has been defined?	How the problem of SMEs' access to finance has been measured?
		according some criteria: orders, employment, cash, return on investment, etc.		
Études de l'Observatoire des entreprises	Observatoire des entreprises	Study on enterprise's behaviour: Risk assessment at sector level The studies produced by the Observatory of Enterprises produced between 1994 and 2005 a series of studies relating to the enterprises. Paying access.	Does not define the problem.	Used the data from the Centrale des Bilans but also on other databases at EU level.
Premier éclairage sur les petites et moyennes entreprises de l'industrie française en 2005 à partir de l'échantillon Centrale de bilans	Bulletin de la Banque de France	First Annual survey available at national level on the evolution trends of the industrial SMEs.	Does not define the problem.	14% of 5.000 companies replied to the questions on financing structure, employment, etc.
Comportement d'endettement et risques : apports et limites d'une approche en termes de taille	Bulletin de la Banque de France N° 37	Analysis of the financing structure according the size of the company.	Asymmetry of information between demand and supply side.	Debt rate, credit rate.

Annex 2 Background information, on data source, policy papers and research

Title	Date	Short description
INTERNATIONAL LEVEL		
IMF		
World Economic Financial Survey	From 1990	It contains periodic studies covering monetary and financial issues of importance to the world economy. The database is updated every 6 months. No specific information on SMEs' access to finance but there are data and indicators on interest rates.
International Capital Market Report	Until 2001	Review and assessment of developments in capital market and banking systems. Analysis of data and indicators on credit markets, equity markets, major banking systems, development in derivatives markets, international regulatory and supervisory developments, risks and vulnerability.
Global Finance Stability Report	From 2001	Replacing the International Capital Market Report. Data and indicators are collected twice a year
Emerging Market Financing	From 2001	Replacing the International Capital Market Report. Data and indicators are collected on a quarterly basis
OECD		
Compendium on International and Regional Bodies: Initiatives and Activities Related to SME http://www.oecd.org/dataoecd/10/56/2090691.pdf	2000	No specific data or indicators on market failures and market gaps in SMEs' access to finance
Compendium 2 on SME and entrepreneurship related activities 2004 http://www.oecd.org/document/57/0,2340,en_2649_34197_2505273_1_1_1_1.00.html	2004	Overview of work conducted by different organisations on SMEs issues and policies. Collection of information on a variety of policies and initiatives: global inventory of activities carried out by international organisations and institutions (both governmental and non-governmental) in the field of SMEs and entrepreneurship. It provides up-to-date information to various stakeholders (governments, entrepreneurs and the business community, international organisations, and academics) on recent developments in SME and entrepreneurship-related issues and policies. No specific data or indicators on market failures and market gaps in SMEs' access to finance.
Disclosure, Corporate Governance, Competitiveness and SMEs' access to finance	2001	Discussion at the USAID and OECD Meeting "Southeast European Partnership on Accountancy Development on Corporate Governance," its implications on SME development, competitiveness and access to finance. No specific data or indicators on market failures and market gaps in SMEs' access to finance.

World Bank		
Improved Access to Finance: A Key to SME Growth	1/03/2003	<p>The World Bank Working Paper describes how it is important to develop the financial opportunities for SMEs. It gives examples from all over the world. It is interesting as this article quotes many different and worldwide organisations concerning by this issue.</p> <p>No specific data or indicators on market failures and market gaps in SMEs' access to finance.</p>
Macro Small Medium Enterprises Data	2006	<p>SME database.</p> <p>This dataset is a collection of publicly available data on micro, small, and medium enterprises in 103 countries. It puts the number of SMEs in context by including several indicators of a country's business environment.</p> <p>Some indicators of SMEs' access to finance (leasing as a percentage of total private credit and factoring as a percentage of GDP). Data are not available for all the countries.</p>
<p>"Financing Around the World: Are Small Firms Different?" By Beck, Thorsten, Asli Demirgüç-Kunt, and Vojislav Maksimovic.</p>	2004 World Bank Policy Research Working Paper 2905	<p>The paper investigates whether the financing patterns of small firms differ from those of the large firms. Using a firm-level survey database covering 48 countries, the paper investigates how financial and institutional development affects financing of large and small firms.</p> <p>Small firms are defined as those with 5 to 50 employees. Medium firms are those that employ 51 to 500 employees and large firms are those that employ more than 500 employees.</p> <p>The validity of the initial assumption (market imperfection) have been discussed by using the World Business Environment Survey (WBES), a major cross-sectional firm level survey conducted in developed and developing countries in 1999 and led by the World Bank. The survey has information on financing choices for about 3000 firms in 48 countries. One of the important strengths of the survey is its coverage of small and medium enterprises. The survey presents some limitations: the paucity of firm level financial information, but it provides information on how important firms consider financing obstacles to be in affecting the operation and growth of their business.</p>
<p>Bank Competition, Financing and Access to Credit By Beck, Thorsten; Demirguc-Kant, Asli; Maksimovic, Vojislav; World Bank Policy</p>	2003	<p>This paper explores the impact of bank competition on firms' financing obstacles and access to credit for a cross-section of 74 developed and developing countries. Empirical investigation to assess if bank concentration negatively affects SMEs' access to finance.</p> <p>Data source: World Business Environment Survey (WBES) for firm-level data (data consist of firm survey responses of over 10,000 firms in 80 countries, both developed and developing. Information on firm size, government ownership, foreign ownership, and whether the firm is an exporter. The survey has a large number of questions on the business environment in which firms operate including assessment of growth obstacles firms' face. The database also includes information on firm sales, industry, growth, financing patterns, and number of competitors. Question on to what extent entrepreneurs perceive finance as an obstacle to growth.</p> <p>Survey data on the financing obstacles perceived by firms and their financing patterns and relate these data to the competitive environment in the country's</p>

		banking market. General Financing Obstacle is the response to the question "How problematic is financing for the operation and growth of your business?" Answers vary between 1 (no obstacle), 2 (minor obstacle), 3 (moderate obstacle), and 4 (major obstacle). Statistical analysis.
EUROPEAN LEVEL		
European Commission:		
Policy Papers:		
The new Lisbon Strategy - An estimation of the economic impact of reaching five Lisbon Targets -Industrial Policy and Economic Reforms Papers No. 1	1/01/2006	Background material for the Competitiveness Report. No specific data or indicators on market failures and market gaps in SMEs' access to finance
Communication from the Commission to the Council and the European Parliament "Productivity: The Key to Competitiveness of European Economies and Enterprises, [SEC(2002) 528]:	21/05/2002	This Communication aims to alert policy makers to the recent under-performance of the EU in labour productivity growth, its causes and its implications for the goals set by the Lisbon strategy. It reviews productivity growth against a background of policies that are already in place. The Commission recognises the legitimacy of using state aid to address market failures. Areas such as R&D and access to risk-capital for new and innovative businesses are in need of policy support. No specific data or indicators on market failures and market gaps in SMEs' access to finance.
Commission Staff Working Paper - Enterprises' access to finance SEC(2001) 1667	19/10/2001	Different aspects of the access to finance by enterprises. Review developments in those areas of SME finance that are not covered by the Risk Capital Action Plan, primarily bank lending. Considers possible future trends and policy issues at EU and Member State levels in loan finance and alternative forms of debt financing. Data are taken from the Grant Thornton "Enquete 2001 sur les PME européennes" : One in five SMEs in Europe consider access to finance as a barrier to growth. The survey is based on 4,400 replies from a sample of 42,400 enterprises. The survey is not available.
COMMISSION STAFF WORKING PAPER - European competitiveness report 2000 - SEC(2000) 1823:	30/10/2000	Provide an analytical contribution to the policy debate on how to make Europe a more dynamic economy. It is being produced yearly at the invitation of the Council in its Resolution of 21 November 1994 on strengthening the competitiveness of European industry. Last year's report focused on structural change in European manufacturing.
A Policy for Industrial Champions: From picking winners to fostering excellence and the growth of firms	1/04/2006	The paper reviews the arguments for and against pro-champion policies and explores the contribution of different EU policies – competition, trade and research - to the twin goal of providing a stimulating and disciplining environment for large companies while at the same time facilitating the growth of young innovative enterprises. - includes market gap/failure in the financial market
Competitiveness, innovation and enterprise performance	2001	This publication brings together a selection of indicators/graphs from 3 Commission documents: the European Competitiveness Report, the Innovation Scoreboard and the Enterprise Policy Scoreboard (Benchmarking

Best Practices of Public Support for Early-Stage Equity Finance - Final report of the Expert Group	1/09/2005	Enterprise Policy). This report documents the findings of a project on best public-sector practices in early-stage equity finance. The project aimed to: to collect information on Member State actions; to provide elements on how to strengthen the complementary nature of European and Member State actions; and, to identify and spread good practices. After reviewing the market developments in Europe, the expert group concluded: there is a long-standing market failure in early-stage equity finance warranting public sector action; and, the general fragmentation of the risk capital market in Europe needs to be addressed at all levels. Recommendations & good practice criteria are outlined. Includes an annexed inventory of MS equity financing schemes
Commission Staff Working Paper - Report on the Implementation of the Action Plan to Promote Entrepreneurship and Competitiveness - SEC(2000) 1825 – Vol. I	27/10/2000	First Implementation Report - describes the work that has been done towards implementing the BEST “Action Plan to Promote Entrepreneurship and Competitiveness”. The Action Plan includes a series of action points, and concentrates on access to finance; improving the visibility of support services; identify areas where countries have made progress in promoting entrepreneurship and competitiveness. It has also provided valuable information on those areas where more needs to be done.
Work Programmes and Implementation Reports		
Multi-annual Programme for Enterprise and Entrepreneurship 2001-2006 - Work Programme 2006	1/06/2006	This work programme contains the actions and measures that DG Enterprise and Industry will undertake during the prolongation of the MAP in 2006. As in previous years, the MAP budget will be implemented through three instruments: Financial instruments; Euro Info Centres (EICs); and Policy Development Projects
Multi-annual Programme for Enterprise and Entrepreneurship 2001-2005 - Implementation Programme 2005	March 2006	Further to the Multi-annual Programme for Enterprise and Entrepreneurship Work Programme 2005, this Implementation Report gives an overview of the state of progress of all activities launched under the 2005 work programme as well as of projects from previous years, which either concluded or continued during 2005.
European Charter for Small Enterprises	1/06/2000	To improve the situation of small business in the European Union, the EC pledge themselves in this charter to a variety of actions to stimulate entrepreneurship, to evaluate existing measures, and when necessary, to make them small-business-friendly, and to ensure that policy-makers take due consideration of small business needs. The principles underpinning interventions are outlined, and the 10 Lines of Action to be pursued are detailed
Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a Competitiveness and Innovation Framework Programme (CIP) (2007-2013)	6/04/2005	The first “Competitiveness and Innovation framework Programme (CIP)” is a coherent and integrated response to the objectives of the renewed Lisbon strategy. Running from 2007 to 2013, it has a budget of approximately EUR 3.6 billion. It represents a 60 % increase in annual spending on actions related to competitiveness and innovation by 2013 compared to 2006. The three specific programmes in the CIP framework are: 1) Entrepreneurship and Innovation Programme; 2) ICT Policy Support Programme; and, 3) Intelligent Energy-Europe Programme

COMMISSION STAFF WORKING DOCUMENT - Annex to "Proposal for a Decision of the European Parliament and of the Council, establishing a Competitiveness and Innovation Framework Programme (2007-2013)"	6/04/2005:	This Staff Working Paper supports the "Proposal for a Decision of the European Parliament and of the Council establishing a Competitiveness and Innovation Framework Programme (2007-2013)" - and includes an impact assessment.
Commission Staff Working Paper- Summary of Results of Best Practice-related Activities in the field of Enterprise Policy SEC(2000) 1824	26/10/2000	This paper takes stock of the conclusions and recommendations of completed benchmarking projects and concerted actions that have been carried out during the last few years (BEST project).
Finance for innovation: closing the gap	01/05/2006	Innovative Regions Newsletter. General presentation of the programmes offered for easing SMEs' access to finance. Description of good practices through Sixth Framework Programme for Research and Technological Development.
Innovative instruments for raising equity for SME in Europe - Final Report	01/06/2001	Findings on the use of innovative instruments, specifically, public sector guarantees or similar mechanisms, to stimulate the flow of risk capital to SME in Europe, reviews the advantages and disadvantages of the various forms intervention to close the equity gap, including guarantees, with reference to the range of practice found in EU member states
Benchmarking business angels - Final Report	04/11/2002	Examine the ways in which the public sector can stimulate the activities of business angels and business angel networks.
Conference Reports		
Merits and possibilities of a European fund structure for venture capital funds - Report from a workshop held on 21 June 2005 in Brussels	21/06/2005	This report is based on the work of experts of the workshop organised by DG Enterprise and Industry of the EC. Two principal problems in fostering the integration of European Venture Capital markets were identified by the stakeholders: 1. From the supply perspective, venture capital funds face obstacles when investing across borders in Europe.2. From the demand perspective, many innovative and high growth firms face difficulties in accessing equity finance
Improving opportunities for Initial Public Offerings on growth stock markets in Europe - Report from the workshops	24/05/05	The workshop aimed to identify how the financial environment could be improved for high-growth and innovative companies in Europe, whether there was a common ground of views among the different categories of actors, and how the Commission could contribute to improving the financial environment. Representatives of the venture capital industry, stock exchanges, the banking sector and academia were invited to give their views on the subject.
Access to finance for SME of the Middle-East-North Africa Region,	20/02/2006	Expert group report on access to finance for SME presents ideas to be discussed at the next Euro-Mediterranean Conference of the Ministers of Industry in 2006. Discussion on guarantee of debt financing; micro-credit; venture capital, in a broad sense of equity finance activities) and recommends focusing on a limited set of objectives.
SME'S ACCESS TO FINANCE IN SOUTH AFRICA (2000):	2000	Access of SME to equity capital and debt and to other bank services. Considered the role of banks, the role of non-bank financial institutions, the role of the securities markets and the competitive environment within which these different institutions function.
(US and EC) Working Group on Venture Capital - Final Report	1/10/2005	Summarises the work of a joint US and EC Working Group on Venture

		Capital. The Group aims were to: to improve the understanding of policy makers of the private equity and venture capital industry's role in the economy; to review the standards on transparency, data, definitions and the valuation methods used by venture capital funds; to understand the current structure and emerging trends of the venture capital fund sector; and to review the tasks of the public sector. Overall, the Report makes 3 recommendations: policy cooperation on venture capital; a venture capital handbook for policy-makers; and a resource centre for policies on venture capital.
Newsletter for the Arab Countries, Iran & Turkey, Volume ten - Number one	1/03/2003	Discussion around access to finance and market gap in Middle East and Africa countries From the "Economic Research Forum "
Risk capital summit 2005 - conference paper	2/03/2006	The Risk Capital Summit 2005 brought together a wide range of expert opinion to make recommendations on how to improve the situation. It identified the following main areas for action: Fund size; Investment readiness and financial literacy; Business angels; Quasi-equity and mezzanine instruments, etc
Publications and Guides:		
State aid: Guidelines on state aid to promote risk capital investment in SMEs	19/07/2006	New guidelines will make access to finance easier for SMEs in their early stages of development; to boost their growth and help to create more jobs. The guidelines are part of the Commission's State Aid Action Plan (SAAP) to promote competitiveness of EU industry and job creation. The guidelines introduce a new investment threshold, a "safe harbour", of EUR 1.5 million of investment per SME over a period of 12 months, representing an increase of 50% compared to the previous threshold.
Fit for the Euro - A guide for small & medium-sized enterprise	01/01/2005	The guide intends to help SMEs prepare for the introduction of the Euro.
European Charter for Small Enterprises - 2006 good practice selection.	1/01/2006:	40 good practice cases presented in this brochure provide a sample of the different successful ways in which public administrations support Europe's SMEs. These cases were selected as part of the exchange of good practice in the context of the "European Charter for Small Enterprises".
Impact of Basel II on SMEs: the Future of Access to Finance - SME Toolkit	01/01/2005	To provide a general framework and guidelines which will help SMEs to analyse and assess their preparedness for raising finance from banks following the introduction of Basel II Capital Accord and the European Union's proposed Capital Requirement Directive (Basel II / CRD). The toolkit is divided into five main sections: 1. Business Strategy & Targets; 2. Business Market & Competition; 3. Business Capability; 4. Business & Financial Planning; and 5. Business Risk Management
Evaluations and Impact Assessments		
Impact Assessment: Financing SME Growth – Adding European Value	20/06/2006	The IA covers three different objectives according to the EC Communication:

{COM(2006) 349 final} ,		<ul style="list-style-type: none"> - To improve the environment for investing in risky innovative SMEs - To stimulate the convergence of financial systems - To strengthen local and regional finance for innovation
External evaluation of the pilot scheme CREA	30/01/2006	The evaluation aims to contextualise the performance of CREA within the wider context of SME financing by analysing developments in the seed capital market in the last five years during the time CREA has been in place, including providing an outline of the problems facing SMEs in accessing funding in their seed and start-up phases. (venture capital, market failure in seed capital market, supply and demand of seed financing for SME, Definitions of market failure in the seed capital market
Intermediate Evaluation Report on the Multi-annual Programme for Enterprise and Entrepreneurship, and in particular for small and medium-sized enterprises (2001-2005)	01/01/2003	This intermediate evaluation assessed the first phase of policy initiatives implemented under the Multi-annual Programme for Enterprise and Entrepreneurship, and in particular for Small and Medium-sized Enterprises 2001-2005 (MAP).
External Evaluation on the Multi-annual Programme for Enterprise and Entrepreneurship and in particular for small and medium-sized enterprises (2001-2005).	1/09/2004	The aim of this external evaluation of the Programme is to provide information and recommendations in order to improve the current MAP and to contribute to the development of a potential successor programme. It has been prepared as a final evaluation, although, as the programme was still running, it was often not possible to identify or examine final results and impacts.
Report on the financial instruments of the multi-annual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (2001-2005)	30/09/2004	First annual report on the progress achieved in the implementation of financial instruments under MAP (2001-2005). This report covers the SME Guarantee Facility, ETF Start-up Facility, the Seed Capital Action and the Joint European venture (JEV) programme. It provides an overview of progress achieved as at 31.12.03.
Strategic Evaluation of EU Financial Assistance Schemes for SMEs - Final Report	1/12/2003	Final report of the Strategic Evaluation of EU Financial Assistance Schemes for SMEs. The evaluation was carried out by Deloitte & Touche, in partnership with Bannock Consulting, on behalf of DG Budget of the EC. The aim of this evaluation is to provide useful elements for the definition of future policy guidelines of the Commission, in the area of Community financial assistance schemes (FAS) for European SMEs. The 35 schemes examined in detail were grouped together into 6 policy "clusters", defined as a standardised classification of SME needs based on our understanding of the relevant areas of activity habitually engaged in by SMEs: Access to Finance; Research and Technological Development; Business Support Infrastructure and Advice; Internationalisation and joint ventures; Human Resources; and, Environmental actions.
Review of the Current Portfolio Approach for SME Global Loans	01/03/2002	Review of the SME Global Loan (GL) "Portfolio Approach" – EIB
Ex post Evaluation of the Observatory of European SMEs - Final Report.	1/09/2004	Relevance, quality and cost-effectiveness of the past activity and implications for the design and funding of any future programme, after consideration of new circumstances of SME policy issues in the enlarged EU (while the current coverage of 15 Member States plus other four countries is clearly no longer adequate in the context of the new European Union of 2004, and its further

		enlargement after 2007).
Indicators and surveys:		
Key indicators for the euro area	20/07/2006	Most relevant economic statistics concerning the Euro area (DG Economic and Financial Affairs)
European Economy, Economic Forecasts, Spring 2006	21/03/2006:	Contains important reports and communications from the Commission to the Council and the Parliament on the economic situation and developments ranging from the Broad economic policy guidelines and its implementation report to the Economic forecasts, the EU Economic Review and the Public Finance report. As an addition, Special Reports focus on problems concerning economic policy (DG Economic and Financial Affairs)
Quarterly report on the Euro Area	Quarterly report generated by DG Economic and Financial Affairs	The European Commission's DG Economic and Financial Affairs aims to contribute to a better understanding of economic developments in the Euro area and to improve the quality of the public debate surrounding the area's economic policy. . It is a review of budgetary policy in the Euro area / regular analysis of growth differences within the Euro area, recent developments in cyclical synchronisation between Member States. Deserve attention by national policy makers.
Sample Design for Industry Surveys	1/11/2004	General recommendations concerning "best practices" in conducting business tendency surveys; Business tendency surveys (BTS) ask the responding company about the current business situation and short-term developments within the EU – DG Economic and Financial Affairs.
Enterprise Policy Scoreboard 2000 - Commission Staff Working Paper.	27/10/2000	SMEs indicators for benchmarking (DG Enterprise and Industry)
Business Climate indicator for the Euro area	31/08/2006	To improve the understanding of the business cycle in the Euro area as a whole, DG Economic and Financial Affairs has formulated a monthly indicator designed to deliver a clear and early assessment of the cyclical situation within the Euro area. The indicator uses, as input series, five balances of opinions from the industrial surveys undertaken in the framework of DG Economic and Financial Affairs's Business and Consumer.
Price and Cost Competitiveness, 30/02/2006	30/02/2006	Quarterly reports provide data on price and cost competitiveness of the Euro area and the individual Member States of the European Union. Part 1 is dedicated to the international and intra-EU price and cost competitiveness positions. Part 2 provides data for the Euro area and for each EU Member State, Bulgaria and Romania, as well as for the United States and Japan. (DG Economic and Financial Affairs)
Survey on the implications of Basel II on the banking environment for SMEs - Carried out for the guide "Impact of Basel II on SME: the Future of Access to Finance - SME Toolkit"	2004	This document contains the results of the survey carried out for the Basel II conferences on how to deal with banks. Overall, the survey brings to light, divergent views on how the Basel II accord will affect the banking sector and consequently SMEs. It does not indicate an excessively negative reaction on SME financing but nor is it representative of an overly positive response (DG Enterprise and Industry)

Other European Organisations		
European Investment Bank (EIB)		
Helping SMEs access to finance	2000	Leaflet addressing the EIB measures to help SMEs access finance: definition of the main finance programmes.
European Central Bank (ECB)		
European Central Bank Annual Report	Regular reporting from 1999	The Annual Report describes the activities of the ECB and reports on the monetary policy of the reporting year.
Eurada		
All money is not the same	1/08/2004	Publication aimed at 1. Public bodies in charge of developing or implementing programmes aiming to provide regional/local SMEs access to funding sources; 2. Business persons looking for an insight into the funding source that is best suited to their needs based on their investment readiness, i.e. how ready they are to accommodate or meet with representatives of the SME finance industry. It also seeks to deal with the tools that support these funding sources in promoting the consolidation of companies once they have accessed finance. It provides all the definitions.
FEB: European Federation of Banks		
No specific documents found when searching for Access to Finance		
EVCA		
Employment Contribution of Private Equity and Venture Capital in Europe.	1/12/2005	First pan-European study on the overall employment contribution of private equity and venture capital industry to European job creation. It examines both the current levels of employment by private equity and venture capital financed companies as well as the new jobs created by the industry in recent years (EVCA).
SOCIAL PARTNERS		
UEAPME Position Paper on the Future of SME finance: Crafts, Trades and SMEs need better access to finance	27/10/2004	Policy paper demonstrating that Policy actions are needed in order to meet the challenge of: • SMEs high dependence on external finance • new capital requirements (Basel II) • increasing risk awareness for Banks
UEAPME Position Paper on New rules on State Aid for risk capital will improve innovation outlook for SME	19/07/2006	Position Paper in response to the new guidelines on state aid
UNICE	2004-2006	Position papers on SMEs, SMEs growth and R&D

Entrepreneurship and SMEs			
Eurochambers http://www.eurochambres.be/PDF/pdf_press_2005/44-FP7programmes20Sept05.pdf		2005	Position paper on SMEs access to R&D funding
NATIONAL LEVELS			
Towards an Entrepreneurial Europe		26/01/2004	France, Germany and UK have worked together to highlight what is constraining the entrepreneurs, highlight the political framework, state aid and access to finance, description of the lack of access to finance in France, UK and Germany and how to address it.
List of different organisations dealing with the issue of SMEs' access to finance			
	Organisation	Link	Role
INTERNATIONAL LEVEL			
World bank	World bank (International Finance Cooperation)	http://www.ifc.org/about	The World Bank provides direct and indirect support to SMEs. In terms of activities, 80 % of World Bank programmes involve direct financial assistance to SMEs, while the remaining 20 % involve indirect support such as technical assistance for SMEs and for institutions that support SME development. The IFC is the private sector of the World Bank, it supports SMEs through investments and advisory work. Promoting the growth of SMEs in developing countries is an important part of our private sector development mission. It aims to strengthen financial markets by investing in financial institutions and strengthening them through advisory work, enabling small firms to obtain equipment and working capital. Technical assistance programmes and Regional Facilities: 11 facilities around the world that support local businesses through technical assistance and advisory programmes.
ILO	ILO (SEED)	http://www.ilo.org/dyn/empent/empent.Portal?p_prog=S&p_subprog=&p_category=HOME	SEED seeks to unlock the potential for creating more and better jobs in the small enterprise sector. In 1998 the ILO adopted the Recommendation No. 189 on "Job Creation in Small and Medium-sized Enterprises". The Programme conducts research on what works where and why to boost employment through small enterprise development. SEED builds on the ILO's thirty years of experience in supporting small enterprise development. SEED's mission is to strengthen understanding of how development of this economic sector can better serve employment goals. Most importantly, this knowledge is being put to work through policy guidance, technical assistance and international advocacy. ILO concerns and values drive our work to improve job quality in small enterprises, increase economic opportunities for women, promote association building of employers and workers in the sector and upgrade employment for workers in the informal economy.

EC	DG Competition State Aid and Risk Capital	http://ec.europa.eu/comm/competition/state_aid/others/action_plan/	Developing the state aid framework for research and innovation. Member States have to report to the Commission data and information on SMEs difficulties in accessing finance in order to justify public support.
EC	DG Economic and Financial Affairs	http://ec.europa.eu/dgs/economy_finance/index_en.htm	Activities: Economic surveillance (Euro area and EU) : Monitoring of the economy of the Euro area and of the EU; Key indicators, Economic forecasts: spring and autumn, Business and consumer surveys, Annual Review on the EU economy, Convergence reports Financial markets and capital movement (Integration of EU financial markets: Freedom of capital movements) Financing : Investment Financing , EIB, EIF, Funding Programmes for SME, Funding for Trans-European Networks, Euratom loans, Opinions and surveys on investments for the European Coal and Steel Community (ECSC) The DG is responsible for the BACH database.
ECB	European Central Bank	http://www.ecb.eu/ecb/html/index.en.html	Since 1 January 1999 the European Central Bank (ECB) has been responsible for conducting monetary policy for the Euro area. The ECB's main task is to maintain the Euro's purchasing power and thus price stability in the Euro area.
EIB	European Investment Bank	http://www.eib.org/	The task of the European Investment Bank, the European Union's financing institution, is to contribute towards the integration, balanced development and economic and social cohesion of the Member Countries. To this end, it raises on the markets substantial volumes of funds which it directs on the most favourable terms towards financing capital projects according with the objectives of the Union. Within the EIB there is a research unit that has addressed the issue of SMEs' access to finance in two occasions: a workshop on SMEs' access to finance and a Bank Survey, both in 2003.
EIF	European Investment Fund	http://www.eif.org/	The EIF is the European Union's specialized financial institution for the creation, growth and development of SMEs. It is the EIB group's specialist venture capital arm. The reform of the institution cleared the way for the concentration of all the EIB group's venture capital activities in the hands of the EIF. The EIF does not finance SMEs directly, but always acts through financial intermediaries, intervening through guarantee and venture capital instruments.

EUROSTAT	Structural Business Statistics	http://egg.Eurostat.ec.europa.eu/portal/page?_pageid=0,1136195_0_45572097&_dad=portal&_schema=PORTAL	<p>SMEs' access to finance is not a specific topic addressed by EUROSTAT. However, the unit dealing with Structural Business Statistics has undertaken surveys and extracts information from the European Structural Business Database Business that are of some interests for SMEs' access to finance:</p> <ul style="list-style-type: none"> - Business Demography - Factors of business success - SMEs and entrepreneurship in Europe <p>The surveys are undertaken in cooperation with Member States National Statistics Agencies. Eurostat has a comprehensive Business Database with data coming from all MSs (there is a Council Regulation requiring MSs to keep a business register for statistical information and to send these data to Eurostat).</p>
EU Social Partner	UEAPME	http://www.ueapme.com/	European Association of SMEs
EU Social Partner	UNICE	http://www.unice.org/Content/Default.asp?PageID=298	The Confederation of European Business
EU Social Partner	ETUC	http://www.etuc.org/	European Trade Union Confederation
Other Association	European Private Equity and Venture Capital Association	http://www.evca.com/html/home.asp	The European Private Equity and Venture Capital Association (EVCA) was established in 1983. EVCA represents the European private equity sector and promotes the asset class both within Europe and throughout the world. With over 925 members in Europe, EVCA's role includes representing the interests of the industry to regulators and standard setters; developing professional standards; providing industry research; professional development and forums, facilitating interaction between its members and key industry participants including institutional investors, entrepreneurs, policymakers and academics. EVCA collects and published data on Venture Capital in Europe.
Other Association	FINNETSME	http://www.finnetsme.org/	FinNetSME, the Network for Regional SME Finance, is a project designed to encourage an intensive exchange between regional public financiers on how to improve access to finance for Small and Medium Sized Enterprises.
Other Association	European Business Angels	http://www.eban.org/	<p>EBAN, the European Business Angel Network, was established by the European Association of Development Agencies (EURADA) with the support of the European Commission in 1999. It is a non-profit association which has the purpose of:</p> <ul style="list-style-type: none"> - Encouraging the exchange of experience among business angels networks and encouraging "best practice" - Promoting recognition of business angels networks - Contributing to working out and carrying out local, regional and national programs of assistance to the creation and development of a positive environment for business angels activities

Other Association	European Banking Federation	http://www.fbe.be	The role of the Federation as the united voice of all EU banks has naturally led it to be a forum where members' initiatives are proposed and debated. Meetings are arranged on matters of concern to the whole European banking sector, specialised Working Groups and Committees analyse specific questions and propose solutions, leading to the publication of reports or position papers. Finally, the role of the Federation is not limited to European matters. It extends to broader issues of importance to all European banks vis-à-vis their counterparts and supervisory authorities throughout the world
Other Association	European Saving Bank Group	http://www.savings-banks.com	Established in 1963 and based in Brussels, ESGB represents the needs and interests of its members and generates, facilitates and supports the management of cross-border banking projects.
Other Association	European Association of Cooperative Banks (EACB)	http://www.eurocoopbanks.coop	Founded in 1970, the European Association of Co-operative Banks (EACB) is one of the main representative bodies in the European Credit Industry.
Other Association	Network of European Financial Institutions for SME	http://www.nefi.be/	The Network of European Financial Institutions for SME (NEFI), which was founded in 1999, consists of 11 financial institutions from 11 member states of the European Union: ALMI (Sweden), AWS (Austria), Oséo/BDPME (France), Finnvera (Finland), Hipoteku Banka (Latvia), ICO (Spain), KfW Bankengruppe (Germany), MCC (Italy), MFB (Hungary), SNCI (Luxembourg) and SZRB (Slovakia). These institutions share a public mission to facilitate the access to finance for SME by offering them financial services and expertise. This mission was entrusted to them by the government and the legislation in force in their respective countries. Other, similar tasks have been assigned to the member institutions in the fields of the environment and infrastructure, among other things. All NEFI partners act complementarily to and in co-operation with the national banking system through co-financing, risk-sharing, expertise and advice in order to address shortcomings in the SME financial markets.
Other Organisation	KfW	http://www.kfw.de/EN_Home/Die_Bank/index.jsp	KfW Bankengruppe (KfW banking group) gives impulses for the economy, society and ecology in Germany, Europe and the world over. It supports change and promotes promising ideas. It supports SMEs The KfW undertakes many surveys on the business climate and situation of SMEs

Annex 3 List of Consultees

International level

OECD: Tim Davies, Statistic Directorate; Marie-Florence Estimé, Centre for Entrepreneurship, SMEs and Local Development.

European level

European Commission: Roger Havenith (DG Economic and Financial Affairs), James McGing (DG Economic and Financial Affairs), Jeremy Heath (DG Enterprise and Industry), Jost Angerer (DG Enterprise and Industry), Ulla Udina (DG Enterprise and Industry), Jean Francois Aguinaga (DG Enterprise and Industry), Georges Kolivas (DG Regional Policy).

Eurostat: Hartmut Schrör, Arto Luthio

European Investment Fund (EIF): Christa Karis, Ulli Grabenwarter

European Central Bank (ECB): Caroline Willeke, Statistics Development Division; Francesco Drudi, Capital Market and Financial Division

European Venture Capital Association (EVCA): Emma Fau; Mari Annick Peninon

European Business Angel Network (EBAN): Christian Saublens; Claire Munck

European Saving Banks Group: Michaela Koller

European Investment Bank: Rien Wagenvoort, Economic and Financial Studies Division (expressing his person views and not the official position of the EIF)

Banking Federation of the European Union (FBE) Stewart Dickey, British Banks Associations; Richard Roberts, Senior Market Analyst, Barclays Bank; David Miles, Senior Economist, Barclays Bank.

National level

Italy: Antimo Prosperi, Ministry of Treasury; Gianfranco Pepponi, Ministry of Treasury; Caterina Viviano, Istat- National Research Institute; Elisabetta Frontini, CONFAPI (SMEs Business Association)

Germany: Phillip Tillessen, Kreditanstalt für Wiederaufbau, Economic Research Department; Ulrich Hommel (European Business School, Oestrich-Winkel)

Slovenia: Simona Cernel, Enterprise Fund Agency

Finland: Pertti Valtonen, Ministry of Trade and industry

France: Michel Juzio (OSEO); Henry Savajol (OSEO)

Annex 4 Format, participation and overview of the Workshop

Introduction

A workshop was held as part of the evaluation of data and sources underlying the analysis of market gaps in access to finance for SMEs. The study focused on existing information sources suitable to inform policy-making especially on the use of public resources to improve the access of SME to finance.

Context

There are considerable variations between Member States in the access to finance of SME. Most finance for SMEs is provided by internal resources. Significant amounts of EU (and Member State level) resources have been used to improve the access of SMEs to finance and there are plans for further interventions of this type. The rationales for the interventions are that they help fill 'market gaps' or address 'market failures'.

Objectives

The objectives of the workshop were:

1. To explore the intervention logics of public sector interventions to improve access to:
 - Debt finance for the expansion phase of SME
 - Venture capital finance for the expansion phase of SME
2. To assess the validity and adequacy of existing information sources used to assess the above intervention logics
 - What information and benchmarks are relevant for the assessment of market gaps on debt financing?
 - What information and benchmarks are relevant for the assessment of market gaps on venture capital financing?
3. To explore possible improvements in the information base in order to take better informed decisions.

Format

The workshop consisted of presentations and discussion around the three themes:

- Using information to inform the need for public sector interventions to improve access to finance for SMEs
- Using information sources to identify appropriate public sector interventions
- Using information sources to define the parameters of interventions

Participants in the workshop were asked to validate the approach and the proposed logics of interventions and to assess the existing information sources to inform the scope, focus and scale of interventions. In particular, participants were asked to comment on

- What are the most important conditions determining market gaps?
- What are the appropriate benchmarks for concepts such as high or reasonable cost of finance?
- Are the information sources currently available 'up to the job'?

Participants were asked to rate their responses to these questions (for example, which conditions are most and least critical to the identification of the circumstances suitable for public sector intervention).

Main points made during the workshop

Overall it was agreed by the workshop participants that the main sources of information had been covered. The participants also offered additional insights into the finance landscape for SMEs and start-ups.

In **session 1**, it was highlighted that there are disparities at the country and the regional level associated with the types of finance most used by SMEs. In some countries, there is a much higher prevalence of mezzanine financing and also factoring and leasing.

Another issue was that there needed to be a good definition of the customers and the users of the data in order for it to fulfil the future needs of DG ENTERPRISE AND INDUSTRY in mapping access to finance and in informing themselves.

Definition was also stressed as being important by a number of participants in relation to the types of SMEs which are the main targets of interventions. What for example, is a growth oriented SME or an innovative SME? Should analyses be country specific and or domain specific given the diversity of circumstances that exist?

The participants also cautioned against the collection of more data through a new survey when it is not yet completely clear that they are fully exploiting all of the existing sources of information (for example, looking at access to bank data, ECB). However, some of the bank data may never be available in the public domain. DG ENTERPRISE AND INDUSTRY agreed that data need only be collected on a few areas which will help guide the future interventions and understand the balance that would need to be achieved to a) Collect meaningful information and b) Not overburden European SMEs.

DG ENTERPRISE AND INDUSTRY also stressed its need to strengthen links with other finance initiatives such as JEREMIE, Microcredit and DG REGIONAL POLICYs portfolio.

Overall in session one it was agreed that: additional burdens on SMEs need to be kept to a minimum, that there needs to be coordination between DGs and better dissemination of best practice in existing indicator development, there are good data/indicators; however the interpretation needs to proceed with caution.

In **session 2**, the participants identified a number of other potential sources including the GEM data which offers good country comparisons. Others included OECD and Kaufmann Foundation (some of which are already covered in the report).

For the future it was suggested that existing structures such as EICs and NCPs (DG Research) could be better exploited for gathering market intelligence or coordinating the collection of information.

In **Session 3** the existing role of the EIF was highlighted. Their core business is in venture capital and guarantees and they support SMEs through VC representing 3.5 billion across 300 funds.

Overall areas where indicators should be explored or developed were identified as:

Regionally (cross cutting)

Relating to the stage of SME development (better definitions would be useful)

Rate of employment

Rate of business creation

Education

Sector

Types of finance:

- FFF (Family Friends and 'Fools')
- Business Angels
- IPO (Initial Public Offering)
- Loans
- Equity
- Mezzanine

List of participants:

- Sonia Herrero-Rada (DG ENTERPRISE AND INDUSTRY)
- Heikki Salmi (DG ENTERPRISE AND INDUSTRY)
- Patrick Klein (DG ENTERPRISE AND INDUSTRY)
- Vesa Vanhanen (DG ENTERPRISE AND INDUSTRY)
- Ulla Hudina (DG ENTERPRISE AND INDUSTRY)
- Angelo Wille (DG ENTERPRISE AND INDUSTRY)
- Andrew Williams (DG ENTERPRISE AND INDUSTRY)
- Cecile Perrin (DG ENTERPRISE AND INDUSTRY)
- Ted O'Keeffe (DG RTD)
- Sigried Caspar (DG Employment)
- Graham Cope (EIF)
- Kristina Maksinen (ESBG, European Saving Banks Group)
- David McMeekin (Company Guide to Finance, Ltd)

- Christine Munro (Company Guide to Finance, Ltd)
- Rebecca Allinson (Technopolis Group)
- Nick Bozeat (GHK)
- Sophie Servagnat (GHK)

Annex 5 Task Specifications

Task specifications for the assignment

Ex-Post-Evaluation of data and sources underlying the analysis of market gaps in access to finance for SMEs in the European Union

Background for the work/evaluation:

The origin and purpose of the EU policy on access to finance

Successful SMEs are a cornerstone in achieving the Lisbon agenda to boost innovation and competitiveness thus promoting growth and job creation.

Many European SMEs, however, experience difficulties in obtaining appropriate finance to be able to start and develop their business. Many providers of financial services consider SME financing (debt or equity) a high risk activity that generates high transaction costs and/or low returns on investment.

This situation is further complicated by the new financial environment. The first element of the new financial environment that impacts on this issue, on the debt finance side is the forthcoming implementation of the new Capital Requirement Directive (Basel II) in Europe. This is influencing the banks' risk sensitiveness with regard to lending to SMEs. The second issue, on the equity finance side, is that European venture capital markets do not operate at their full potential, which is due to the fragmentation of markets along national lines which hinders cross-border investments and limits exit opportunities. This is compounded by the reluctance of seed and early-stage private investors to invest in SMEs, which prevents the development of the market.

The Commission communication COM (2003) 713 of 01.12.2003 "Access to finance of small and medium-sized enterprises" therefore states:

"Improving access to finance is an important aspect of fostering entrepreneurship in Europe. The role of the public sector should primarily be to improve the general framework conditions of finance and take limited direct action only when market failures warrant it. Experience has shown that best results in SME finance are achieved when the public sector works with the markets and acts as a catalyst to encourage their development.

Financial instruments: The problems of finance facing start-up businesses require long-term solutions involving the public sector. Most Member States have programmes and institutions that aim to overcome the gap in early-stage SME finance caused by high risk and high overhead costs. Efficient public support mechanisms need to be tailored to local conditions and need to be simple and accessible. This can only be achieved by using local banks

and venture capital funds as intermediaries – as happens with the Community financial instruments.

Bank lending: Experience from the EU financial instruments shows that loan guarantees are a very efficient way to use limited public funds and directly address the problems of lacking collateral and intangible assets. To improve the conditions of bank lending, the Commission has facilitated discussions about a code of conduct for credit institutions and SMEs. It has also produced a report on best practices in micro-lending. The Community financing institutions, the European Investment Bank (EIB) and the European Investment Fund (EIF) provide important support to SMEs' access to finance. The increasing risk awareness of banks has led them to expand the use of internal rating of SMEs, which will gradually lead to a rating culture where SMEs need to signal their creditworthiness to the banks, regularly discuss their credit standing and deliver timely information.

Equity finance: Many SMEs need stronger balance sheets although formal venture capital is an option only for entrepreneurial growth companies. In addition to developing European venture capital markets, promoting the possibilities provided by business angels and business angel networks should continue to receive attention at regional, national and European level... ”

As a result of the situation and the needs described above it is crucial to analyse the existing market gaps in the finance of SMEs and to provide adequate instruments to overcome these gaps. To do this, a reliable basis of information on potential market gaps such as data and indicators needs to be available. On the basis of this information adequate policies can be designed and effective instruments can be set in place.

What role does the Commission/DG Enterprise and Industry play?

Addressing SMEs' difficulties in accessing to finance is crucial to the achievement of the Lisbon agenda. The primary responsibility in facilitating SMEs' access to finance lies however with the Member States. In this regard, the Commission, and in particular DG Enterprise and Industry has a complementary role to play vis-à-vis the measures taken at the national, regional or local level.

The European Commission follows closely the developments of the access to finance for SMEs in the EU and the effects on it resulting from the implementation of the new Capital Requirement Directive (Basel II). It has informed the SME community about the changes and prepared it for them. This has resulted in several publications and events:

Guide for SMEs (2005): This guide advises SMEs on how to build a stable banking relationship by understanding bank requirements work with banks in the new financial environment that emphasises rating and transparency. Access the guide [here](#).

Conference material (2005): The Commission organised in 2004-2005 conferences for on how SMEs can efficiently work with banks in a financial environment that emphasises rating and

transparency. The conferences dealt with issues like management and quality management, financial planning and reporting. Access the conference material here.

Survey of European banks (2005): This survey asked banks about changes that the Basel II agreement would cause in their behaviour concerning SME clients. Access the survey here.

European legislation on capital requirements: The Basel agreement is implemented through a European Directive. All related documents can be found here.

Proposed Code of Conduct between credit institutions and SMEs (2004): The Commission facilitated negotiations between banking and SME organisations about establishing a Code of Conduct, but ultimately this was not approved by some banking groups. Access the report on the negotiations here.

Study on consequences of the new capital requirements (2004): This study complemented the impact studies made by the Basel Committee on the effects of the reform. Access all the impact studies here.

Complementary documentation that has been issued by Unit D3 in DG Enterprise and Industry on access to finance is available at:

http://europa.eu.int/comm/enterprise/entrepreneurship/financing/publications_documents.htm

The role of Unit D3 in DG Enterprise and Industry

Unit D3 “Financing SMEs, entrepreneurs and innovators” in the European Commission’s Directorate General for Enterprise and Industry facilitates the process of a better access to finance for SMEs by developing policy, instruments and communication in this area. The unit

- contributes to the elaboration of legislation and policy orientations and supports Member States’ efforts mainly through the Open Method of Coordination;
- designs financial instruments and evaluates their implementation by the European Investment Fund (EIF) under the supervision of the Economic and Financial Affairs Directorate-General (DG Economic and Financial Affairs);
- disseminates information to stakeholders on new policies and good practices.

Activities take place within the framework of:

- The Multi Annual Programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2006) - http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm
- The anticipated new CIP from 2007: http://europa.eu.int/comm/enterprise/enterprise_policy/cip/index_en.htm

Rationale and aims of the evaluation

DG Enterprise and Industry has analysed the development of access to finance in the EU for several years. It has developed methods of analysis to produce results to feed into the development of EU-policies, the support for policies in the Member States, the creation of EU-financial instruments implemented by EIF and the information of Member States and stakeholders in the field of access to finance. These methods rely upon similar sets of information sources, data and indicators which are used to evaluate the state of the art of access to finance in the EU and are mirrored in the publications of DG Enterprise and Industry on the subject matter.

The introduction of the Basel II rules influences the situation of access to finance by introducing new requirements concerning capital adequacy for financiers. The methods of DG Enterprise and Industry to analyse access to finance is taking into consideration these changes which will continue to be an important factor for the access to finance of SMEs in the EU.

The current EU-instrument to address market gaps in access to finance for SMEs in the EU is the Multi-annual Programme for Enterprise and Entrepreneurship (MAP) - Council Decision (2000/819/EC) of 20 December 2000 and amended by the Decision (1776/2005/EC) of the European Parliament and of the Council of 28 September 2005 on a Multi-annual Programme for Enterprise and Entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2006).

This programme expires at the end of 2006. DG Enterprise and Industry therefore needs to use updated and improved methods and information to analyse access to finance to be able to assess properly the effectiveness of the different instruments addressing guarantees, equity and loan financing within the framework of the new Competitiveness and Innovation Programme (CIP) which will start tackling market gaps in SME-finance from 2007 on.

It is, therefore, the right moment to review the methods DG Enterprise and Industry has employed the last years for its analysis and the results it was able to achieve with them. A critical review of methods and information such as data and indicators used will help the unit to guarantee solid analysis and, thus, adequate policies and interventions in the area of access to finance for SMEs in the EU.

The results of this evaluation shall provide a feedback on the effectiveness of the methods, sources and types of information such as indicators used by the unit and shall enrich future work by:

Verification of information sources and types of information such as data and indicators used,

- Categorisation of sources and types of information used,
- Commenting on the effectiveness of the methods and information used to provide analysis and assessment on the situation of access to finance,
- Broadening the basis of information on which the analysis of the unit is based by supplying new types or sources of information which have proven useful to analyse and assess access to finance,
- Providing a basis to improve methods by commenting on strengths and weaknesses of DG Enterprise and Industry's analysis based on the information used other than effectiveness (such as applicability of results for Member States and stakeholders).

- Assembling a toolkit for the use of data relevant to the assessment of SMEs' access to finance provided notably by Eurostat and the European Central Bank.

Scope of the evaluation

The information to be considered includes:

The information currently and previously published on the EC website during the last 5 years, for example

http://europa.eu.int/comm/enterprise/entrepreneurship/financing/publications_documents.htm,

<http://europa.eu.int/comm/enterprise/entrepreneurship/financing/surveys.htm>

The data available at an international level from organisations such as: ECB, Eurostat, IMF, World Bank, OECD etc.,

Information available on both the demand- and supply-side of finance at EU-, national and, if any, at sectoral level; this will include data on the perceptions of both SMEs and suppliers of finance to SMEs.

Commissioning body and user(s) of the evaluation

This evaluation is commissioned by DG Enterprise and Industry, notably in liaison with Unit L02 of DG Economic and Financial Affairs. Another party involved in the exercise is the evaluation unit of DG Enterprise and Industry as coordinator of the relevant framework contract.

The results may also be shared with other interested bodies inside and outside the European Commission.

The evaluation is designed to provide feedback on the effectiveness of the sources, types and methods of information such as indicators used by the DG Enterprise and Industry to analyse access to finance in the EU.

The evaluation report will also be published on the DG Enterprise and Industry evaluation internet site¹ and possibly on other web sites in relation with the evaluated activities. The final report will also be communicated to the Commission's central evaluation services, which may also choose to publish it on their web site.

Existing documentation and information

The most relevant documentation is publications by DG Enterprise and Industry. The complete list is accessible at:

http://europa.eu.int/comm/enterprise/entrepreneurship/financing/publications_documents.htm

It is underlined that a new communication on "Financing SME-Growth – Adding European Value" will shortly be available at this website!

It might prove to be helpful to consult documentation provided by the European Investment Fund (EIF) which is managing the SME financial instruments on behalf of the European Commission to support better access to finance for SME in the EU in close cooperation with DG Enterprise and Industry.

Documentation in connection to these instruments can be found at under the heading "Related Publications" on EIF-website where the different instruments from MAP are explained:

<http://www.eif.org/venture/ecres/index.asp>

<http://www.eif.org/portfolio/ecport/index.asp>

Furthermore the Final Evaluation on the Multi-annual Programme for enterprise and entrepreneurship and in particular for small and medium-sized enterprises (SMEs)" (2001-2005) SEC (2004) 1460 of 15.11.2004 should be considered:

http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/doc/sec_2004_1460_en.pdf

¹ At the time of writing this is http://europa.eu.int/comm/dgs/enterprise/evaluation_en.htm)

Objectives and tasks of the assignment

Objectives

In broad terms the objectives of the assignment are envisaged to be:

- To identify underlying sources of information used by DG Enterprise and Industry on the level of SMEs' access to finance,
- To assess the strengths, weaknesses, relevance and quality of this information - such as indicators and other data on SMEs' access to finance,
- To consider the actual and potential use made of information, for example its influence on public sector interventions designed to overcome market failures,
- To consider and to recommend improvements (including the cost implications) that could be made to the information base on access of SME to finance.

Tasks

Task 1 Identify the main sources and characteristics of the information sources.

The levels and types of sources of information on access to finance mentioned above will be considered. They will include the Euro-barometer Flash, and surveys made at EU, Member State and, if any, at sectoral level. The data sources will include those covering both the supply of and demand for finance from SMEs and the perceptions of providers of finance and SMEs.

For each data source the following categorisation will be identified: definitions, frequency (periodicity), methods, sampling, costs, availability, and coverage. National and - if any can be identified - sectoral examples of information sources will be considered; previous experience in this area, such as work on SME indicators in the relevant Best procedure projects, should be drawn upon

Some interviews at EU and national level will be undertaken to identify sources and their characteristics.

Task 2 Assessment of the underlying concept of 'SME access to finance'

All indicators are actually operationalised approximations of the phenomenon of interest. Therefore it will be useful to rehearse the definitions, arguments and theory concerned with the concept of 'SME-access to finance' prior to assessing the existing information. The following will need to be considered:

Definitions of SME: SME-definition adopted by recommendation of the Commission at 6 May 2003 (2003/361/EC). This definition is useful in that the characteristics of SME determine to a large extent the type of finance that they are likely to wish to access.

The uses of finance by SMEs: Guarantees, loans (including small and micro-loans), risk capital (start up, early stage financing, expansion). It will be useful to generate glossary of terms.

The sources of finance: Banks (distinguishing between different types), Guarantee societies, public sector, venture capitalists, etc.

The concept of access to finance, as a starting point the following classification is pertinent:

Lack of availability: where there is demand from SMEs for finance but no suppliers due to market failure i.e. there has been failure of market to understand that commercial returns could be made. Both traditional and new types of SME could be affected by this phenomenon. Such circumstances are sometimes used as a rationale for public sector involvement to fill a 'market gap'. Such interventions might demonstrate that the 'gap' is commercially attractive and encourage the private sector to play a role. The gap may pertain to a type of SME or type of finance.

Lack of access: Circumstances where there are well-informed financial institutions but a belief by the market that the returns of financing (particular types of) SME and type of finance are not worth it (profitable). The 'normal' reasons include: high risk, low return, and high costs of administration/management, better returns elsewhere, lack of experience etc. Other reasons may include aspects of 'discrimination'.

High cost of access: Circumstances where there is demand and a well informed financial sector but the charges and or guarantees required lead to a lack of take up and hence supply. Essentially this is a difference in perception between SMEs and finance suppliers. The high cost may pertain to a type of SME or type of finance.

The consideration of the above definitions and concepts will provide a basis for the critical assessment of the information such as data and indicators that is currently used to characterise SME access to finance. Account will be taken of the diversity of traditions and context for the provision of finance across the EU 25.

The task will be informed by a literature review and a small number of interviews (see 4.2.3.).

Task 3 Assessment of existing sources

Each source of information will be systemically assessed. The following questions will be addressed:

What are the main underlying information sources used by DG Enterprise and Industry over the last 5 years?

What kind of information do these sources provide?

What exactly does the information contain / do the indicators measure?

To what extent can the information be disaggregated by type (size, sector etc.) and location of the recipient SME?

Over what timescale has information been available?

What are the implications of changes in the indicator scores? Are increases/decreases necessarily good or bad? Are there relevant norms and targets?

What use is currently made of the information by different actors (for instance by policy makers at EU and national levels, SME representatives, finance suppliers etc)?

How do the information sources take developments in the framework conditions into consideration (e.g. progress of common market for financial services, Basel II)?

The task will be informed by interviews with information providers and users.

Interviews shall be conducted for this purpose;

in Luxemburg with

Eurostat and

European Investment Fund,

in Frankfurt/Germany with

European Central Bank and

Kreditanstalt für Wiederaufbau and

in Paris with

OECD,

Banque de France, and

in Brussels with

European Venture Capital Association (EVCA).

European associations of bankers such as the Banking Federation of the European Union (FBE), European Savings Banks Group (ESBG), European Association of Cooperative Banks (EACB) and (members of) the Network of European Financial Institutions for SMEs (NEFI).

The discussions will include questions on what is the origin and what use is made of the information.

Task 4 Considerations of improvements that could be made:

In the light of the findings of the tasks 1, 2 and 3 this task would recommend improvements that could be made. It will include a case study to this end. Furthermore, the tasks includes the assembling of a toolkit for the use of data relevant for the assessment of SME's access to finance provided (notably by the European Central Bank and Eurostat).

The improvements recommended could include:

Incremental changes to existing sources available at DG Enterprise and Industry

New sources of information

New forms of analysis of existing information.

Account should be taken of the anticipated costs of the proposed improvements and their likely benefits and impacts in terms of explicit EU policy objectives and operational decision making.

The case study should be informed by a workshop involving the contractors, Commission officials and appropriate experts (see e.g. 4.2.3.).

Time table

The following time table is envisaged

Contract duration: 8 months

Evaluation duration: 6 months

Inception report: during the 5th week of implementation

Progress report: during the 10th week of implementation

First findings & recommendations report: during the 16th week of implementation

Final Report: during the 23rd week of implementation

Evaluation questions

Effectiveness

To what extent have the data and the way it is used enabled DG Enterprise and Industry to address market gaps in SMEs' access to finance, and to what extent has this contributed to the goals of the Lisbon Agenda to promote growth and jobs?

How effective has the data used been in enabling DG Enterprise and Industry to perform the analysis and assessment of access to finance for SMEs, with regard of the objective to identify and address market gaps in access to finance in Europe

What, if anything, could be done to deliver better data more effectively to enable reliable and dynamic assessment and analysis of the situation regarding access to finance for SMEs?

What is the added value of data currently used to ensure the identification of market failures in SMEs access to finance on the EU level for stakeholders? What – if anything – can be done to improve the added value of this data?

Are there any methods or information sources used in the analysis by DG Enterprise and Industry which consistently form an obstacle to us obtaining a clear picture on the situation regarding access to finance for SMEs in the EU?

Efficiency

What aspects of information sources underlying the analysis of access to finance for SMEs in the EU are the most efficient or inefficient, especially in terms of resources that are mobilised by stakeholders? Are there any administrative and reporting burdens on stakeholders and/or other actors which could be reduced?

Are there overlaps/complementarities between the information sources underlying the analysis of access to finance for SMEs in the EU and any other Community or Member State action in the relevant areas? If these exist, where are they visible?

Utility

To what extent could measures be taken to improve the utility of the information sources underlying the analysis of access to finance for SMEs in the EU and what measures would these be?

Sustainability

To what extent are the information sources underlying the analysis of access to finance for SMEs in the EU on a European level helping to provide a reliable picture of market failures in this area?

Approach, specifications for data collection

The proposal shall include a methodological approach for the achievement of each of these tasks.

Approach and Methodology

The evaluator must outline their proposed methodological approach in their offer, which may include the use of such tools as:

Desk research

- Qualitative and quantitative analysis of existing assessments,
- Analysis of existing documents,
- Desk-based case studies of the evaluated activities in order to assess the results achieved so far as well as the perception by stakeholders such as EVCA, NEFI and the other associations of bankers mentioned under 4.2.3.
- Desk-based comparative analysis of the information sources -and DG Enterprise and Industry's use of them -underlying its assessment of access to finance, its objectives, scope, means and instruments.

Interviews with

- Providers and users of information as mentioned under 4.2.3.
- DG Enterprise and Industry staff responsible for cooperation with Eurostat
- With specialised organisations in Brussels, Luxembourg, Frankfurt/Germany and Paris
- One case study (see above 4.2.4.).

Annex 6: Separate note on Technical Questions raised by DG Enterprise and Industry on key data sources.

Area	Data needs	Questions	
Risk capital	Investments by venture capital funds	We have the EVCA data. What problems data users see with it?	<p>EVCA data do not capture all venture capital investments. Data are collected by the national venture capital associations from their members only (there is no information on the venture capital associations that are not part of EVCA). Information is collected through a questionnaire, with a return rate from the national members of 77% in 2006.</p> <p>Information on some countries is not completed and it is at a pilot stage (i.e. Slovenia and Croatia are grouped together, and so are Estonia, Latvia and Lithuania, all these countries are not included in the overall statistics for Europe).</p> <p>Information focuses on Europe as a geographical entity and not EU27 (i.e. Switzerland and Norway are included in the overall statistics for Europe).</p> <p>EVCA data do not capture informal VC investments (e.g. business angels).</p> <p>The following is based on the written reply we have received from EVCA:</p> <p>“The expansion investment category includes</p>

Area	Data needs	Questions	
		<p>What exactly is included in the “expansion” investment category?</p> <p>What would be needed to make EVCA data comparable with US NVCA data?</p> <p>Could venture capital fundraising and investments be accounted for separately from buyouts</p>	<p>financing provided for the growth and expansion of an operating company, which may or may not be breaking even or trading profitably. Capital may be used to finance increased production capacity, market or product development, and/or to provide additional working capital.</p> <p>Comparability of EVCA data with NVCA. The EVCA data include both venture capital and buyouts, whereas the NVCA data usually present venture capital only. The total investment in venture capital in Europe can, however, be put together by adding up the investments in seed, start-up and expansion.</p> <p>Venture capital fundraising: it is possible to retrieve the VC portion, based on the expected allocation of funds raised.</p> <p>Unfortunately, we cannot extract the investments by both public sector and by stages (to calculate VC). EVCA provide public sector data for all private equity deals.</p> <p>EVCA data producers argue that the information is not collected with the view to asset market failure or market gaps in venture capital market.</p>

Area	Data needs	Questions	
	<p>Informal investments</p>	<p>What is the share of public sector of venture capital investments?</p> <p>Here, no data on business angels exists, only guesswork.</p> <p>What are the plans of EBAN to improve the data?</p> <p>Is there any national data on business angel investments?</p>	<p>EBAN undertakes an annual survey on the volume, size, types of investments and number of business angel networks across Europe.</p> <p>Yes. Every year EBAN add new questions to the annual survey.</p> <p>Consultees mentioned that the UK government was planning to undertake a research to estimate the level of business angels' investments in the UK. It is believed that the overall level of business angels is substantially higher than the level of investment coming from the business angel networks. In fact most business angels are not part of any business angel networks.</p> <p>Consultees have pointed out that data are not comparable as they are collected in different ways (i.e. telephone interviews/face-to-face interviews, etc.) from the research centres in the respective countries.</p>

Area	Data needs	Questions	
		<p>However, we have the GEM data on “informal investment.”</p> <p>How reliable is this data?</p> <p>How useful is this as a proxy for the level of angel investment?</p>	<p>A further problem is that the definition of informal investments covers finance from family, friends and informal business angels (“foolhardy strangers”).</p> <p>GEM uses adult population surveys to estimate the extent and amount of funding from informal investors.</p> <p>GEM data do not cover all EU25 countries.</p>
	Corporate venturing	<p>What do we know and what don't we know? What is knowable and what is not?</p>	<p>Consultees have pointed out that there is a huge information gap on this issue. It is very difficult to obtain information on corporate venturing because companies consider this information confidential.</p> <p>However, surveys might be undertaken focusing on specific sector such as high tech SMEs. There may be also scope to survey financial intermediaries who work for companies involved in mergers and acquisitions and corporate venturing involving SMEs</p>
Bank lending	Bank lending to SMEs (level, trends, in relation to GDP)	<p>No comparable data on bank lending to SMEs exists. We have the ECB bank lending survey and national account data on bank lending to non-financial companies.</p> <p>Is it possible to produce data on bank lending to SMEs?</p>	<p>Consultees from UK banks have pointed out that banks might be monitoring the SMEs lending for market analysis reasons, however these data are for internal purpose and cannot be considered official.</p> <p>The problem of comparability arises even within the same country given that different banks use different definitions of SMEs. This is largely due to the absence of a legal framework requiring the collection of information on SMEs lending.</p>

Area	Data needs	Questions	
		<p>Is there national data on bank lending to SMEs?</p>	<p>Consultees believe that the best way to obtain information on SMEs lending is through SMEs surveys (the same definitions and concepts are used, there is no distortion in the data due to different data collection systems, or different banks monitoring systems, or different regulations in Member States, and there is no issue of releasing confidential information).</p>
	<p>Guarantees on bank lending to SMEs</p>	<p>What share of bank lending to SMEs benefits from third party guarantees?</p> <p>What is the share that benefits from publicly financed guarantees?</p>	<p>Mapping and monitoring of the guarantee institutions or surveys would be needed.</p> <p>Monitoring would be an expensive and time consuming task. When data already exist at national level, concerns on the comparability of data have been raised by consultees.</p> <p>The mapping and monitoring exercise could focus only on a specific sector (i.e. high growth SMEs) or on specific regions.</p> <p>Some consultees from the bank sector have argued that financial institutions would not have the resources (e.g. staff and time) to provide this information and have suggested surveys as a more cost-effective way to collect information. However, there should be some form of obligation on institutions using public funds to provide guarantees to provide information.</p> <p>In Finland the Public Agency Finnvera, in charge of providing banks loans and guarantee to SMEs,</p>

Area	Data needs	Questions	
	Microcredit (<25 000)	<p>What the micro credits extended in each MS? There is no definition at the moment – and overdraft is a little bit the micro credit. Very expensive solutions</p> <p>How many of these default?</p> <p>What is the share of public funding and guarantees of the total micro lending?</p>	<p>annually presents figures and data to the national Parliament on the amount of public money used as guarantee to SMEs lending.</p> <p>Mapping and monitoring or surveys would be necessary.</p> <p>However, the absence of commonly agreed definition poses considerable problems (e.g. banks have substantially different definitions of micro credit, the distinction between overdraft and micro credit is very subtle, the EU definition of micro credit is not relevant in the UK context).</p> <p>Monitoring could focus on specific sectors or regions of interest. At European level surveys (either micro enterprises or banks) may be more cost-effective and reduce problems of comparability compared with systematic monitoring.</p> <p>In Finland the Public Agency Finnvera, in charge of providing micro credit to SMEs, annually present figures and data on micro credit to the national Parliament.</p>
Governance	Indicators of good governance	<p>We have the IMF/World Bank data used by the Milken institute (56 indicators).</p> <p>Are all of these indicators relevant in the</p>	<p>The Milken Institute has created the Capital Access Index to evaluate the ability of new and existing businesses to access capital in 121 countries around the world. The index encompasses seven broad</p>

Area	Data needs	Questions	
		EU context?	<p>dimensions of capital access. Underlying these seven categories are 56 quantitative and qualitative variables from multiple data sources. There are six sub-categories: Macroeconomic Environment (ME), Institutional Environment (IE), Financial and Banking Institutions (FI), Equity Market Development (EM), Bond Market Development (BM), Alternative Sources of Capital (AC) and International Access (IA).</p> <p>There is no specific focus on SMEs.</p> <p>Not all EU27 countries are covered.</p>
	SME views on finance	<p>What are the areas of finance where surveys of SMEs can bring useful additional information?</p> <p>How should the questions be formulated so as to produce comparable data from 27 MS?</p>	<p>Well designed pan-European surveys do not pose major issues of comparability.</p> <p>Surveys present less problems of comparability compare to databases on SMEs balance sheets or data from Banks as these are collected in different ways and are subjected to different national regulations.</p> <p>Suggestions on what questions to ask in SME surveys have been made in the Final Report. There should be more emphasis on behavioural questions (i.e. what have SMEs actually done to gain access to finance)</p>