

## Panel discussion: the role of development finance in closing the finance gap

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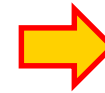
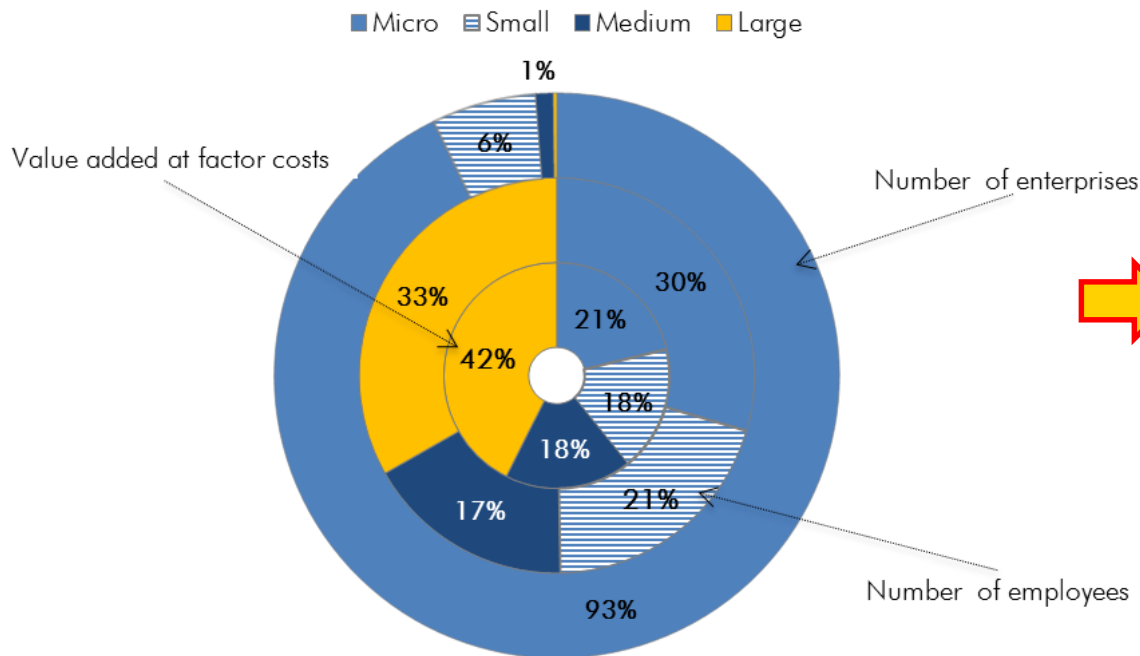
# Importance of SMEs

## An essential part of the EU economy

EU definition (EC)	Employees	Annual turnover	or	Balance sheet total
Micro	<10	≤ EUR 2m		≤ EUR 2m
Small	<50	≤ EUR 10m		≤ EUR 10m
Medium-sized	<250	≤ EUR 50m		≤ EUR 43m

### SMEs:

- 99.8% of all companies (approx. 23m)
- 90m employees (68% of total employment)
- A heterogenous group with a wide range of different financing needs:
  - Age, growth ambition
  - Inter-country differences

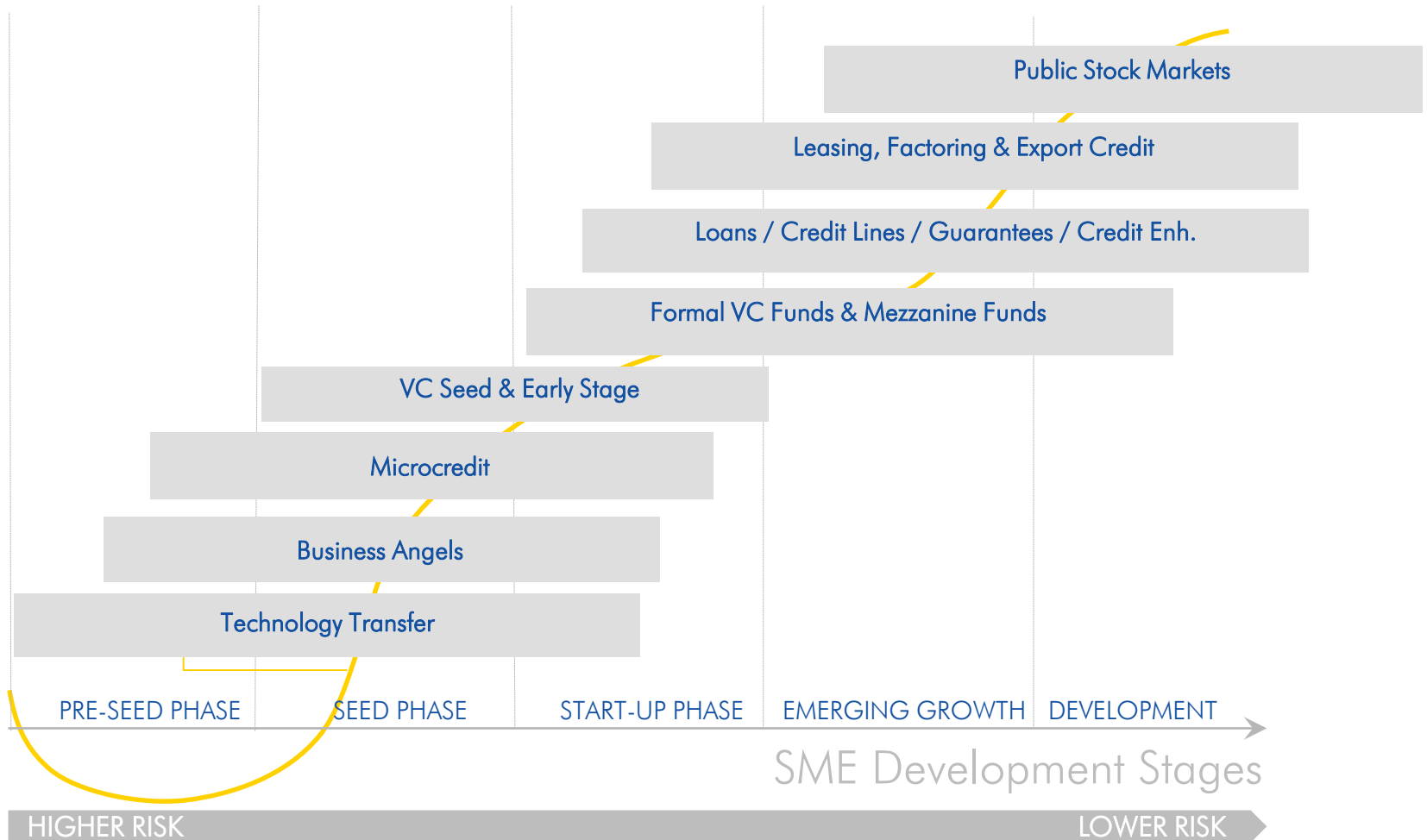


# Financing of SMEs

## Different needs in different development stages



SME Cashflow



### OBJECTIVE

To support **smart, sustainable** and **inclusive** growth for the benefit of European SMEs.

### HOW

By offering a wide range of **targeted products to support SMEs and mid-caps**, ranging from venture capital to guarantees and microfinance.

### WHERE

Working with financial intermediaries across the **EU-28 and EFTA countries, candidate and potential candidate** countries.

### Shareholders

- 58.5% European Investment Bank (EIB)
- 29.7% European Union\*
- 11.8% 32 public and private financial institutions

### Strong capital base

of EUR 4.5bn

### AAA-rated

by the three major rating agencies

### Over 20 years

of market experience in SME financing

### Overall commitments

- EUR 3.3bn (2014)
- EUR 7 bn (2015)
- EUR 9.4bn (2016)

### Leveraged volumes

- EUR 13.9bn (2014)
- EUR 26.9bn (2015)
- EUR 42.7bn (2016)

**EFSI**

### SMEs supported

- over 1.8 million since 1994
- 175,000 in 2016
- 1,000,000 jobs sustained in 2016

### Partners

- 600 private equity funds
- 400 banks, guarantee and promotional institutions

### Resources and mandators

- European Investment Bank
- EIF own resources
- European Commission
- Member States/regions
- Managing authorities
- Public institutions
- Other third parties



### Intermediaries and counterparts

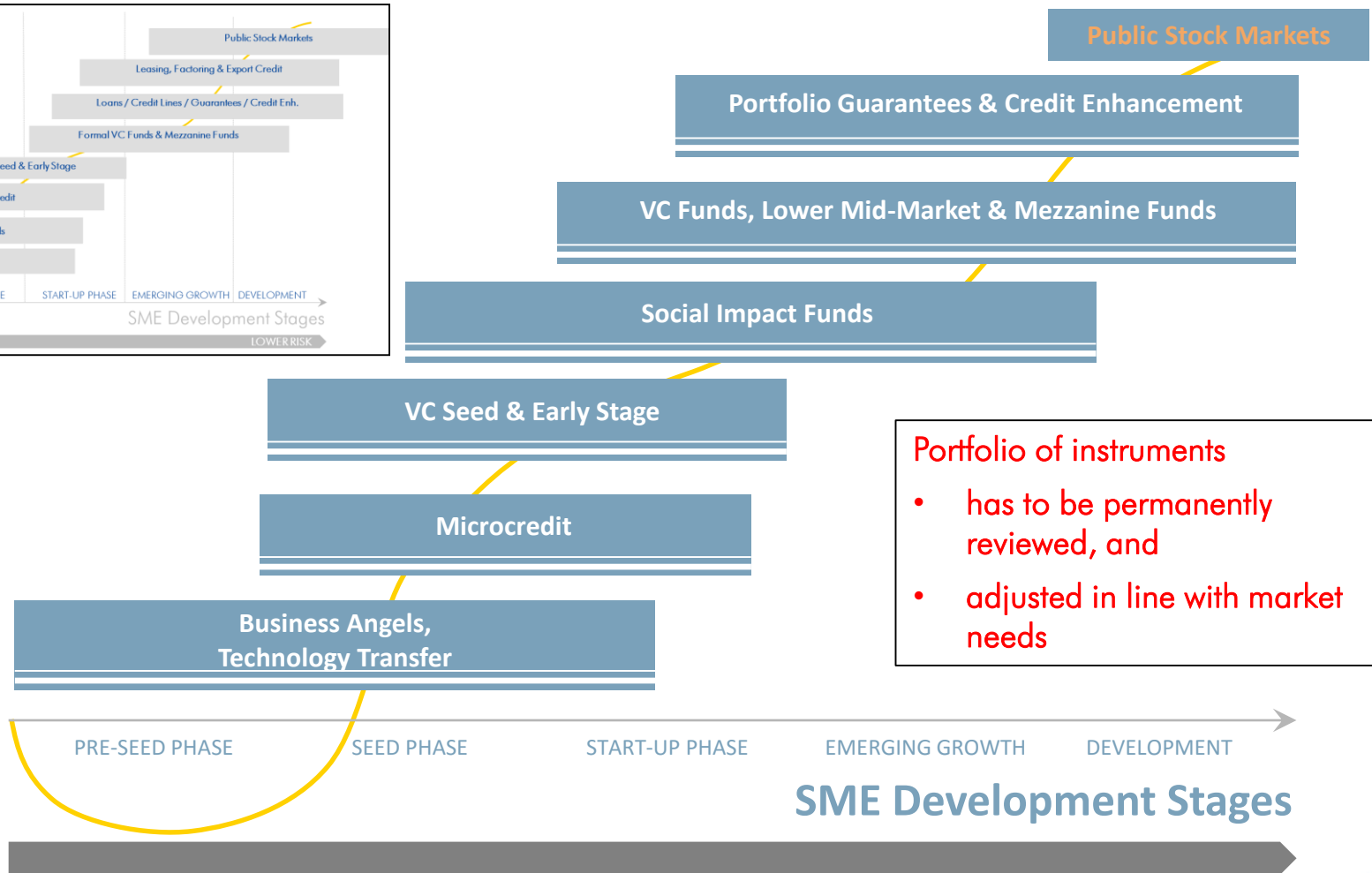
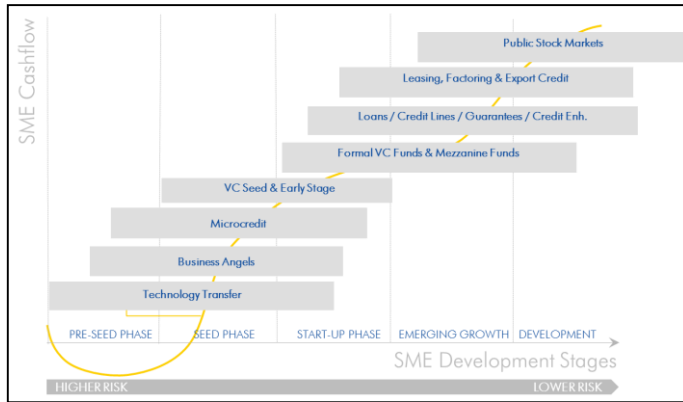
- Fund managers
- Commercial banks
- Development and promotional banks
- Guarantee institutions
- Leasing companies
- Corporates
- Business angels
- Microfinance institutions



**micro-  
enterprises,  
SMEs  
and small  
mid-caps**

# EIF's business

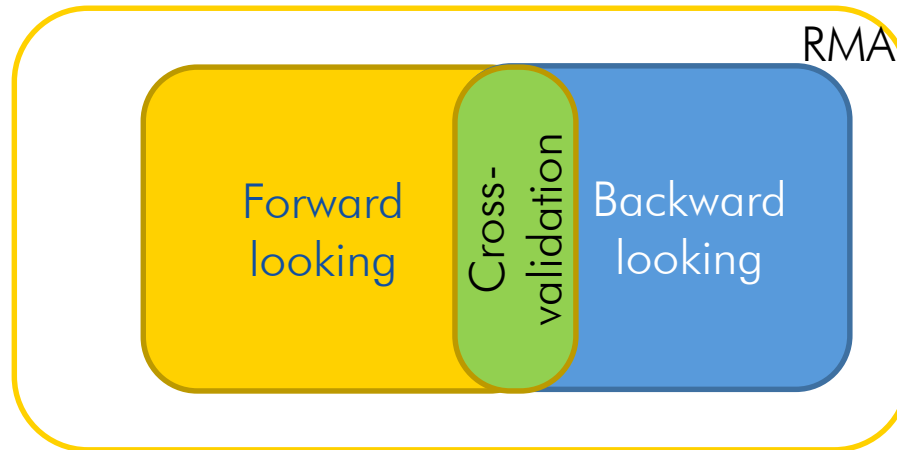
## Helping businesses at every stage



# Ex-post and ex-ante

## An integrated approach

### Market Intelligence and ex-ante assessments



### Impact Assessment



# Market assessments (1/5)

## Dependence on many parameters

- General market assessments (no gap quantification)
- Ex-post impact assessments
- Specific ex-ante assessments
- Survey
- Market testing, exchanges with stakeholders etc
  
- Focus?:
  - Regional: Pan-European level, national level, regions
  - Products: lending, Venture Capital, etc.
  
- Limiting factors: time, data, resources, ...
- One off or regular exercise?



# Market assessments (2/5)

## Examples for specific ex-ante assessments

- With different regional foci:
  - Pan-European level: eg EU SME Initiative; approach: combination of general market assessment and quantification; based on the analysis of financially 'viable' SMEs with access to finance problems.
  - National & regional level: eg use of European Structural and Investment Funds (ESIF); approach: general data gathering combined with stakeholder interviews, online-surveys, and considering financial 'viability'.
- Approach: own assessments or contributions to external assessments, e.g. by the European Commission, by EIB Advisory Service, by National Authorities, etc.

# Market assessments (3/5)

## General considerations

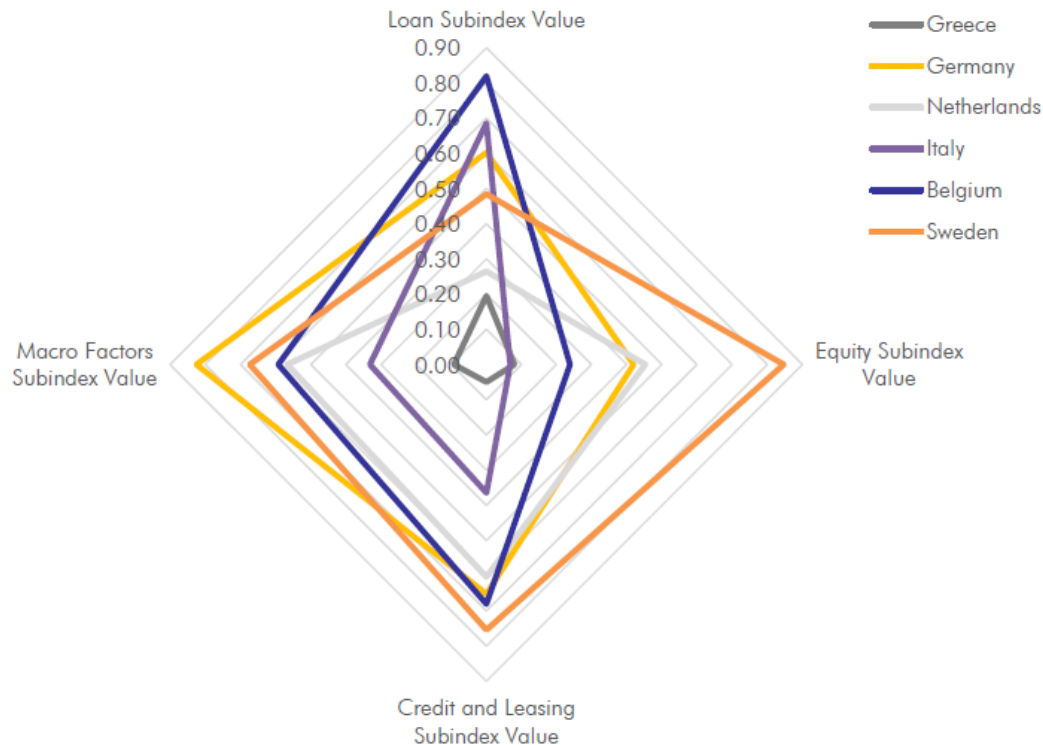
- The quantification of a financing gap is
  - always only a rough indication, and
  - depends highly on the applied assumptions!
- There are considerable financing gaps, also in developed countries
- Gaps can be relative to benchmarks
- SME financing gaps exist for various types of financing

⇒ EIF SME Access to Finance (ESAF) Index

# Market assessments (4/5)

## ESAF

### The 2016 ESAF subindices (examples for selected countries)



Source: Gvetadze et al. (2018), available at: [http://www.eif.org/news\\_centre/research/index.htm](http://www.eif.org/news_centre/research/index.htm)

# Market assessments (5/5)

## Selected references



Kraemer-Eis, H. and Lang, F. (2014). Guidelines for SME Access to Finance Market Assessments (GAFMA). EIF Working Paper 2014/22.

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Impact assessment: various papers by Signore, S. et al., i.e. EIF Working Papers 29, 34, 38, 41, and 45 available at: [http://www.eif.org/news\\_centre/research/index.htm](http://www.eif.org/news_centre/research/index.htm)

# Thank you ...



## ... for your attention!



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