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Supporting Access to Finance by SMEs: Mapping the initiatives in five EU countries

Federico Infelise

Abstract

This paper maps the initiatives to support access to finance for small- and medium-sized enterprises (SMEs) that were available at national level in 2012 in the five biggest European economies (Germany, France, the UK, Italy and Spain). This mapping distinguishes initiatives promoted and financed primarily through public resources from those developed independently by the market. A second breakdown is proposed for those sources of finance with different targets, i.e. whether the target is debt financing (typically bank loans at favourable conditions, public guarantees on loans, etc.) or equity financing (typically venture capital funds, tax incentives on equity investments, etc.).

A broad set of initiatives has been implemented to close the funding gap of SMEs in these five countries. The total amount of public spending for SMEs, however, has remained well below 1% of GDP. Public subsidisation of bank loans has been by far the most diffused type of intervention. Despite the fact that this strategy might prove to be effective in the short term, it fails to address long-term sustainability issues via a more diversified set of financing tools.

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1. What do we know about European SMEs?

1.1 Introduction

The barriers that make financing for small- and medium-sized firms (SMEs) more difficult than for larger businesses have captured the attention of different stakeholders for a long time. The recent economic crisis and the harsh credit crunch triggered by a troubled banking sector have only reinvigorated the debate. From the EU to local governments, policymakers are increasingly targeting new ways to foster access to finance for SMEs, a sector that includes a large number of diverse businesses. This intrinsic diversity that characterises SMEs and the multitude of actors involved make a comprehensive and exhaustive analysis of such policies extremely difficult.

This paper aims to map the main initiatives available to SMEs during 2012 at the national level to fill the funding gap for SMEs in the five biggest EU economies: Germany, the UK, France, Italy and Spain. This paper makes a preliminary assessment of their coherence and effectiveness in light of the insights provided by general economic theory.

This paper is structured as follows: section 1 presents a brief overview of the theoretical framework explaining the existence of a financing gap[1] between SMEs and larger firms and how this gap has widened during the recent economic crisis. Section 2 gives a snapshot of the SME population in the EU and in the five economies considered taking into account the EU SME definition. Section 3 presents a country-level analysis, distinguishing between public initiatives and market-based initiatives, and section 4 concludes with some comparative analysis and policy recommendations.

1.2 Why and when size matters: A brief theoretical background

The economic literature has extensively discussed how economic activities carried out by what are generally defined as 'SMEs' present higher structural difficulties in securing their financing needs compared to large firms (see among others Avery et al., 1998; Berger & Udell, 1995 and 1998; Gregory et al., 2005 and Vos et al., 2007). A root factor hampering SME finance is the idiosyncratic informational opacity that characterises these businesses. This feature precludes SMEs from obtaining access to more standardised public equity and debt markets and gives access only to private debt and equity markets that are generally less standardised, more complex, and therefore more selective and expensive (OECD, 2006). SME financing is generally characterised by higher transaction costs due to several reasons: organisational features and business strategies generally do not allow them to communicate with the external business environment in the same transparent way that a firm

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[1] By *financing gap* we mean, following OECD (2006): "that that there are significant numbers of SMEs that could use funds productively if they were available, but cannot obtain finance from the formal financial system".

accessing public financing would require. In contrast to those of large-size enterprises, SME business plans and market strategies (such as contracts with suppliers and customers or their internal management structure and organisation) are rarely mentioned in the press or publicly disclosed. Furthermore, SMEs may be at an early stage of development and may have a commercial interest in (or fear of) disclosing detailed information about their business plan. In addition, the great majority of these enterprises do not find the conventional tools employed by large companies to communicate with potential outside investors cost-effective (e.g. audited financial statements or a daily price quotation on public stock markets).

Building on the source of finance typically within the reach of an enterprise at each stage of its growth, Berger & Udell (1998) identified a common path, the so-called '*financial growth circle'*, through which most companies go through. At the beginning of an entrepreneurial activity, when the product or service distinguishing the company is still in a development phase, insider finance is the most common source of finance. In this phase, information asymmetries towards external investors are particularly acute and create important obstacles to attract outsider finance. Finance by business angels typically plays a role in a more advanced phase of the development of a firm as usually these investors make their investment decisions based on formal business plans, which are not available at the earliest stages. Venture capital funds are likely to step in in the following phase, usually after angel finance has provided the necessary resources for a structured product development, as these intermediated investment strategies target already successfully test-marketed businesses. According to this theoretical model, bank loans would typically not be a viable option for SMEs at least until the point at which firms have reached a growth stage in which their balance sheet is big enough to have enough assets to be posted as collateral against a loan.[2]

These sources of financing are not of course exhaustive, nor are they mutually exclusive or have been listed in a fixed order. Nevertheless, they do present a useful framework of analysis to understand how different degrees of information asymmetries, associated with different stages of a firm's growth, affect the management's financing possibilities. In terms of differences between SMEs and large enterprises, the crucial issue is that SMEs, mainly due to their informational opacity, are precluded access to liquid and developed public markets and have to provide for their needs almost exclusively through private debt markets and private equity. Information asymmetry is certainly not the only barrier preventing SMEs access to public financing sources; the other major issue regards the cost that the access to these markets entails. IPOs and debt underwritings are characterised by substantial fixed costs generated by public-market due diligence, red tape and regulatory burdens; the presence of fixed costs makes the decision of going public largely dependent on the size of a firm, and SMEs typically do not have the necessary asset size that would make the choice of exploring these options economically sound.

1.3 SME financing and the crisis

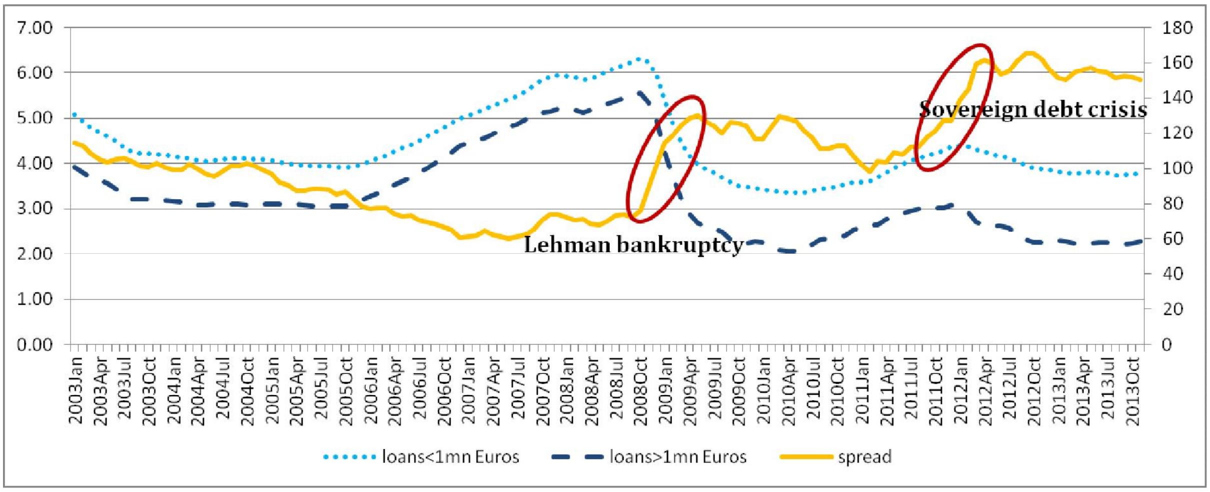
The issue of SME access to finance came particularly under the spotlight with the outbreak of the financial crisis in 2008 and the following credit crunch. From the very beginning of these events, several dynamics came into play that harshly hit SMEs. The paralysis of the interbank lending market, which is a main source of liquidity for credit institutions, and the collapse of major wholesale markets (like securitisation) resulted in a general tightening of criteria to access credit. The resulting balance-sheet consolidation and deleveraging imposed by the newly approved prudential regulations did the rest. Due to their opacity and their higher vulnerability to economic downturns, the credit crunch inevitably hit SMEs harder than other non-financial market participants.

[2] It is not surprising if empirical observation and common sense would suggest a more important role of bank loans in SME financing. Many SMEs manage to obtain bank loans by pledging owners' personal assets (real guarantees) as collateral or, analogously, they are not under limited liability regimes making this kind of funding indirectly 'internal', at least partially, as the firm would not be able to secure this financing source by its own means.

In order to obtain insights into the borrowing cost difference between SMEs and large companies, we follow the widely used break-down of loans size *up-to* €1million (typically for smaller SMEs) and *over* €1 million (for larger SMEs and large businesses). Figure 1 shows the evolution over the last ten years of the average eurozone bank loan interest rates to non-financial corporation.

A structural spread between the financing cost for SMEs and the one faced by larger companies has been widening since the beginning of the financial crisis. This confirms the theoretical framework explained above and the impact of soaring risk aversion on the more opaque SME business.

Figure 1. Eurozone average interest rates of bank loans to non-financial companies (%, lhs) and spread (basis points, three-month moving average, rhs)

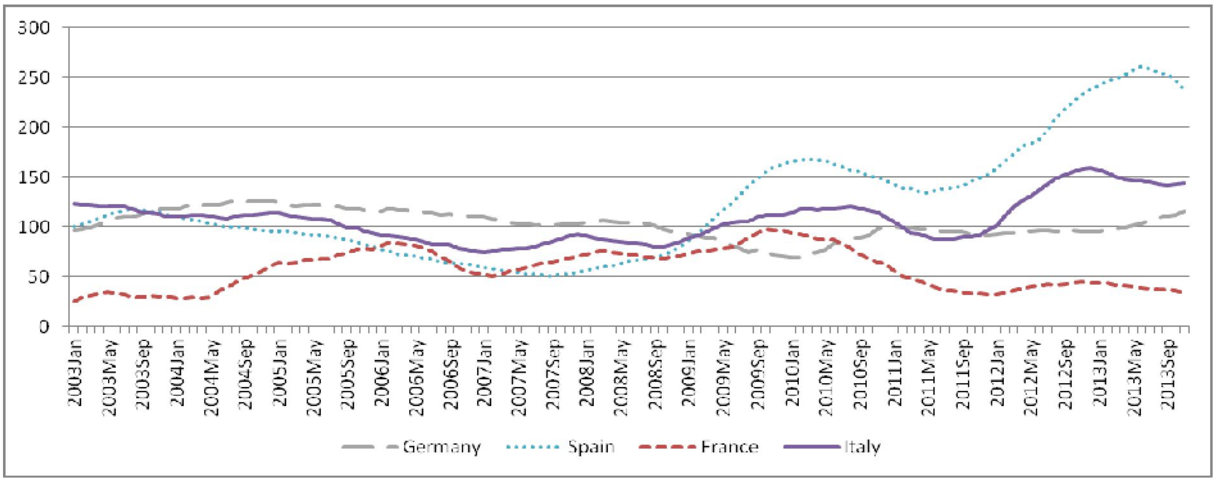


Source: ECB.

In effect, acute economic downturns affect particularly the borrowing cost sustained by SMEs compared to that sustained by large enterprises. The gap in borrowing cost has been narrowing in the period between 2003 and 2008, when the European economy was performing overall positively, and reached its minimum in July 2007 (60 basis points). From August 2007 to August 2013, the spread constantly increased, with two structural breaks around the Lehman Brothers' bankruptcy in September 2008 and the acceleration of the sovereign debt crisis 2011-12. In this respect, the ECB's open market operations (Long-Term Refinancing Operations or LTROs) seem to have had a limited impact in improving access to credit for non-financial institutions, and in particular for SMEs. Overall, from the beginning of the financial crisis to November 2013, the borrowing cost for smaller SMEs has increased from 60 to 147 basis points, or roughly about 150%.

The average eurozone interest rates offer a general confirmation to the insights provided by the theoretical framework. Figure 2, instead, provides a more horizontal picture of the issue across key member states. The evolution of the interest rate spread between 'small' and 'big' loans in the four eurozone countries included in this analysis may reveal some interesting facts. Before the financial crisis, the differentials among member states were minimal (within a range of 49 basis points: Germany 103 bp, Italy 70 bp, Spain 54 bp and France 92bp, December 2007). The spread followed a rather common declining path until the second quarter of 2008, when it was even smaller (within a range of 27 bp). The outbreak of the crisis set off a different chain of effects in each of the countries involved, discounting country-specific risk factors. In Germany, for example, SMEs are now paying the same spread on their loans as they were ten years ago (roughly 100 bp), and during the crisis they actually enjoyed a slightly lower spread compared to the earlier period. On the other hand, French, Spanish and Italian SMEs suffered higher interest rates at the beginning of the crisis. Moreover, Spanish and Italian SMEs have been heavily paying the effects of the sovereign debt crisis compared to their French and German counterparts. Financial fragmentation is thus leading these dynamics: as of October 2013, the spread between small and large loans lies in a range of 203 basis points, from 34 bp in France to 237 bp in Spain.

Figure 2. Spread between interest rate on small loans (<€1mn) and large loans (> €1mn) in selected Member States (basis points, 1 year moving average)



Source: ECB.

2. SMEs in the EU

2.1 Definition and EU geography

As explained in section 1, the acronym SME has become very popular after the crisis and it is used in very different contexts and for very different purposes. When it comes to policy analysis, i.e. to the formulation of strategies targeting a specific set of companies, a sound definition of the SME population is of crucial importance.

The need for coordination among policy actions at EU level, in the context of the internal market policies, led the European Commission to propose a formal definition of SME. A first definition was agreed in 1996, which was later (in 2005) changed to reflect the changing European economy.[3] In order to be considered as a SME and to access EU support programmes, a company needs to meet the following criterion (see Table 1):

- Staff headcounts (Annual Working Units) less than 250 people

And at least one of the two following criteria:

- Annual turnover lower than €50 million
- Balance sheet size lower than €43 million

Table 1. EU SME classification

Enterprise category	Annual work units	Annual turnover	Annual balance sheet total
Medium-sized	<250	< €50 million	< €43 million
Small	<50	< €10 million	< €10 million
Micro	<10	< €2 million	< €2 million

Source: European Commission.

[3] EU recommendation 2003/361.

Compared to the 1996 definition, this last version increased the turnover thresholds (from €40 to €50 million) and the balance sheet size (from €27 to €43 million). The most important innovation was the introduction of the sub-category of micro-enterprises, which was not included in the previous definition.

Table 2 provides a picture of European enterprises' structure according to the current EU definition. SMEs are 99.8% of the total number of European enterprises. Moreover, if we exclude from the analysis medium-size firms (1.1%), the European economy is dominated by firms with less than 50 employees, as together they account for 98.7% of the total number of European firms. If one considers employment and gross value added, the situation looks different. SMEs account for 67.4% of the EU employment and for 58.1% of the EU gross value added. The analysis of gross value added per firm in each different size-class is particularly interesting, as it shows a positive correlation between the size of a firm and its contribution to the overall value-added creation. This provides some preliminary evidence to the general belief that a business environment that does not allow firms to grow is harmful for the firm and eventually for the country's economic growth.

Table 2. EU-27 enterprises' features by size class, 2011

	Micro	Small	Medium	**SMEs**	Large	Total
Number of enterprises, mn	19.14	1.36	0.23	**20.73**	0.04	20.77
%	92.2	6.5	1.1	**99.8**	0.2	100
Number of employees, mn	38.40	26.77	22.31	**87.48**	42.32	129.80
%	29.6	20.6	17.2	**67.4**	32.6	100
gross value added (€mn)	1,307,360	1,143,935	1,136,243	**3,587,540**	2,591,731	6,179,271
%	21.2	18.5	18.4	**58.1**	41.9	100
Gross value added per firm (€)	68,293	842,657	5,014,909	**173,080**	59,369,840	297,491

Source: Author's elaboration based on SBA (Small Business Act) Factsheet 2012, DG Enterprise and Industry, European Commission. This source provides estimates for 2011, based on 2009 figures from the Structural Business Statistics Database (Eurostat). The estimates have been produced by Cambridge Econometrics. The data cover the 'business economy', which includes industry, construction, trade, and services (NACE Rev. 2 Sections B to J, L, M and N). The data do not cover enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health.

2.2 Enterprises' structure in selected member states

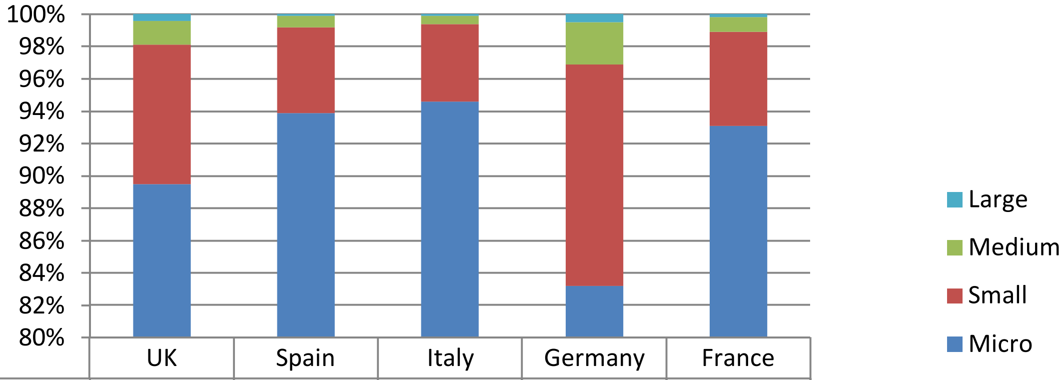
Besides the predominance of SMEs across Europe, the situation within major EU economies (Germany, the UK, France, Italy and Spain) reveals different market structures in terms of firms' size, contribution to national employment and gross value added.

Micro enterprises[4] are the large majority in all the selected member states (see Figure 3) but the incidence of these firms in each country varies significantly across the EU-27 (92.2%): while in Italy and Spain micro enterprises are around 94% of the total number of firms, in the UK this value drops to 89.5% and to 83.3% in Germany. The lower incidence of micro firms in Germany and the UK is compensated by the relative higher incidence of small SMEs. Statistics show that the number of large companies also seems to follow the above market structure: while in Italy and Spain these firms do not represent more than 0.1% of the total population, in Germany and the UK, large companies are

[4] This statistic is indeed not surprising, as this category pools together not only small manufacturing firms and craft enterprises, small service companies, corner-shops, 'horecas' but especially self-employed.

much more important (0.5% and 0.4%, respectively), with France being in the middle between these two poles (0.2%).

Figure 3. Enterprises by size-class in selected member states, 2011 (%)



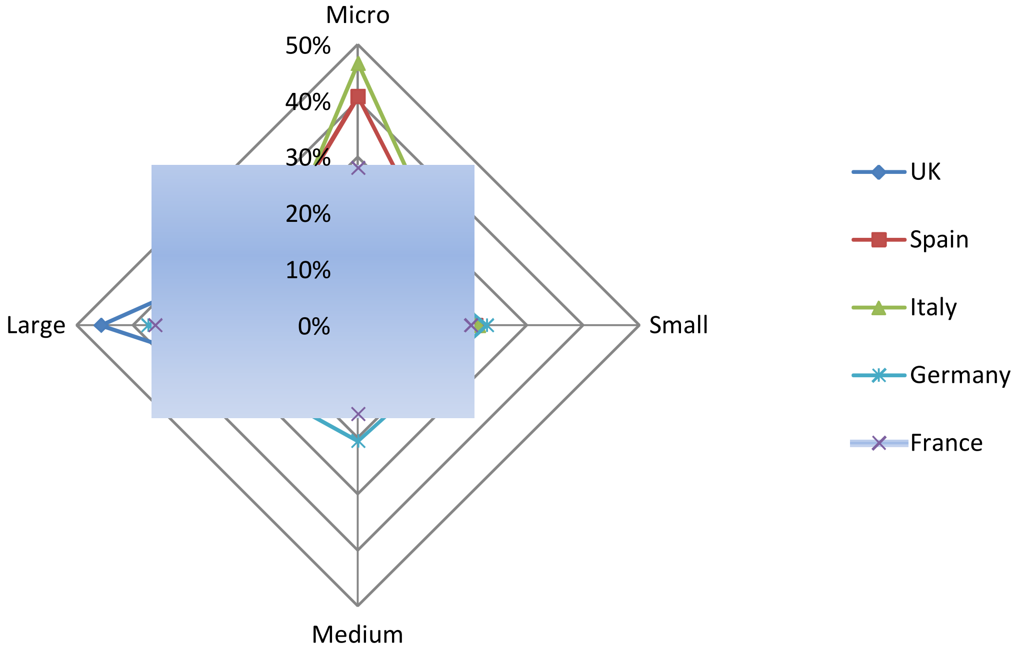
	UK	Spain	Italy	Germany	France
Large	0.40%	0.10%	0.10%	0.50%	0.20%
Medium	1.50%	0.70%	0.50%	2.60%	0.90%
Small	8.60%	5.30%	4.80%	13.70%	5.80%
Micro	89.50%	93.90%	94.60%	83.30%	93.10%

Source: Author's own calculations based on SBA (Small Business Act) Factsheet 2012, DG Enterprise and Industry, European Commission.

The number of enterprises within each size-class does not say much about the impact of each group on the economy. The two natural candidates for that are employment and value added creation. If we look at the situation from the perspective of employment (Figure 4) and the value added (Figure 5) generated by each size-class, the picture indeed looks different from the one depicted in Figure 3. From this angle, the European geography looks more diverse both in terms of relative contribution of each size-class to total employment and of the role of micro enterprises. In Italy and Spain, the biggest share of employment is generated by micro-enterprises (46% and 40%, respectively), followed by small companies in Italy (21%) and large companies in Spain (24%). In the other three countries, instead, the largest share of employment is always provided by large companies (45% in the UK, 37% in Germany and 36% in France), while micro-enterprises are ranked second for employment in UK and France (20% and 28%) and last in Germany (19%).

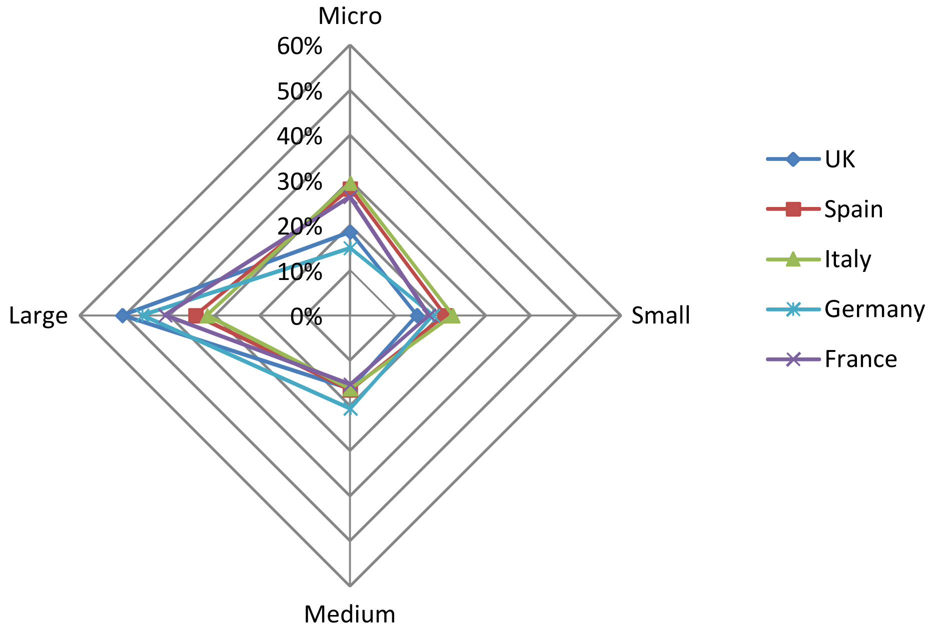
Value-added figures show us one again a different picture. In the countries considered, despite the fact that figures diverge from 50% in the UK to 30% in Italy, large enterprises are those contributing the most to the total national valued-added creation. To confirm some similarity in their industrial structure, France, Spain and Italy exhibit a negative correlation between size and contribution to total value added. This relationship is reversed in the case of Germany where size is positively related with contribution to value-added, whereas in the UK a clear relationship is not easy to spot.

Figure 4. Employment by size class in selected member states, 2011 (%)



Source: SBA Factsheet 2012, DG Enterprise and Industry, European Commission.

Figure 5. Gross value added by size class in selected member states, 2011 (%)



Source: SBA Factsheet 2012, DG Enterprise and Industry, European Commission.

2.3 National initiatives to support financing needs of SMEs

This section maps the main initiatives available at national level during 2012 aimed at improving the access to finance for SMEs. This mapping has been done making a first general distinction between those initiatives that have been promoted and financed primarily by national governments, national development banks or state-owned companies and those that have been developed independently by the market. A second breakdown distinguishes the source of financing targeted by each initiative, i.e. initiatives targeting debt financing (bank loans at favourable conditions, guarantees, etc.) and those targeting equity financing (typically venture capital, tax incentives, etc.).

2.4 Public support to SMEs

The recognition that serious market failures are at play in preventing the optimal financing of SMEs justified numerous interventions, especially after the 2008 crisis, directly backed by national governments or by state-owned public institutions. In some cases – like Germany, with state-owned bank KfW, Spain, with state-owned bank Istituto de Credito Oficial (ICO) and the public company (ENISA) and Italy, with the public company Cassa Depositi e Prestiti – the management of public support to SMEs has been assigned to existing institutions. In other countries, like in the UK and France, newly created public institutions took over the control of the already existing fragmented public initiatives. For example, Banque Publique d'Investissement France (BPIfrance) was set up at the beginning of 2013, while the British Business Bank will be fully operational only in autumn 2014. National governments, through facilities in which they have direct or indirect control, provide a wide range of supports to SMEs by lowering the cost of financing through all the sources of financing traditionally in the reach of these companies (i.e. debt targeting and equity targeting). Section 2.4.1 maps public initiatives targeting debt in the five selected countries, while section 2.4.2 complements the analysis on public initiatives targeting equity.

2.4.1 Public initiatives targeting debt

The majority of initiatives supported through public intervention aim at improving access to finance through debt financing and in particular through bank loans. In all the five countries considered, the major public interventions (both in terms of the number of initiatives and the size of resources committed) target bank loans either through favourable interest rates or by providing public guarantees on bank loans. The popularity of these interventions is not surprising for two reasons: from the demand side, bank loans are traditionally a more familiar source of financing to SMEs,[5] and entrepreneurs are therefore not sceptical or diffident towards these instruments as they are able to fully understand their functioning and consequences even without advanced financial skills. From the supply side, policies targeting bank loans are particularly appealing as they can be developed and delivered easily through the existing network of credit institutions, thereby reducing costs related to the development and maintenance of new infrastructure.

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[5] According to Arce et al. (2011), bank lending is the first source of external funding for SMEs and represents 39% of the total funding of European SMEs, while it accounts for only the 20% of the total funding for large companies.

Table 3. Public programmes for debt financing in selected countries

UK	Germany	France	Spain	Italy
Funding for Lending Scheme	Start-up Loan	Prêt Participatif d'Amorçage	Companies and Entrepreneurs Facility/Liquidity Facility	Nuovo Plafond PMI Investimenti
National Loan Guarantee Scheme	Start-up Loan (Start Universal)	Contrat de Développement Innovation	ENISA Entrepreneur	Plafond PMI Crediti
Enterprise Finance Guarantee	Entrepreneur Loan	Contrat de Développement Participatif	ENISA Young Entrepreneur	Fondo Centrale di Garanzia
Business Finance Partnership	Entrepreneur Loan (Subordinated Capital)	Prêt Pour l'Innovation	ENISA Competitiveness	
Start-up Loans	Innovation Programme I	Garantie Innovation	ENISA Technology-Based Companies	
	Innovation Programme II	Biotech Garantie	ENISA M&A	
		Garantie de Caution sur Project Innovants	SME Guarantee Programme	
		Credit Mediation Schemes		

Source: Author's own compilation.

2.4.1.1 The UK

In April 2013, the UK government decided to coordinate all its actions targeting SMEs and mid-sized businesses under the control of a newly created Business Bank. The bank has been given an £1 billion capital on top of the £2.9 billion commitments already taken by the government through all the already on-going support programmes. All these programmes, targeting debt and equity, are now under the supervision and coordination of the Business Bank bringing to £3.9 billion the total government resources deployed in favour of SMEs. The Bank started operating from within the Department for Business, Innovation and Skills and is expected to become a fully operational new institution by autumn 2014. Table 4 presents the main initiatives adopted at national level targeting debt financing for UK SMEs.

Table 4. Public initiatives for debt financing in the UK

Programmes	Intervention	Main feature	Size of the benefit	Funding 2012*
Funding for Lending Scheme	Cheap liquidity for banks	Increase net-lending versus SMEs	Banks can borrow up to 5% of their actual lending	n/a**
National Loan Guarantee Scheme	Guarantee on unsecured borrowing by banks	UK enterprises not in financial distress and have a turnover lower than £250mn	Estimated reduction of 1% in cost of bank loans	£2.5bn
Enterprise Finance Guarantee	Public guarantee on SMEs loans	Enterprises with turnover lower than £41mn	The guarantee applies on loans up to 1£mn and covers 75% of each specific contract	£337mn
Business Finance Partnership	Co-funding SMEs loans	Enterprises with turnover lower than £500mn	Single investment size varies	£257mn
Start-up Loans	Provision of loans and mentoring at off-market conditions	Young entrepreneurs	Average loan size £4,500 depending on business plan	£62mn

* Funding refers to the amount of public money spent during 2012 under a specific programme. In the case of guarantees the value refers to the amount of loans guaranteed.

**It is not easy to give a figure for FLS that would allow for a comparison with other programmes; in fact, neither the total withdrawal of funds by banks under FLS nor the net lending would be a precise estimation of the actual public cost of the programme.
Source: Author's own compilation.

The ***Funding-for Lending (FLS) Scheme*** is a joint flagship programme of the Bank of England and HM Treasury aimed at boosting the lending of commercial banks to households and SMEs.[6] The programme was initiated in August 2012 and has been recently renewed until January 2015.

The idea behind FLS is to allow banks to borrow at a preferential rate from the Bank of England (BoE) on the condition that they increase their net lending positions towards non-financial corporations. In practice FLS allows banks to borrow UK Treasury bills (which can be used to back cheap borrowing on financial markets) at the off-market rate of 0.25%. Banks that are willing to access the programme are initially allowed to borrow up to 5% of their actual lending exposure and subsequently up to £5 for every £1 lent to SMEs; if this preferential borrowing does not lead to an increase in the bank's net-lending, the rate at which Treasury Bills need to be repaid is raised to 1.5%.

According to the last figures published from the BoE,[7] since the beginning of the programme, £23,094mn have been drawn by banks under FLS and the net-lending to households and SMEs of banks taking part to the programme increased of £3,568mn.

The ***National Loan Guarantee Scheme (NLGS)*** is a programme launched by the HM Treasury in March 2012, with the objective of lowering interest rates on loans by providing national guarantees on banks' unsecured borrowing. The idea behind NLGS is to lower the cost of loans up to 1% for those enterprises with an annual turnover lower than £250mn by passing on the cheaper cost of funding sustained by banks. The introduction of FLS made NLGS less appealing for banks and we are now in fact witnessing a drop in the applications for the latter.

The ***Enterprise Finance Guarantee (EFG)*** targets enterprises with an annual turnover lower than £41mn and that cannot access bank loans due to a lack of security or proven track record. The EFG applies only to loans up to £1mn and covers 75% of the loan value with the remaining 25% still to be covered by the bank. The EFG covers up to 13% of the total loans supplied under EFG by each bank. This means that in the extreme case of default of the entire EFG loans portfolio of a bank, only 9.75% of the total loss would actually be recovered (75% of each loan up to a ceiling of 13% of the outstanding amount = 9.75%, which is then the maximum cost that taxpayers bear). In 2012, the EIF guaranteed 3,173 loans for a total amount of £337mn.

The ***Business Finance Partnership (BFP)*** is a programme run by the UK Treasury aimed at stimulating funding through non-bank loans. The programme was started in autumn 2012 and will invest £1.2bn in different tranches. BFP stimulates private fund managers to invest in SMEs and mid-sized companies by co-funding up to 50% of the loans' value. The Treasury manages BFP and chooses which applicant funds to support, and fund managers operate independently according to their investment strategies. So far, £257mn has been used through BFP mobilising more than £1bn of private investments.

The ***Start-up Loans*** programme aims at supporting young entrepreneurs (aged 18-30) to set up their own business by providing them with loans even if they lack real collateral or proven track records. Loans are supplied upon evaluation of a viable business plan; started in May 2012, the programme backed more than 12,000 business with an average loan size is £5,700. Applicants need to pay back the loans in five years at a 6% fixed interest rate.

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[6] The UK government defines SMEs as businesses with a turnover of up to £25mn, and mid-sized those enterprises with a turnover between £25mn and £500mn.

[7] Data refer to the third quarter of 2013.

2.4.1.2 Germany

The biggest promotional institution to support SMEs in Germany is KfW Group. The KfW Group is active in different financing fields (e.g. promotion of SMEs, housing, municipal infrastructure, environmental protection, international project and export finance, developing countries) but the main focus is on the support of German SMEs.[8] In 2012 the business sector KfW Mittelstandsbank, which focuses on the promotion of SMEs, reported a total investment volume of €24.1bn. Table 5 presents some important initiatives adopted at national level targeting debt financing for German SMEs.

Table 5. Public initiatives targeting debt in Germany

Programmes	Intervention	Main feature	Conditions to qualify	Size of the benefit	Funding (2012)
ERP Start-up Loan (StartGeld)	Favourable interest rates / risk sharing	Medium and long-term loans to finance specific types of investment of start-ups	Business founders, self-employed professionals and small enterprises (EU-definition) with less than 3 years in business	Up to €100,000 loan amount	€2.3bn
ERP Start-up Loan (Universell)	Favourable interest rates	Medium and long-term loans to finance specific types of investment of start-ups in Germany or abroad	Business founders, self-employed professionals and SMEs (EU-definition) with less than 3 years in business	Up to €1mn loan amount	
KfW Entrepreneur Loan	Favourable interest rates / risk sharing (optional)	Medium and long-term loans to finance investments in Germany and abroad / financing of working capital also possible	SMEs (KfW-definition) with more than 3 years in business	Up to €25mn loan amount	€7.8bn
KfW Entrepreneur Loan (Subordinated Capital)	Provision of subordinated debt to SMEs	Loans combined by capital tranche and subordinated debt tranche	SMEs older than 3 years	Up to €4mn	
ERP Innovation Programme I	Provision of subordinated debt to SMEs	Loans combined by capital tranche and subordinated debt tranche	Firms older than 2 years with turnover lower than €500mn	Up to €5mn	€880mn
ERP Innovation Programme II	Provision of subordinated debt to SMEs	Loans combined by capital tranche and subordinated debt tranche	Firms older than 2 years complying to the SME definition of the EU	Up to €1mn (€2.5mn in Eastern Germany)	

Source: Author's own compilation.

ERP Start-up Loan – StartGeld is a programme through which KfW helps business founders, self-employed professional and small enterprises (up to €10mn annual turnover) with less than three years in business and a financial need of up to €100,000 at favourable fixed interest rates. Loans need to be used to finance growth of expansion of young enterprises (investments and working capital), succession of an enterprise or take-over of an enterprise. Applications are submitted to KfW by a commercial bank, which can be freely chosen by the applicant. KfW finances up to 100% of the total investment. The commercial bank bears 20% of the credit risk while KfW bears the remaining 80%. KfW does not make any specific requirement on collateral requirements which in turn have to be negotiated by the commercial banks with loan applicants. KfW Start-up Loan – StartGeld is supported by a guarantee of the European Investment Fund (EIF), which implements the Competitiveness and Innovation Framework Programme (CIP).

[8] Generally KfW supports enterprises with up to €500mn annual turnover (SME definition by KfW). Due to state aid reasons, in some programmes KfW applies the EU definition of SME which – among other criteria – includes firms up to €50mn annual turnover. More specifically, small enterprises are those with a turnover up to €10mn and medium companies those with a turnover from €10mn to €50mn. Programmes, if not differently specified, refer to the KfW definition.

ERP Start-up Loan – Universell focuses on business founders, self-employed professionals and SMEs (up to €50mn annual turnover) which have been in business for less than three years. The loan amount can be up to €10mn at a favourable fixed interest rate for investments in Germany or abroad which require medium or long-term financing. Also, the financing of working capital is possible. Applications are submitted to KfW by a commercial bank, which can be freely chosen by the applicant. KfW, which finances up to 100% of the total investment, does not bear any credit risk of the underlying SME. KfW does not make any specific requirement on collateral requirements which in turn have to be negotiated by the commercial bank with the loan-applicant.

KfW Entrepreneur Loan targets established enterprises (up to €500mn annual turnover) with more than three years in business, providing them with loans up to €25mn for medium- and long-term investment projects at favourable interest rates. Specific favourable conditions are applied to those firms satisfying the SME definition of the European Commission. Loans can be used for a broad set of activities such as the acquisition of land properties and buildings, construction costs, acquisition of machinery, external services or patents. Also, the financing of working capital is possible. Applications are submitted to KfW by a commercial bank, which can be freely chosen by the applicant. KfW, which finances up to 100% of the investment, does not make any specific requirement on collateral requirements which have to be negotiated by the commercial bank with the loan applicant. The commercial bank can make use of an optional exemption from liability of the credit risk up to 50%.

KfW Entrepreneur Loan – Subordinated Capital. This KfW scheme aims at improving the capital structure of SMEs older than 3 years by providing loans up to €4mn in a two-tranches formula: a debt capital tranche of 50% and subordinated debt tranche of 50%. Loan applications need to be submitted by the 'house' banks of the applicants to KfW, which can finance up to 100% of the total investment. The debt capital tranche has to be secured by posting collateral while the subordinated tranche doesn't and the latter will not represent a liability for the 'house' bank. KfW claims on the subordinated debt tranche rank inferior to the claims of all current and future debt capital lenders.

In 2012, KfW Entrepreneur Loan and KfW Entrepreneur Loan-Subordinated Capital committed a total amount of €7.8bn (including also non-SMEs).

The ***ERP Innovation Programmes I and II*** support firms in meeting their long-term financing needs for investments in market-oriented research, R&D for new products, process and services (Programme I) and for the introduction of new products in the market (Programme II). Programme I provides loans up to €5mn to firms that are at least 2 years old and that have a turnover lower than €500mn; Programme II provides loans up to €1mn (€2.5mn in Eastern Germany) at favourable interest rates to SMEs that are at least two years old.

Loan applications need to be done by the house banks of the applicants to KfW which can finance up to 100% of the total investment. KfW provides a financing package composed of two tranches: a debt capital tranche and a subordinated debt tranche which accounts from 50% to 60% of the total. The debt capital tranche has to be secured by collateral, the subordinated tranche is unsecured and does not represent a liability for the house bank. KfW's claims on the subordinated tranche rank inferior to the claims of all current and future debt capital lenders.

In 2012, ERP Innovation Programmes I and II committed a total amount of €880mn (including also non-SMEs).

2.4.1.3 France

On 31 December 2012, the French government created the Banque Public d'Ivestissment (or BPIfrance). The role of BPIfrance, similarly to KfW in Germany, is to manage and coordinate a broad range of public programmes targeting the development of French enterprises with a specific focus on SMEs. BPIfrance incorporated the major public institutions involved in financing and supporting French SMEs (OSEO, Caisse des Dépôts et Consignations (CDC), the Fonds Stratégique d'Investissement (FSI) and the Fonds Stratégique d'Investissement Regions). This new institution, endowed with a capital of €21bn, committed to invest in the next 5 years €12bn in French enterprises.

Table 6 presents the main initiatives adopted at national level targeting debt financing for French SMEs.

Table 6. Public initiatives targeting debt in France

Programmes	Type of intervention	Main feature	Conditions to qualify	Size of the benefit	Funding 2012
Prêt Participatif d'Amorçage (PPA)	Subsidisation of bank loans	Loans do not require posting collateral nor guarantees	SMEs less than 5 years old involved in R&D or innovative activities that already benefited from public support	Between €50,000 and €75,000	€70mn
Contrat de Développement Innovation (CDI)	Subsidisation of bank loans	Loans do not require posting collateral nor guarantees	SMEs undertaking an innovative projects or undergoing internal modernisation programmes	Between €40,000 and €300,000	n/a
Contrat de Développement Participatif (CDP)	Subsidisation of bank loans	Bpifrance co-finances loans and provides guarantee on the bank's loan	SMEs over 3 years old with an expected turnover growth above 5%	Up to €3mn	€725mn
Prêt Pour l'Innovation (PPI)	Subsidisation of bank loans	Loans do not require posting collateral nor guarantees	SMEs older than 3 years commercialising new products	Between €30,000 and €1.5mn	€100mn
Garantie Innovation	Guarantee on SMEs loans		SMEs over 3 years old developing new products, services or technologies	Up to 60% of the loan	
Biotech Garantie	Guarantee on SMEs loans		SMEs below 5 years old in the biotechnology industry	Up to 70% of a loan	€9.9bn
Garantie de Caution sur Projets Innovants	Guarantee on SMEs loans		Innovative SMEs	Up to 80% of the bank loan up to a maximum of €300,000	
Credit Mediation Schemes (CMS)	Advisory support	Increase the exchange and the quality of information between credit institutions and SMEs applying for loans	Companies that have been refused a loan		n/a

Source: Author's own compilation.

Prêt Participatif d'Amorçage (PPA) targets SMEs[9] less than 5 years of age and involved in innovative and R&D activities that already benefited from public support programmes managed by BPIfrance or other public schemes in support of innovation. The programme aims at supporting SMEs in their growth path by attracting the interest of private investors and venture capital funds. Under PPA, enterprises can obtain loans between €50,000 and €75,000, which require neither collateral nor guarantees, and the maturity is up to 8 years and may include the possibility of postponing capital repayments by 3 years.

Prêt Pour l'Innovation (PPI) targets SMEs older than three years which have developed a new product and are ready to commercialise it. Companies need to have benefited in the previous 3 years from public support for the development this product. PPI provides loans to finance investments and working capital (i.e. recruitment, material and immaterial investments, marketing, logistic, distribution, etc.) for the commercialisation of new products. Loan sizes range between €30,000 and €1.5mn but don't exceed the double of each company's asset value; loans do not require either collateral or guarantees; maturity is up to 7 years and includes the possibility of postponing capital repayments by 2 years.

[9] BPIfrance refers to the European Commission's definition of SMEs.

Contrat de Développement Innovation (CDI) helps SMEs willing to undertake an innovative project or to undergo an internal modernisation programme. Loans are available to finance projects as the launch of new products, development of new technologies, plant refurbishments, internationalisation or development of new commercial strategies.

Loans vary between €40,000 and €300,000 but do not exceed the company's asset size, nor do they require collateral or guarantees; maturity is up to 6 years.

Contrat de Développement Participatif (CDP) aims at supporting SMEs over three years old with an expected turnover annual growth above 5% to finance real estate investments or external growth projects. Loan size is up to €3mn but can't exceed the company's asset size, and loans do not need collateral but a guarantee corresponding to 5% of the loan is required. CDP works in partnership with the home bank of the applicant firm (in the proportion €1 from CDP to €2 from the bank, BPIfrance provides a guarantee on the bank's loan) or with the investment firms in case of equity investments (in the proportion €1 from CDP to €1 from the firm). Maturity is up to 7 years and includes the possibility of postponing capital repayments by 2 years.

BPIfrance manages a number of loan guarantee schemes. **Garantie Innovation** targets SMEs over three years old willing to obtain a loan or a lease to finance the conception, development and commercialisation of new products, services or technologies. BPIfrance provides guarantees up to 60% of the value of the loan.

Biotech Garantie aims at facilitating access to bank lending for SMEs less than 5 years old in the biotechnology business. The guarantee covers up to 70% of a loan underwritten to finance any kind of investment targeting the growth of the company.

The ***Garantie de Caution sur Projets Innovants*** is a guarantee scheme that provides bank guarantees to innovative SMEs to finance business activities representing important changes (in terms of size, market or activity) with respect to the ongoing business of the company. BPIfrance guarantees up to 80% of the bank loan up to a maximum of €300,000.

Credit mediation schemes (CMS) are temporary government measures introduced in the 'anti-crisis' package by the French government. CMS aim at reducing the sources of conflict during credit negotiation processes by favouring the exchange of information between credit institutions and SMEs. Through the intervention of external professionals, these programmes help SMEs in filing loan applications, thereby enhancing the quality of the financial information exchanged between companies and banks. CMS play an important role in improving the financial literacy of entrepreneurs and managers. The French CMS, managed by the regional offices of Bank of France, was set up in 2008 and has been extended to 2013. The programme targets all companies (not only SMEs) that have been refused a loan by their credit institution; since its introduction CMS helped to secure loans for €3.5bn.

2.4.1.4 Spain

The Spanish public support to SMEs is developed mostly through two public institutions: the *Instituto de Credito Oficial* (ICO) a state-owned bank whose debts and obligations benefit from the explicit, irrevocable, unconditional and direct guarantee of the Spanish state and the *Empresa Nacional de Inovation (ENISA),* a public company attached to the Ministry of Industry, Energy and Tourism. Table 7 presents the main initiatives adopted at national level targeting debt financing for Spanish SMEs.

Table 7. Public initiatives targeting debt in Spain

Programmes	Intervention	Main features	Conditions to qualify	Size of the benefit	Funding 2012
ICO Liquidity Facility	Subsidisation of bank loans		Self-employed and companies to finance investments and to meet liquidity needs	Up to €10mn	€6.7bn
ENISA Entrepreneur	Subsidisation of bank loans		SMEs under 2 years old	From €75,000 to €300,000	
ENISA Young Entrepreneur	Subsidisation of bank loans	Investments need to be co-financed by private partners at least for 15% of the total	SMEs under 2 years old	From €25,000 to €75,000	
ENISA Competitiveness	Participation loans	Loans need to be used to improve firms' manufacturing systems and/or a change in manufacturing model	SMEs	From €75,000 to €1.5mn	€90.8mn
ENISA Technology-Based Companies	Participation loans	Loans need to be used for the development of technological innovations	SMEs	From €75,000 to €1.5mn	
ENISA M&A	Participation loans	Loans need to be used to undertake projects of M&A nature	SMEs	From €200,000 to €1.5mn	
SME Guarantee Programme	Guarantees refinancing	Refinancing of guarantees awarded on SME loans by Mutual Guarantee Associations	SMEs	Up to a maximum of €625,000	n/a
Asset Securitisation Fund for SMEs	Public guarantee	Public guarantee on securitised assets		Securitised assets are least for 50% SMEs loans	€1.6bn

Source: Author's own compilation.

The ***ICO Liquidity Facility*** provides loans featuring long repayment terms, preferential interest rates and reduced administrative obligations. The Liquidity Facility targets self-employed individuals and companies and helps them in financing investment projects and meeting working capital needs. The facility operates as a second-floor financing scheme: loans conditions are set by ICO but financing need to be obtained through banks and saving banks established in Spain who in turn manage the process and assume the credit risks. The maximum amount of fund to be granted is €10mn and maturity is up to 20 years.

ENISA Entrepreneur aims at providing support to innovative SMEs younger than 2 years. Companies need to have a balanced financial structure, audited financial statements or registered accounts for constituted companies and not to be in real-estate or financial sector.

The programme provides participating loans from €75,000 to €300,000 without guarantees at an interest rate set from Euribor +2% up to Euribor +10% (according to the financial profitability of the firm), maturity is up to 6 years.

ENISA Young Entrepreneur aims at stimulating the creation of companies by young entrepreneurs. Qualifying companies are innovative SMEs younger than 2 years, with balanced financial structure, not in real-estate or financial sector and whose majority shareholders are not older than 40 years. Investments need to be co-financed by partners at least for 15% of the loans size and need to be used to finance fixed assets and working capital. The programme provides participating loans from €25,000 to €75,000 without guarantees at an interest rates set from Euribor +2.5% up to Euribor +7% (according to the financial profitability of the firm), maturity is up to 4 years.

ENISA Competitiveness support the financing of SMEs with viable and profitable business plans aimed at the improvement of their manufacturing systems or a change in their manufacturing models. Companies need to have a balanced financial structure, audited financial statements or registered accounts for constituted companies and not to be in real-estate or financial sector.

The programme provides participating loans from €75,000 to €1.5mn without guarantees at an interest rate set from Euribor +2% up to Euribor +10% (according to the financial profitability of the firm), maturity is up to 9 years.

ENISA Technology-Based Companies supports the financing of SMEs with viable, profitable business models which are undertaking projects aimed at the development of technological innovations (creation of new products, new processes or services, or the substantial improvement of existing ones). Companies need to have balanced financial structure, audited financial statements or registered accounts for constituted companies and not to be in real-estate or financial sector.

The programme provides participating loans from €75,000 to €1.5mn without guarantees at interest rates set from Euribor +2% up to Euribor +10% (according to the financial profitability of the firm), maturity is up to 7 years.

ENISA M&A aims at financing SMEs business projects involving a corporate transaction (merger, acquisition or division) designed to increase the competitiveness of the firm. Companies need to have a balanced financial structure, audited financial statements or registered accounts for constituted companies and not to be in real-estate or financial sector.

The programme provides participating loans from €200,000 to €1.5mn without guarantees at a interest rates set from Euribor +2% up to Euribor +10% (according to the financial profitability of the firm), maturity is up to 9 years with a period of grace up to 7 years.

The Spanish government helps SMEs to access bank loan lending via the ***SME Guarantee Programme*** which provides guarantees through the public company CERSA, the Spanish refinancing company. CERSA partially refinances guarantees awarded to self-employed workers and SMEs by Mutual Guarantee Associations. The maximum percentage of coverage depends on the characteristics of the SME (size and stage of growth) and on the assets to be guaranteed. Guarantees are up to a maximum of €625,000 for a maximum of 10 years.

Asset Securitisation Fund for SMEs. The Spanish government provides guarantees on securitisation funds provided the following requirements:

- Fund assets are loans or credits awarded to Spanish non-financial institutions and at least 50% of the securitised assets come from SMEs loans or credits. Loans maturity must be higher than 1 year.
- Financial entities awarding these guarantees must reinvest at least 80% of the proceeds obtained from these operations in new loans or credits to SMEs within the following 2 years (50% in the first year).

The Spanish government guarantees 80% of issued securities rated AA or Aa (or higher) through the Public Treasury.

2.4.1.5 Italy

The Italian national strategy in support of SMEs access to finance is less diversified in term of number of initiatives but more concentrated in term of single programme funding capacity. Differently from the other four countries there is not a public investment bank dealing specifically with SMEs financing and the biggest role is played by the public company *Cassa Depositi e Prestiti* (

Table 8).

Table 8. Public initiatives targeting debt in Italy

Programmes	Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Funding 2012
Nuovo Plafond PMI Investimenti	Subsidisation of bank loans	Medium long term financing for working capital and capital expenditure needs	SMEs financing investments or working capital		€4.4bn
Plafond PMI Crediti vs PA	Liquidity provision	Short term financing to provide liquidity on SMEs credits toward Public Administration	SMEs		€2bn
Fondo Centrale di Garanzia	Public guarantees		SMEs	up to 80% of the investment and not more than €2.5mn	€4bn

Source: Author's own compilation.

Nuovo Plafond PMI Investimenti. Cassa Depositi e Prestiti (CdP), a state-owned company, together with the Italian Banking Association (ABI) set up this programme (refinancing the old Plafond PMI) aiming at facilitating the access to bank lending for Italian SMEs. Starting from January 2012, the programme committed to channel to SMEs €8bn in bank loans at favourable conditions through the network of private credit institutions participating in the programme. Qualifying companies are Italian SMEs undertaking a broad range of investment projects or financing working capital needs.

Plafond PMI Crediti vs PA, a complementary part of the preceding programme, committed €2bn to relieve SMEs from liquidity problems deriving from late-payments of the Italian Public Administration. CdP will finance the purchase by private credit institutions of SMEs credits versus the Public Administration.

The ***Fondo Centrale di Garanzia*** is a public fund aimed at providing State-backed guarantees on SMEs loans. The fund was established in 2000 and since then it approved 280,000 applications providing guaranteed on €24.4bn[10] SMEs loans. It provides direct guarantees, indirect guarantees and co-guarantees. Qualifying firms are SMEs according to the EU definition, not in financial distress, undertaking investments related to the nature of the core business activity. The fund, depending on size and location of the firms, guarantees up to 80% of the investment and not more than €2.5mn.

2.4.2 Public initiatives targeting equity

Public support to SMEs equity financing is much less developed both in term of number of initiatives and in term of financial commitments compared to initiatives targeting. This trend is rooted in the well know dynamics that make external equity less attractive for SMEs: entrepreneurs are usually less familiar with external equity financing due to the higher technical expertise required to asses properly the consequences of these kinds of operations and, moreover, they are typically sceptical towards initiatives that could dilute their voting power in favour of external investors. The role of public policy in fostering external equity financing can be direct or indirect. Direct support usually takes the form of public investments in venture capital funds or private equity funds targeting SMEs. Interventions through venture capital funds can be an effective measure to target specific SMEs sectors which need supports (e.g. high tech companies) but they are relatively more expensive and are subjected to the limitations imposed by the EU state-aid discipline; despite the presence of public funds in most of the countries analysed the impact of such measures should be considered quite limited. Indirect support typically takes the form of tax incentives on private investments in SMEs equity. Tax incentives are as usually a more horizontal tool but in periods of tight public budgets can be an efficient leverage to stimulate private equity investments, nevertheless the impact of these programmes is difficult to quantify.

[10] Data updated in June 2013

2.4.2.1 UK

The UK government provides the broadest range of tax incentives for investments in SMEs equity capital among all the countries analysed. Direct public support, contrary to the other countries, is relatively lower and consists of a single fund with financing capacity of £100mn. Table 9 summarises the main UK public initiatives targeting equity investments.

Table 9. Public initiatives targeting equity in the UK

Programmes	Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Total Funding
Enterprise Investment Scheme (EIS)	Tax incentive		Small, higher-risk not listed on regulated exchange, with less than 250 employees and turnover lower than £15mn	Companies cannot rise more than £5mn under SEIS, EIS and VCT in 12 months	n/a
Seed Enterprise Investment Scheme (SEIS)	Tax incentive		Early-stage companies and companies with less than 25 employs and turnover below £200,000	Companies can rise to a max of £150,000 under SEIS and not more than £5mn under SEIS. EIS and VCT	n/a
Venture Capital Trust Scheme (VCT)	Tax incentive	For investments in venture capital trusts	Small, higher-risk trading companies, not listed on regulated exchange, less than 250 employs and turnover lower than £15mn	Companies cannot rise more than £5mn under SEIS, EIS and VCT in 12 months	n/a
Business Angel Co-Investment Fund	Investment fund	The fund co-invests complementing investments done by business-angel syndicates	High growth potential early stage SMEs	Fund investments between £100,000 to £1mn	Funding capacity of £100mn

Source: Author's own compilation.

The ***Seed Enterprise Investment Scheme (SEIS)*** was set in April 2012 to support SMEs in raising equity finance through a scheme of tax incentives applicable to venture capital investors. Individual investors purchasing equity in early-stage companies (and holding it for at least 3 years) are granted an income tax relief of 50% of the size of the investment up to a maximum of £100,000. On top of that, the 2013 UK Budget foresees a capital gain tax relief of 50% in case any investor making capital gains will re-invest such gains through SEIS in companies of less than 25 employees and with total assets value lower than £200,000.

The ***Enterprise Investment Scheme (EIS)*** helps small higher-risk trading companies to raise equity finance through a scheme of tax incentives applicable to venture capital investors. Qualifying companies cannot be listed on regulated exchanges (AIM and PLUS Markets are therefore allowed), must have less than 250 employees and cannot have total asset value exceeding £15mn.

The tax incentive scheme foresees:

- An income tax relief of 30% of the investment value with a ceiling in the investment size set to £1mn.
- Capital gains tax liability deferral upon capital gains reinvestment in EIS shares.

- Exemption on capital gains matured from EIS shares selling, provided shares have been held for the necessary period.
- Possibility of setting the losses on EIS shares against income tax as an alternative to being relieved against capital gains tax.

The ***Venture Capital Trust Scheme (VCT)*** provides tax reliefs to individuals investing in small, unlisted, higher-risk trading companies via the participation in venture capital trusts which have been approved by the HMRC. Approved trusts can provide to qualifying companies both debt and equity investments. Qualifying companies cannot be listed on regulated markets (listing on AIM and PLUS Markets are therefore allowed), must have fewer than 250 employees and cannot have total asset value exceeding £15mn. The maximum investment in VCT by a single investor per year is £200,000, shares must be held for a minimum of 5 years and the operation qualifies for a relief against the income tax at a rate of 30% the value of the investment.

Business Angel Co-Investment Fund (CoFund) is an investment fund whose mandate is to stimulate the action of business angels in favour of high-growth potential early stage SMEs.

The fund makes investments in SMEs equities from £100,000 to £1mn to complement investments done by a business angel syndicate[11]. Investments, to be proposed by business angel syndicates but eventually to be accepted by the Independent Investment Committee of the Co-fund, are bounded by an upper limit of 49% of an investment round and 30% of the equity of each enterprise targeted.

2.4.2.2 Germany

The German public strategy in support of investment in SMEs equity capital is based upon two investment funds specialised in high-tech companies which together in 2012 accounted for roughly €74mn of funding commitments and for a programme or re-financing loans for investments in SMEs (see Table 10).

Table 10. Public initiatives targeting equity in Germany

Programmes	Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Funding 2012
ERP Start-up Fund	Venture capital fund	co-investments up to 50% with private investors	Small, innovative and technology-based companies, which meet the EU SME criteria	up to €5mn	€ 58.2mn
High-Tech Seed Fund	Seed fund	The partnership includes the participation of the German Federal Government and some of the major German corporations	SMEs less than 1 year old technologically oriented and with high growth potential	There is not an upper limit	€15.7mn
ERP Participation Programme	refinancing loans	loans at favourable interests rate to companies investing in SMEs equity	SMEs	Loans cover up to 100% of the equity participation up to a maximum of €1mn	€ 69mn

Source: Author's own compilation.

The ***ERP Start-up Fund operated by KfW*** supports SMEs by investing venture capital in young innovative technology-based firms up to ten years. KfW invests in a co-investment model with at least one lead private investor who shares the risks. The ERP start-up fund adopts the conditions of the investment intended by the private investor. KfW´s investment is up to a maximum of 50% of the

[11] Business angel syndicates are groups of like-minded investors. They are high net worth individuals who provide smaller amounts of finance (typically in the range €50,000/£40,000 to €250,000/£200,000) at an earlier stage than many venture capital funds are able to invest.

total amount to be invested and does not exceed €5mn per company and €2.5mn per year/company. The lead investor and the company apply for the ERP start-up fund investment directly at KfW. The co-investments of KfW and lead investor share the same risks and conditions. In 2012, ERP Start-up Fund committed for a total amount of €58mn.

The ***High-Tech Seed Fund (HTGF)*** is a public private partnership that provides seed capital to very young high-tech companies up to one year since their founding. The partnership includes the commitments of the German Federal Government (€460mn), KfW (€55mn) and a pool of German national champions (€58.5mn, ALTANA, BASF, B. Braun, Robert Bosch, CEWE Color, Daimler, Deutsche Post DHL, Deutsche Telekom, Qiagen, RWE Innogy, Tengelmann and Carl Zeiss). The two funds (High-Tech Seed Fund I was founded in 2005 and stopped its investment period in 2011, the same year in which the High Tech Seed Fund II was founded) have approximately 240 firms in their portfolios. The High-Tech Seed Fund is allowed to invest in SMEs younger than 1 year and with a strong technology focus. The selection process for firms applying for investments complies with standard venture capital procedures.

The ***ERP Participation Programme*** provides refinancing loans at favourable interest rates for investment firms investing in SMEs equity capital. Refinancing loans cover up to 100% of the equity participation up to a maximum of €1.25mn. The equity investment firm applies for the refinancing loan to KfW via its own bank before having signed an investment agreement with the targeted SME. In 2012, ERP Participation Programme committed a total amount of €69mn.

2.4.2.3 France

French initiatives targeting equity-capital includes two investments funds providing equity and quasi-equity capital to French SMEs and a programme providing guarantees on investments in SMEs equity (Table 11).

Table 11. Public initiatives targeting equity in France

Programmes	**Intervention**	**Main features of the programme**	**Conditions to qualify**	**Size of the benefit**	**Funding 2012**
Contrat de Développement Participatif (CDP)	Investment fund	Co-investments with private investors	SMEs over three years old above 5%	up to €3mn	See CDP in France Debt sections
Fonds Stratégique d'Investissement (FSI)	Investment fund	fund of funds activity and direct investments	Innovative and high-growth companies	There are no specific thresholds	1.5bn also not SMEs
Garantie des Fonds Propres	Public guarantee equity investments		Innovative SMEs	up to 50% of the investment	Included in the €9.2bn of the guarantees in the debt section

Source: Author's own compilation.

Fonds Stratégique d'Investissement (FSI) is an investment fund controlled by BPI France specialised in fund of funds and direct investments in French innovative companies and national champions. FSI direct investments are typically aimed at acquiring minority stakes in medium-large French companies with assets size between €100mn and €2bn; as for fund of funds activity, the focus of FSI is on venture capital funds investing in small and medium companies with asset size lower than €100mn. The fund was set up in 2008 with a capital of €18.4bn. In 2012, FSI invested directly and indirectly €1.5bn in more than 800 companies, out of which €1.2bn accounted for direct investments in 37 companies (4 large companies, 11 mid-cap and 22 SMEs).

Garantie des Fonds Propres is a Bpifrance guarantee scheme that aims at stimulating equity and quasi-equity investments in innovative SMEs from private equity funds, mutual funds and business angels. Garantie des Fonds Propres provides guarantee on equity and quasi-equity investments up to 50% of the investment (70% for investments in SMEs below 5 years old).

2.4.2.4 Spain

Spain's public support to SMEs equity financing is developed around the action of two major programmes: a public programme financing the cost of listing on the Alternative Investment Market and an investment fund providing directly and indirectly equity capital to SMEs. Table 12 summarises the main features of these two initiatives.

Table 12. Public initiatives for equity financing in Spain

Programmes	Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Funding 2012
ENISA MAB	Provision of participating loans	Loans to finance the listing on the Mercado Alternativo Bursátil	SMEs	from €200,000 to €1.5mn	see ENISA programmes in debt section
FOND-ICOpyme	Direct/indirect investment in SMEs equity		SMEs undertaking projects of expansion (M&A), internationalisation and R&D	from €0.75mn to €1.5mn for "early stage" companies up to €15mn for companies in the "growth sector"	€119mn

Source: Author's own compilation.

ENISA MAB aims at supporting SMEs with medium capitalisation in financing the costs associated to an IPO on the Mercado Alternativo Bursátil (alternative stock market, see section on private initiatives). Companies need to have a balanced financial structure, audited financial statements or registered accounts for constituted companies and not to be in real-estate or financial sector. The programme provides participating loans from €200,000 to €1.5mn without guarantees at an interest rates set from Euribor +2% up to Euribor +10% (according to the financial profitability of the firm), maturity is up to 9 years.

FOND-ICOpyme is a fund managed by Axis, the investment arm of ICO and the oldest venture capital fund in Spain; the mission of this fund is to back SMEs in their expansion plans. It has an investment capacity of €250mn and at the end of 2012 its portfolio included 30 companies (€42mn equity investments, €45mn participative loans) and 19 investments in other venture capital funds (€22mn). The fund acquires minority stakes in SMEs undertaking projects of expansion (M&A), internationalisation and R&D. The investment range varies from €0.75mn to €1.5mn for "early stage" companies up to €15mn for companies in the "growth sector"; companies targeted by the "growth sector" (70% of the total portfolio) are companies with minimum sales of €20mn and minimum EBITDA of €4mn. Equity investments have an average stay period of 5 years while participative loans have maturity up to 2 years (including 2 years of capital holiday period).

2.4.2.5 Italy

The Italian public support to SMEs equity financing, as in the case of targeting debt initiatives, is less diversified compared to other countries and is based on the strategy of an investment fund providing direct and indirect investments in SMEs equity (see Table 13).

Table 13. Public equity-targeting facility in Italy

Programme	Type of Intervention	Conditions to qualify	Size of the benefit	Funding 2012
Fondo Italiano d'Investimento	Direct /indirect equity investments	SMEs (not start-up)	There is no specific investment threshold	€183mn

Fondo Italiano d'Investimento was created in 2010 at the initiative of the Ministry of Treasury and Finance together with several sponsoring banks and trade associations. The Fund invests in already established SMEs (not start-up) that are financially solid, with acceptable current and expected profit margins and that have, above all, significant potential to create value. The fund invests in equities of SMEs that operate in different industrial, trade and services sectors to accompany them, coherently and professionally along their growth plans.

At the end of 2012, the total amount of approved commitments of the fund reached €665mn (35 direct investments and 18 investments in funds of funds). During 2012, €183mn of funding commitments was approved.

2.5 Market-based initiatives to support SME financing

Private-market infrastructure operators have been trying for a long time to develop specific market places for SMEs, together with other tailored complementary services aimed at supporting SMEs in their approaches to different financing channels. In a European context where the securitisation market is having a hard time to recover, market-based SME initiatives mostly focus on the development of public markets for SMEs' stocks and bonds. Following the example of the first Alternative Investment Market developed by the London Stock Exchange in the UK, all the major operators of regulated stock markets in the five countries considered developed specific platforms targeting SMEs under the legislative framework of the multilateral trade facility.

2.5.1 Market-based initiatives targeting debt

Alternative investment markets designed for the issuance of SME bonds are relatively more recent and less developed compared to analogous platforms targeting SME stocks. Exploiting less stringent regulation, those markets aim at overcoming the major barriers in terms of costs and transparency requirements that usually prevent SMEs accessing external finance through bond issuance. As of November 2013, regulated-market operators in three of the five countries analysed are offering market segments to issue and trade SME bonds.[12] These infrastructures are relatively new (the Italian and the Spanish ones have only been launched during 2013 – see Table 14) and the role that they will play as a real alternative for external finance for SMEs will depend in the first place on the ability to lower the minimum issuance size (as of now assessed around €30-40mn), which makes an issuance on these markets practically viable for an SME. Secondly, it will be crucial to promote these platforms across a wide range of investors in order to ensure adequate support from the demand side.

Table 14. Alternative investment markets for bonds

Alternative market	Date of creation	Country	Operator	Number of bonds traded (end Oct 2013)	Total issue (€bn)	Average issued volume (€mn)
Entry Standard	2010	Germany	Frankfurt Stock Exchange	50	1.9	37.4
BondM	2010	Germany	Stuttgart Stock Exchange	26	n/a	n/a
Mittelstandsmarkt	2010	Germany	Dusseldorf Stock Exchange	16	n/a	n/a
MARF	Oct-13	Spain	BME	1	n/a	n/a

[12] In the second half of 2012, the NYSE also launched a specific bond-issuing programme targeting SMEs. The NYSE Initial Bond Offer (IBO) is opened to all companies *already* listed on NYSE markets and thanks to a particular regulatory framework manages to lower significantly the minimum bond issuance size (€5mn for companies listed on Alternext and €10mn on Euronext).

ExtraMOT PRO	Feb-13	Italy	Borsa Italiana/LSEG	31	n/a	n/a

Source: Author's own compilation from exchanges.

2.5.1.1 Germany

Germany is the leader in Europe for what concern the development of bond platforms for SMEs. At the end of 2013, more than 60 companies had debt for roughly €3bn, which was actively traded across the three main stock exchanges of the country: BondM on the Stuttgart Stock Exchange, Mittelstandsmarkt on the Dusseldorf Stock Exchange and Entry Standards on the Frankfurt Stock Exchange.

The ***Entry Standard for corporate bonds*** is the largest German platform for SMEs bond trading. Entry Standard gives access to the bond market with limited transparency obligations (see Table 15) on Xetra, the cash market of Deutsche Börse. Companies approaching this market are not able to reach the scale of an issuance of the Prime Standard market and are looking for a platform visible to retail and institutional investors. The Entry Standard for corporate bonds leads the way to the exchange bond market for about €30 to €200mn of issuing volume.

Table 15. Transparency requirements on Entry Standard

Prime Standard		Entry Standard	
Before the issue	**After the issue**	**Before the issue**	**After the Issue**
EU-acknowledged prospectus for instance via BaFin or CSSF (EU passport)	Annual financial statement / annual financial report (4 months after expiry of the reporting period)	Securities prospectus	Annual report and half-yearly report (condensed financial statement)
Up-to-date issuer or bond rating	Half-year financial statement / half-year financial report (2 months after expiry of the reporting period)	Brief company profile with relevant information on the corporate bonds	Continuously updated follow-up ratings and company key figures
Audited annual financial statement according to the national GAAP or IFRS	Financial accounting (Group): IFRS in the Regulated Market and HGB (German Commercial Code) or IFRS in the Open Market	A calendar of company events	Immediate publication of significant company news or circumstances that may be significant for the valuation of the respective stock/issuer
Six selected company key figures (optional +17)	Publication of essential company-related news (Open Market) or ad-hoc notifications (Regulated Market)	The audited annual financial statement including group management report	
Publication of a short company and bond profile with relevant information on the corporate bond as well as all information on investor protection clauses (covenants)	Reporting in German or English	Up-to-date issuer or bond rating by one of Deutsche Börse's accredited credit rating agencies	
Company calendar with the essential events of the issuer	Regular update of the short company and bond profile	Defined company key figures on debt service coverage, debts and capital structure	
	Publication of an up-to-date company calendar	Approved creditworthiness by a rating agency and balance sheet ratios	
	Continuously updated bond or company rating		

	Regular update of the six company key figures		
	(Credit) analysts' conference once a year		

Source: Author's own compilation from Deutsche Börse.

2.5.1.2 Spain

The ***Alternative Fixed-Income Market (MARF)***, launched in October 2013 by BME, is a trading venue specifically designed for SMEs' fixed-income securities trading. MARF adopted the legal form of the multilateral trading facility (MTF) which will allow companies to benefit from a more flexible regulation, procedural simplifications and lower issuing costs compared to the a regulated market. Companies that can potentially benefit from accessing this market are medium-sized/non-listed companies. In order to be able to issue debt on MARF, companies are required to have a credit-rating, to present audited financial reports for the 2 previous years and to commit to disclose publicly relevant information to investors. At least €50mn in annual revenues, according to an estimation of the Wall Street Journal,[13] will be necessary in order to issue debt on MARF.

2.5.1.3 Italy

The ***ExtraMOT PRO segment*** of Borsa Italiana was created in February 2013 exploiting the new regulatory framework approved by the Italian government in the 'Decreto Sviluppo',[14] which introduced new financial instruments for SMEs. The new regulatory framework allows non-listed SMEs, as defined by the EU definition, to issue bonds and hybrid securities on ExtraMOT PRO under less stringent conditions than on a regulated market or than a normal MTF. In particular, bonds issued on this segment (which is opened exclusively to professional investors) are not required to have an official rating and a listing partner provided that the company complies with the following conditions: the presence of a *sponsor* supporting the firm in the issuing procedure and the retention of issued securities in its portfolio until maturity for a value not lower than 5% of the total issuance.

2.5.2 Market-based initiatives targeting equity

Initiatives aimed at developing trading platforms to raise equity capital for SMEs have been developed in each of the countries analysed (see Table 16). These market infrastructures are more developed compared to bond-trading platforms and in some countries (especially in the UK where the first platform was set up in 1995) they represent a concrete alternative source of risk-capital for SMEs. Access to these markets is typically designed for small and medium enterprises (and of course mid-cap) rather than for micro firms as the structure and the size of these operations still requires a structural minimum assets size. This feature allowed a relatively faster growth of these platforms in countries like the UK and Germany where capital markets have been traditionally more developed and also where the share of small and medium firms[15] is higher compared to the other countries. Despite a certain degree of success the number of firms that decide to explore the possibility of an IPO on these markets is still relatively low if compared to the SMEs population (especially in Italy, Spain and France). In order to improve the visibility and the attractiveness of a public listing the operators of these markets (at times backed by public support) are offering a broad range of complementary services aimed at supporting firms that could access these markets but that lack the necessary human-capital to exploit this possibility. This human-capital gap is often recognized as an important barrier preventing SMEs to exploit different financing opportunities; this is especially true

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[13] "Spain Starts SME Bond Bourse", *Wall Street Journal*, 8 October 2013.

[14] The Decree, moreover, imposes the same level of taxation on bond issued by listed and non-listed companies and relaxed limits on issuing volumes for non-listed companies.

[15] In 2011, in Germany and the UK, the share of *small* plus *medium-sized* firms was respectively 16% and 10% of the total number of firms; in France, Spain and Italy, the shares were respectively 6%, 6% and 5%.

when it comes to the exploration of channels of financing less familiar to SMEs than traditional bank loan finance and for which a specific technical training is required.

Table 16. Alternative investment markets for SMEs stocks

Alternative market	Operator	Country	Year of creation	Capitalisation (€bn, end Oct 2013)	Average market capitalisation (€mn)	No. of listed companies
AIM	London Stock Exchange Group	UK	1995	82.8	75.6	1,092
Entry Standard	Deutsche Börse	Germany	2005	23	115	202
Alternext	NYSE Euronext	France	2005	5.9	31.7	183
MAB	BME	Spain	2009	0.76[a]	34.6	22
AIM Italia MAC	London Stock Exchange Group/Borsa Italiana	Italy	2008	0.77[b]	32	24

[a] Value at end of May 2013.
[b] Value at end of June2013.

Source: Author's own compilation from exchanges.

2.5.2.1 The UK

AIM is the London Stock Exchange market for smaller companies seeking growth capital but that may not be at the stage to join the regulated markets. The key aspect of AIM compared to the Main Market of London Stock Exchange consists in the nominated adviser model, where the adviser is responsible for guiding the company through its admission process and continuing obligations of being a public company (see Table 17Table 17). Since its creation in 1995, more than 3,400 companies from a wide variety of sectors have joined the market; as of October 2013, 1,092 companies were admitted to AIM for a total market capitalisation €82.8bn and an average market capitalisation of €75.6mn.

Table 17. Admission criteria and continuing obligations on AIM and on the regulated market

Regulated market	AIM
Minimum market capitalisation	No minimum market capitalisation
Trading record requirement	No trading record requirement
Minimum 25 % shares in public hands	No prescribed level of share in public hands
Prior shareholder approval required for substantial acquisitions and disposal	No prior shareholder approval for most transactions
Sponsor needed for certain transactions (Premium Listing only)	Nominated Adviser required at all times, responsible for confirming the suitability of a company to be a public company at the point of admission and on a continuing basis
Pre-vetting of prospectus by UKLA	Admission documents not pre-vetted by the Exchange or by the UK Listing Authority. UKLA will only vet an AIM admission document where it is also a Prospectus under the Prospectus Directive

Source: LSEG.

A further push in the development of AIM has been provided by government tax incentives like the VCT programme mentioned above, as these schemes are applicable not only to private equity investments but also to public equity.

2.5.2.2 Germany

The ***Entry Standard segment for shares*** provides access to Xetra, the cash market of Deutsche Börse, giving companies the possibility of raising equity capital within a regulatory framework more suited for the needs of SMEs compared to the Prime Standard and the General Standard segment of the regulated market of Deutsche Börse. The main advantage of issuing shares on the Entry segment is a notably reduced administrative and procedural burden on issuers (and consequently lower IPO and operative costs). These lower transparency standards (see Table 18) do not fulfil the highest European requirements and therefore come at a cost in term of scale and liquidity of not being listed on an EU-regulated market (only companies from Germany, Austria, Switzerland and Luxembourg are listed); this trade-off between transparency requirements and scale of the market can be particularly appealing for small and medium-sized companies. As of October 2013, 202 companies were listed on the Entry Standard segment for a total market capitalisation of €23bn and average market capitalisation of €115mn.

Table 18. Admission criteria and continuing obligations on Deutsche Börse market segments

Regulated market		**Entry standard**	
Before the issue	After the issue	Before the issue	After the issue
Shares must be listed in the Regulated Market.	Quarterly reports in German and English	Public offering (prospectus requirement)	Annual report
Admission to Prime Standard is based on an application by the issuer. The decision-making body is the Admissions Office of Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange)	Application of international accounting standards (IFRS/IAS or US-GAAP)	Minimum age of company: two years	Half-yearly report with abridged balance sheet, GuV, addendum and interim report
	Publication of a corporate calendar	Minimum capital stock: €750,000	Publication of essential information
	Staging of at least one analyst conference per year	(calculated) nominal value per share: €1 minimum	Brief company profile
	Ad-hoc disclosure also in English	Minimum free float of shares: 10%	Corporate calendar
	Depending on the admission segment, the follow-up obligations of the EU-regulated market apply	The inclusion application is filed by the company in cooperation with a trading participant of Frankfurter Wertpapierbörse	Company key figures
		The applying trading participant appraises whether the company complies with the special requirements (operative business, positive equity capital, investor relations) and whether it provides the respective evidence to Deutsche Börse AG.	A Deutsche Börse Listing Partner assists the company in its function as a capital market coach.

Source: Author's own compilation from Deutsche Börse.

2.5.2.3 France

NYSE Alternext is the NYSE market operating in a balanced regulatory framework designed to attract SMEs and mid-caps (see Table 19). Alternext was started in May 2005 and since then 183 companies[16] went public on this platform, raising a total of €2.6bn capital. In 2012, 7 IPOs have been successfully completed on Alternext with an average IPO's capital raised of €4.3mn and average initial market capitalisation of €24.1mn (in 2011, 16 IPOs for an average capital raised of €5.8mn and initial market capitalisation of 27.5mn).

At the end of 2012 on NYSE Alternext were listed 183 companies for a total market capitalisation of €5.6bn and an average market capitalisation of €31.7mn.

Table 19. Admission criteria and continuing obligations on NYSE Euronext and NYSE Alternext

Regulated Market		**ALTERNEXT**	
Before the issue	After the issue	Before the issue	After the issue
25% of free float or 5% if representing at least €5mn	Audited annual and limited review of semi annual financial statements, Quarterly / Interim sales report, Price sensitive information	€2.5m minimum distribution	Audited annual and unaudited semi-annual financial statements, Price sensitive information
3 years certified financial statements period	Multiple threshold declarations, Multiples of 5% of voting rights	2 years certified financial statements period	Limited number of threshold declarations, Multiple threshold declarations -50% and 95% of voting rights
IFRS or equivalent accounting standards	Market Abuse Directive applicable, Transparency Directive applicable	EU incorporated: IFRS or Local GAAP, Non EU incorporated: IFRS (or equivalent standards) or local GAAP together with IFRS reconciliation table	Market Abuse Directive applicable, Transparency Directive not applicable
Listing Agent required		Listing Sponsor required	
EU Prospectus required		EU Prospectus required	

Source: Author's own compilation from NYSE.

In May 2013, NYSE launched ***EnterNext***, a new subsidiary dedicated to companies listed on Euronext and Alternext with market capitalisation below €1bn. EnterNext operates on a pan-European scale and at the date of the launch covered more than 750 firms representing a market capitalisation of €115bn.

The mission of EnterNext is to coordinate and promote the current available offers for SMEs and to provide support to entrepreneurs in the approach to public stock markets, EnterNext main responsibilities are:

- Positioning the stock exchange as a source for alternative financing.
- Managing the day-to-day and grassroots relationships with issuers and listing candidate.
- Promoting SMEs to investors as an attractive asset class.
- Developing a regional and national marketing strategy.
- Helping listed companies to fully-exploit the benefits of the market the market through secondary issues (stocks or bonds).
- Attracting non-listed companies illustrating the advantages of the public stock market.

[16] Out of these 183 companies, 166 companies went public in Paris, 13 in Brussels, 1 in Amsterdam and 1 in Lisbon.

2.5.2.4 Spain

Mercado Alternativo Bursatil (MAB) is the trading facility managed by BME specifically designed for medium and small-cap companies. MAB, analogously to other alternative investment markets, adopted the legal status of MTF to be able to offer companies a more flexible regulatory regime (see Table 20) and so to be more attractive for SMEs. MAB was founded in 2009 and since then attracted 22 companies; in May 2013 it had a total market capitalisation of €762mn for an average market capitalisation of €34.6mn.

Table 20. Main transparency obligations before and after the issue on MAB

MAB	
Before the issue	After the issue
Estimated value of the free float (IPO or listing) ≥ €2mn	Financial results publications: • half-yearly unaudited (in the three months following the end of the first half) • Annual audited (in the four months following the close of the financial year)
Information document with detailed information on the company, its business and outlook, audited accounts	Publications through MAB registry and company website of relevant information about the company
Appointment of a Registered Advisor and a Liquidity Provider	Other Information to be published: • Significant shareholdings • Transactions by directors or executives • Shareholders agreements
Adoption of IFRS or national accounting standards	
TAG-ALONG rights if changing control or applying for delisting	

Source: Author's own compilation from BME.

2.5.2.5 Italy

AIM ItaliaMAC was created in March 2012 by the merger of AIM Italia and MAC (Mercato Alternativo del Capitale) with the aim of creating a unique platform specifically dedicated to Italian SMEs. Following the example of its peer, AIM UK, the platform provides a regulatory framework notably more flexible and less expensive compared to the main regulated market (see Table 21).

As of end of June 2013, 24 companies were listed on AIM Italia for a total market capitalisation of €773.4mn and an average market capitalisation of €32mn.

Table 21. Admission criteria and ongoing obligations on the regulated market and AIM of Borsa Italiana

Regulated market		**AIM**	
Before the issue	After the issue	Before the issue	After the issue
Minimum market capitalisation €40mn	Quarterly reports	No minimum market capitalisation	Obligations to inform the market
Minimum 25% floating (35% for Star)	Obligations to inform the market	Minimum 10% floating	Specialist to support liquidity of the instrument
At least 3 years old company	Mandatory specialist for Star segment	Appointment of a Nomad for admission to listing	

Corporate Governance Code applies		1 year audited financial statement	
Appointment of a sponsor for admission to listing			
• Prospectus • 3 audited financial statements (2 of which IFRS) • QMAT, industrial plan, memorandum and evaluation document			
Due diligence by CONSOB and Borsa Italiana			

Source: Borsa Italiana-LSEG.

Elite Programme is a unique platform of integrated services launched in Aril 2012 by LSEG/Borsa Italiana in partnership with the Italian government and other major Italian financial institutions.[17] Elite is designed to help small and medium enterprises achieve their growth targets by providing specific training courses in order to provide to entrepreneurs the necessary skills to make their business grow. The programme is composed by three separate steps (Get Ready, Get fit and Get Value) where a company is assisted by a dedicated advisory team which provides the company industrial, financial and organisational capabilities needed to grow and meet the challenges of international markets. Companies willing to join Elite need to have a minimum turnover of €10mn (lower if the company has high growth rate), a plausible growth projection and an EBITDA margin higher than 5%. As of October 2013 the Elite programme had 131 member companies.

2.6 SMEs support in five EU countries: Summing up

Section 2 mapped the main initiatives available in 2012 at national level[18] targeting SMEs' access to finance in the five largest EU economies. This mapping made a first general distinction between those initiatives that have been promoted and financed primarily through public resources and those initiatives that have been developed independently by the market. A second breakdown was made with regard to the sources of finance targeted by each initiative, i.e. whether initiatives were targeting debt financing (typically bank loans at favourable conditions, public guarantees on loans, etc.) or were targeting equity (typically venture capital funds, tax incentives on equity investments, etc.).

The comparative analysis in Table 22 looks at the initiatives adopted in each of the countries considered in this paper. According to this analysis, a public intervention targeting debt financing is the most frequent type of intervention for SMEs. From a policy prospective, as bank lending represents 39% of the total funding of European SMEs (Arce et al., 2011), it is not surprising that most of the resources are eventually spent in public subsidisation of bank loans. Moreover, as European banks undergo restructuring programmes, market-based incentives for banks to lower the cost of funding towards SMEs are limited. Direct public intervention is the key tool used so far to alleviate issues for SMEs access to finance.

Table 222 gives an idea of the size of public intervention in each country and provides some relative measures. During 2012, if compared to the national GDP size, public spending was the highest in

[17] Partner institutions are: the Italian Banking Association, the Italian Ministry of Finance, Italian Association of Entrepreneurs, SACE, SIMEST, Italian Investment Fund and Bocconi University.

[18] By initiatives at national level are intended those initiatives whose main access criterion (explicit or implicit) is identifiable in the firm's nationality. This section doesn't therefore include regional, local or EU programmes.

Spain (0.82%), while it was substantially lower in Germany (0.41%)[19]. Comparing the size of public spending with the national SME value added gives an analogous ranking with spending ranging from 2.58% of the SME sector value added in Spain to 0.91% in the UK. Public spending, which in France, Italy and Spain is similar in terms of value-added, seems to be relatively higher in those SME sectors that contribute more to the total national value added.

Table 22. Number of initiatives (public and market-based) per selected member state and total funding commitments, 2012

		UK	Germany	France	Italy	Spain	EU-27
Number of **public** initiatives available at national level	Debt targeting	6	6	8	3	8	
	Equity targeting	4	3	3	1	2	
Total		**10**	**9**	**11**	**4**	**10**	
Number of **market-based** initiatives available at national level	Debt targeting	0	3	0	1	1	
	Equity targeting	1	1	1	2	1	
Total		**1**	**2**	**1**	**3**	**2**	
Total public resources committed (€bn)		4.3	10.9	12.2	10.4	8.4	14.4[a]
Public resource committed over national GDP		0.22%	0.41%	0.60%	0.66%	0.82%	0.11%
Public resource committed over national SME sector value added		0.91%	1.47%	2.45%	2.49%	2.58%	0.40%

[a] These data also include funding delivered, where the specific programme allowed it, to non-EU member states.

Note: There are two important caveats attached to this table. First, data refer exclusively to national programmes excluding therefore all those programmes and initiatives implemented at regional and local level. Those initiatives, especially those concerning micro-enterprises, can be extremely important considering that the closer to the firm the intervention is carried out, the more effective it is, due to the lower incidence of the market failures, as explained in section 1. Second, the table does not include the use of structural funds and other broader EU programmes.

Sources: Author's own compilation from national programmes, SBA Factsheet 2012, EIB and European Commission.

As mentioned, public-subsidisation of bank loans raises long-term sustainability issues, even though it may be an effective tool in the short-term. A more diversified portfolio of financing options is needed. Shifting the focus of public resources more on 'equity' will ensure a future scenario in which SMEs' access to finance will be less dependent on public support and more on market risk. When banks are reluctant to lend and securitisation markets struggle to remerge, equity financing may be a key tool for private actors' market-based solutions to be effective. Tax incentives on equity investments, venture capital funds co-funded by public and private actors and alternative investment markets are only some examples of how public intervention can foster market-based solutions and investments in SMEs' equity finance.

Finally, there are important EU initiatives in this area. The European Commission, the European Investment Bank and the European Investment Fund are very active in supporting the access to finance of European SMEs. Targeted EU actions are mainly developed around the EIB group (EIB and EIF) and single initiatives promoted by the European Commission, such as the Competitiveness and Innovation Programme (CIP), the European Progress Microfinance Facility, the Risk Sharing Instrument Facility (RSI) and the Joint European Resources for Micro to Medium Enterprises

[19] The UK contribution in this table is penalised by the fact that the costs of the Funding for Lending Scheme (FLS), which rapidly substituted the major national guarantee program (NLGS) since its set-up, cannot be quantified.

(JEREMIE). The EU initiatives do not target exclusively SMEs in current EU member states, but also SMEs in countries acceding to the EU or candidates to the accession or countries that have signed specific participation agreements. Some programmes also target a broader range of firms, including midcaps. EU initiatives cover all the range of instruments traditionally employed to sustain SMEs financing (loans, leases, microcredit, guarantees, hybrids instruments, equity, etc). Due to the fragmentation of these initiatives, it is difficult to assess the impact of the EU action on a specific member state, but the impact of EU initiatives in financial terms is limited. Total EU initiatives amount to around €14bn, which is rather limited compared to the total size of national programmes and to the size of the sector.

3. Conclusions

A limited set of initiatives to close the funding gap for SMEs in the five biggest EU countries has been implemented. The 'standard' intervention in these countries consists of bank loans subsidisation. This strategy proves to be effective to provide immediate support to SMEs in the short-term, but fails to give a longer-term perspective in which a more diversified portfolio of financing tools prevails. A thorough assessment of all these initiatives is complex, but the analysis carried out in this report highlights that the financial resources that are directly allocated by national governments to support SMEs access to finance are overall very limited. They range from 1% to 2.5% of the value added of the respective national sector, and are certainly well below 1% of the GDP in all five countries.

Beyond the mere quantification of the amounts available for spending, and given the significant budget constraints that EU governments are facing, there is also an increasing need to have a better targeted use of these limited resources. A qualitative assessment shall be also considered. As today, the fragmentation of several initiatives across an enormous group of vaguely defined SMEs suggests that better coordination among policy actions is required. A well-designed definition of SME, which is able to identify a group of companies with similar needs and with a dimension that reflects the single market, could strongly improve this qualitative assessment (Infelise & Valiante, 2013).

Finally, the competent authorities that should be entrusted with this important role and the availability of credit information should be subject to further assessment. Not surprisingly, several institutions claim a role in coordinating initiatives to enhance SME access to finance. Greater contributions from national member states should be forthcoming, especially in those sectors that suffer strong information asymmetries or incomparability of credit information. Overall, the question of whether national governments and the EU institutions should devise separate national or supranational policy actions for SMEs is a crucial issue that certainly deserves further attention.

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Annexes

Annex 1. Initiatives targeting debt in the UK

Programme	Nature of the Intervention	Target	Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
Funding for Lending Scheme (FLS)	Public	Bank Loans	Cheap liquidity for banks conditional upon increase in net-lending towards SMEs (as defined by the UK regulation)	Banks allowed to borrow UK Treasury bills to source cheaper liquidity at the off-market rate of 0.25%	Ex-post condition to have increased bank net-lending versus SMEs. Not meeting this condition increases the costs of borrowing to1.5%	Banks can borrow up to 5% of their actual lending exposure and subsequently up to £5 every £1 lent to SMEs	Bank of England and HM Treasury	13.8bn (T-bill drawn under FLS)
National Loan Guarantee Scheme (NLGS)	Public	Bank Loans	Guarantee on unsecured borrowing by banks	Banks benefiting from this cheaper liquidity source should pass on the benefit to enterprises through cheaper loans	UK enterprises not in financial distress and have a turnover lower than £250mn	Estimated reduction of 1% in cost of bank loans	HM Treasury	£2.5bn
Enterprise Finance Guarantee (EFG)	Public	Bank Loans	Public guarantee on SMEs loans		Enterprises with turnover lower than £41mn not having access to bank loans due lack of proven track of records	The guarantee applies on loans up to 1£mn and covers 75% of each specific contract with the remaining 25% still to be covered by the bank	HM Treasury	£375mn
Business Finance Partnership (BFP)	Public	Non-bank loans	Co-funding with private funds of SMEs loans	BFP co-invests in 50% maximum share with private funds	Enterprises with turnover lower than £500mn	Single investment size varies	HM Treasury	£257mn
Start-up Loans	Public	Loans	Provision of loans and mentoring at off-market costs		Be aged 18-30, resident in England and having a viable business plan	Average loan size £4,500 depending on business plan	Start-up Loans Company	£62mn

Annex 2. Initiatives targeting equity in the UK

Programme	**Nature of the Intervention**	**Target**	**Type of Intervention**	**Main features of the programme**	**Conditions to qualify**	**Size of the benefit**	**Institution**	**Funding 2012**
Enterprise Investment Scheme (EIS)	Public	Equity	Tax Incentives for equity investments		Qualifying companies are small, higher-risk trading companies, not listed on regulated exchange, with less than 250 employs and turnover lower than £15mn	Companies cannot rise more than £5mn under SEIS, EIS and VCT in 12 months	HM Revenue & Customs	n/a
Seed Enterprise Investment Scheme (SEIS)	Public	Equity	Tax Incentives for equity investments	Promotion of direct of long-term investments in equity (minimum 3 years) and the re-investment of capital gains	Early-stage companies and companies with less than 25 employs and turnover below £200,000	Companies can rise a maximum £150,000 under SEIS and not more than £5mn under SEIS. EIS and VCT in 12 months	HM Revenue & Customs	n/a
Venture Capital Trust Scheme (VCT)	Public	Debt/Equity	Tax Incentives for investments in venture capital trusts	HMRC approve venture capital trusts to be eligible for the scheme depending on the companies it invests in	Qualifying companies are small, higher-risk trading companies, not listed on regulated exchange, with less than 250 employs and turnover lower than £15mn	Companies cannot rise more than £5mn under SEIS, EIS and VCT in 12 months	HM Revenue & Customs	n/a
Business Angel Co-Investment Fund	Public	Equity	Co-investment funds	The fund co-invests (max 49% participation in the investment) complementing investments done by business-angel syndicates	High growth potential early stage SMEs	Fund investments between £100,000 to £1mn	Consortium of public and private bodies	The fund has a total funding capacity of £100mn
Alternative Investment Market	Market-Based	Equity	Multilateral Trade Facility tailored on SMEs needs	Balanced regulatory environment, lighter admission criteria and lower continuing obligations	No formal entry requirements in term of size or age	Possibility of rising equity capital on a public market. Tot market cap. £69bn, average market cap. £63mn, n.listed	London Stock Exchange Group	not applicable

						companies 1,092 (Nov 2013)		
Growth Accelerator	Public	Debt/Equity	Reduction of the competence gap	Provision through private sector experts of tailored growth strategies, commercial and sales skills and finance and management expertise	Companies with less than 250 employs and turnover lower than £40mn		BIS oversight over private management of the program	£200mn

Annex 3. Initiatives targeting debt in Germany

Name of the Programme	Nature of the Intervention	Target	Type of Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
ERP Start-up Loan (StartGeld)	Public	Bank loans	favourable interests rates/ risk sharing	Medium and long-term loans to finance specific types of investment of start-ups	Business funders, self-employed professional and small enterprises (EU-definition) with less than 3 years in business.	up to €100,000 loan amount	KfW	€ 2.3bn
ERP Start-up Loan (Universell)	Public	Bank loans	favourable interests rates	Medium and long-term loans to finance specific types of investment of start-ups in Germany and abroad	Business funders, self-employed professionals and SMEs (EU-definition) with less than 3 years in business	up to €10mn loan amount	KfW	
KfW Entrepreneur Loan	Public	Bank loans	favourable interests rates/ risk sharing (optional)	Medium and long-term loans to finance investements in Germany and abroad / financing of working capital also possible	SMEs (annual turnover up to €500mn) with more than 3 years in business	up to €25mn loan amount	KfW	€ 7.8bn
KfW Entrepreneur Loan (Subordinated Capital)	Public	Bank loans	Improving SMEs capital structure by providing subordinated debt	Loans consist of a debt capital tranche of 50% and subordinated debt tranche of 50%. KfW claims on the subordinated debt will rank inferior to the claims of all current and future debt capital lenders	SMEs older than 3 years	up to €4mn	KfW	
ERP Innovation Programme I	Public	Bank loans	Improving SMEs capital structure by providing subordinated debt	Loans need to finance R&D and market oriented research. Loans consist of a debt capital tranche and subordinated debt tranche (50%-60%).	Firms older than 2 years with turnover lower than €500mn	up to €5mn	KfW	€ 880mn
ERP Innovation Programme II (stopped in 12/2013)	Public	Bank loans	Improving SMEs capital structure by providing subordinated debt	Loans need to finance the introduction of new products in the market. Loans consist of a debt capital tranche and subordinated debt tranche (50%-60%).	Firms older than 2 years complying to the SME definition of the EU	up to €1mn (2.5mn in Eastern Germany)	KfW	
Entry Standard for corporate bonds	Market-based	Bond issuance	SMEs bond trading venue		No formal entry requirements in term of size or age	€30 to 200mn of issuing volume	Deutsche Börse	not applicable
BondM	Market-based	Bond issuance	SMEs bond trading venue		No formal entry requirements in term of size or age		Stuttgart Stock Exchange	not applicable
Mittel-standsmarkt	Market-based	Bond issuance	SMEs bond trading venue		No formal entry requirements in term of size or age		Dusseldorf Stock Exchange	not applicable

Annex 4. Initiatives targeting equity in Germany

Programme	Nature of the Intervention	Target	Type of Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
ERP Start-up Fund	Public	Equity	Providing venture capital by co-investment with the private sector	KfW co-investment is up to 50% and the private investor monitors the management of the company, provides advices and supervision and reports to KfW.	SMEs and young innovative technology-based firms	up to €5mn	KfW	€ 58.2mn
High-Tech Seed Fund	Public	Equity	Providing equity capital through a public/private investment fund (seed fund)	The partnership includes the participation of the German Federal Government and some of the major German corporations	SMEs less than 1 year old technologically oriented and with high growth potential	There is not an upper limit	High-Tech Gruenderfonds	€15.7mn
ERP Participation Programme	Public	Equity	Providing refinancing loans at favourable interests rate to companies investing in SMEs equity		SMEs	Loans cover up to 100% of the equity participation up to a maximum of €1mn	KfW	€ 69mn
Entry Standard for shares	Market-based	Equity	Multilateral Trade Facility tailored on SMEs needs	Balanced regulatory environment, lighter admission criteria and lower continuing obligations	No formal entry requirements in term of size or age	Possibility of rising equity capital on a public market. Tot market cap. £23bn, average market cap. £115mn, listed companies 202 (Nov 2013)	Deutsche Börse	not applicable

Annex 5. Initiatives targeting debt in France

Programme	Nature of the Intervention	Target	Type of Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
Prêt Participatif d'Amorçage (PPA)	Public	Bank loans	Provision of loans at off-market conditions	Loans do not require posting collateral nor guarantees	SMEs less than 5 years old involved in R&D or innovative activities that already benefited from public support	between €50,000 and €75,000	Bpifrance	€70mn
Contrats de Développement Innovation (CDI)	Public	Bank loans	Provision of loans at off-market conditions	Loans do not require posting collateral nor guarantees	SMEs willing to undertake an innovative project or to undergo an internal modernisation programme	between €40,000 and €300,000	Bpifrance	n/a
Contrat de Développement Participatif (CDP)	Public	Bank loans	Provision of loans at off-market conditions	CDP works in partnership with the "home" bank of the applicant firm (in the proportion 1€ from CDP to 2€ from the bank) and Bpifrance provides guarantee on the bank's loan	SMEs over three years old with an expected turnover growth above 5%	up to €3mn	Bpifrance	€725mn
Prêt Pour l'Innovation (PPI)	Public	Bank loans	Provision of loans at off-market conditions	Loans do not require posting collateral nor guarantees	SMEs older than 3 years in the phase of commercialisation of a new product and that already benefited from public support in the previous 3 years	between €30,000 and €1.5mn	Bpifrance	€100mn
Garantie Innovation	Public	Bank loans	Public guarantee on SMEs loans		SMEs over three years old willing to finance the conception, development and commercialisation of new products, services or technologies	up to 60% of the loan	Bpifrance	€9.9bn
Biotech Garantie	Public	Bank loans	Public guarantee on SMEs loans		SMEs below 5 years old in the biotechnology industry	up to 70% of a loan	Bpifrance	
Garantie de Caution sur Projets Innovants	Public	Bank loans	Public guarantee on SMEs loans	Loans to finance a business activity that represents a important change with respect to the ongoing business of the company	Innovative SMEs	up to 80% of the bank loan up to a maximum of €300,000	Bpifrance	
Credit Mediation Schemes (CMS)	Public	Bank loans	Increase the exchange and the quality of information between credit institutions and SMEs applying for loans		all companies who have been refused a loan		Bank of France	n/a

Annex 6. Initiatives targeting equity in France

Programme	Nature of the Intervention	Target	Type of Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
Contrat de Développement Participatif (CDP)	Public	Equity	Providing equity capital by co-investing with the private sector	CDP works in partnership with the investment firm (in the proportion 1€ from CDP to1€ from the firm)	SMEs over three years old with an expected turnover growth above 5%	up to €3mn	Bpifrance	See CDP in Debt sections
Fonds Stratégique d'Investissement (FSI)	Public	Equity	Direct equity investment or fund investment	The fund of funds activity focuses on venture capital funds investing in small and medium companies with asset size lower than €100mn	Innovative and high-growth companies	There are no specific thresholds	Bpifrance	1.5bn
Garantie des Fonds Propres	Public	Equity and quasi-equity	Public guarantee on SMEs equity investments		Innovative SMEs	up to 50% of the investment (70% for investments in SMEs below 5 years old)	Bpifrance	Included in the €9.9bn of the guarantees in the debt section
NYSE Alternext	Market-based	Equity	Multilateral Trade Facility tailored on SMEs needs	Balanced regulatory environment, lighter admission criteria and lower continuing obligations	No formal entry requirements in term of size or age	Possibility of raising equity capital on a public market. Total market cap. €5.9bn, average market cap. €31.7mn, n.listed companies 183 (Nov 2013)	NYSE	Not applicable

Annex 7. Initiatives targeting debt in Spain

Programme	Nature of the Intervention	Target	Type of Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
ICO Companies and Entrepreneurs Liquidity Facility	Public	Bank loans	Provision of loans at off-market conditions	loans conditions are set by ICO but financing can be obtained through banks and saving banks established in Spain who manage the process and assume the credit risks	self-employed and companies to finance investments and to meet liquidity needs	up to €10mn	ICO	€ 6.7bn
ENISA Entrepreneur	Public	Bank loans	Provision of participating loans at off-market conditions		SMEs not older than 2 years old with audited financial statements or registered accounts for constituted companies and not e in real-estate or financial sector	from €75,000 to €300,000	ENISA	
ENISA Young Entrepreneur	Public	Bank loans	Provision of participating loans at off-market conditions	Investments need to be co-financed by partners at least for 15% of the loans size and need to be used to finance fixed assets and working capital	SMEs not older than 2 years old, with a balanced financial structure, not in real-estate or financial sector and whose majority stakeholders are not older than 40 years.	from €25,000 to €75,000	ENISA	
ENISA Competitiveness	Public	Bank loans	Provision of participating loans at off-market conditions	Loans need to be used to improve manufacturing systems and/or a change in manufacturing model	SMEs with audited financial statements or registered accounts for constituted companies and not e in real-estate or financial sector	from €75,000 to €1.5mn	ENISA	
ENISA Technology-Based Companies	Public	Bank loans	Provision of participating loans at off-market conditions	Loans nee to be used for the developement of technological innovations	SMEs with audited financial statements or registered accounts for constituted companies and not e in real-estate or financial sector	from €75,000 to €1.5mn	ENISA	
ENISA M&A	Public	Bank loans	Provision of participating loans at off-market conditions	Loans nee to be used to undertake projects of M&A nature	SMEs with audited financial statements or registered accounts for constituted companies and not e in real-estate or financial sector	from €200,000 to €1.5mn	ENISA	€90.8mn
SME Guarantee Programme	Public	Bank loans	Refinancing of guarantees awarded on SMEs loans by Mutual Guarantee Associations		SMEs	up to a maximum of €625,000	CERSA	n/a

Annex 8. Initiatives targeting debt in Spain, cont.

Alternative Fixed-Income Market (MARF)	Market-based	Bond Issuance	Multilateral Trade Facility for fixed-income securities tailored on SMEs needs	Flexible regulation, procedural simplifications and lower issuing costs compared to the a regulated market	No formal size requirements but companies are required to have a credit-rating, to present audited financial reports for the 2 previous years and to commit to disclose publicly relevant information to investors		BME	not applicable
Asset Securitisation Fund for SMEs	Public	Bond Issuance	Public guarantee on securitised assests	At least 80% of the proceeds obtained by the guaranteed securitisation activity must be reinvested in new loans or credit for SMEs within the following 2 years	Securitised assets are loans or credits awarded to Spanish non-financial institutions, of those assets at least 50% must come from SMEs loans or credit. Loans maturity must be higher than 1 year.	Guarantee on 80% of securities issued that have a rating of AA or Aa (or higher)	Spanish Treasury	€ 1.6bn

Annex 9. Initiatives targeting equity in Spain

Programme	Nature of the Intervention	Target	Type of Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
ENISA MAB	Public	Equity	Provision of participating loans at off-market conditions	Loans need to finance costs associated with preparing the company for the listing on the Mercado Alternativo Bursátil	SMEs with audited financial statements or registered accounts for constituted companies and not e in real-estate or financial sector	from €200,000 to €1.5mn	ENISA	see ENISA programmes in debt section
FOND-ICOpyme	Public	Equity/Non-bank loans	Direct investment in SMEs equity, investments in venture capital funds and provision of participating loans		SMEs undertaking projects of expansion (M&A), internationalisation and R&D	from €0.75mn to €1.5mn for "early stage" companies up to €15mn for companies in the "growth sector"	Axis	€119mn
Mercado Alternativo Bursatil (MAB)	Market-based	Equity	Multilateral Trade Facility tailored on SMEs needs	Balanced regulatory environment, lighter admission criteria and lower continuing obligations	No formal entry requirements in term of size or age	Possibility of rising equity capital on a public market. Tot market cap. €762mn, average market cap. €34.6mn, listed companies 22 (May 2013)	BME	not applicable

Annex 10. Initiatives targeting debt in Italy

Programme	Nature of the intervention	Target	Type of Intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
Nuovo Plafond PMI Investimenti	Public	Bank loans	Provision of loans at off-market conditions	Loans are awarded through the network of private credit institutions participating at the programme	Italian SMEs financing investments or working capital	There is no specific threshold	CdP and ABI	4.4bn
Plafond PMI Crediti vs PA	Public	Credit collection from Public Administration	Solving liquidity problems of SMEs deriving from late-payments of the Public Administrations	CdP will finance the purchase by private credit institutions of SMEs credits towards the Public Administration	SMEs		CdP and ABI	€2bn
Fondo Centrale di Garanzia	Public	Bank loans	Public direct guarantee, indirect guarantee or co-guarantee on SMEs loans		SMEs not in financial distress, undertaking investments related to the nature of the core business activity	up to 80% of the investment and not more than €2.5mn	Ministry for Economic Development	€4bn
ExtraMOT PRO	Market-based	Public debt	Multilateral Trade Facility for fixed-income securities tailored on SMEs needs	Bonds issued on this segment do not required to have an official rating and a listing partner	No formal size requirements		Borsa Italiana/LSEG	not applicable
Fondo Italiano d'Investimento	Public/market-based	Equity	Direct equity investments or investments in venture capital funds		SMEs (not start-up) that are financially solid, with acceptable current and expected profit margins and that have, above all, significant potential to create value	There is no specific investment threshold size	Ministry of Treasury and Finance together with several Sponsor Banks and trade associations	€183mn

Annex 11. Initiatives targeting equity in Italy

Programme	Intervention	Target	Type of intervention	Main features of the programme	Conditions to qualify	Size of the benefit	Institution	Funding 2012
AIM Italia	Market-based	Equity	Multilateral Trade Facility tailored on SMEs needs	Balanced regulatory environment, lighter admission criteria and lower continuing obligations	No formal size requirements	Possibility of rising equity capital on a public market. Tot market cap.€773mn, average market cap. €32mn, n.listed companies 24 (June 2013)	Borsa Italiana/LSEG	not applicable
Elite Programme	Market-based	Equity	Reduction of the competence gap	Provision through private sector experts of tailored growth strategies, industrial, financial and organisational capabilities	Minimum turnover of €10mn (lower with high growth rate), a plausible growth projection and an EBITDA margin higher than 5%		LSEG/Borsa Italiana in partnership with the Italian government and other major Italian financial institutions	not applicable

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