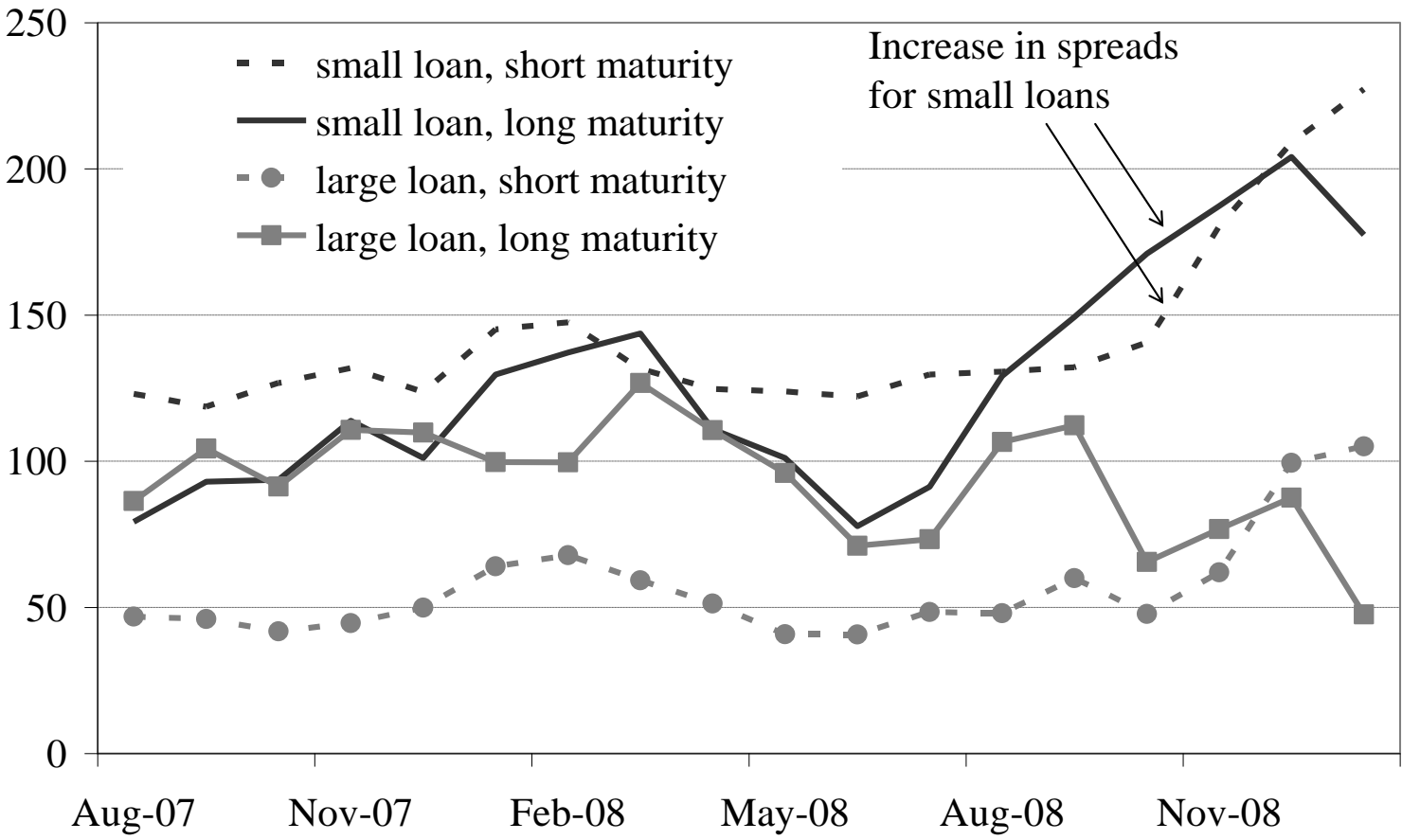


The impact of the crisis on SMEs

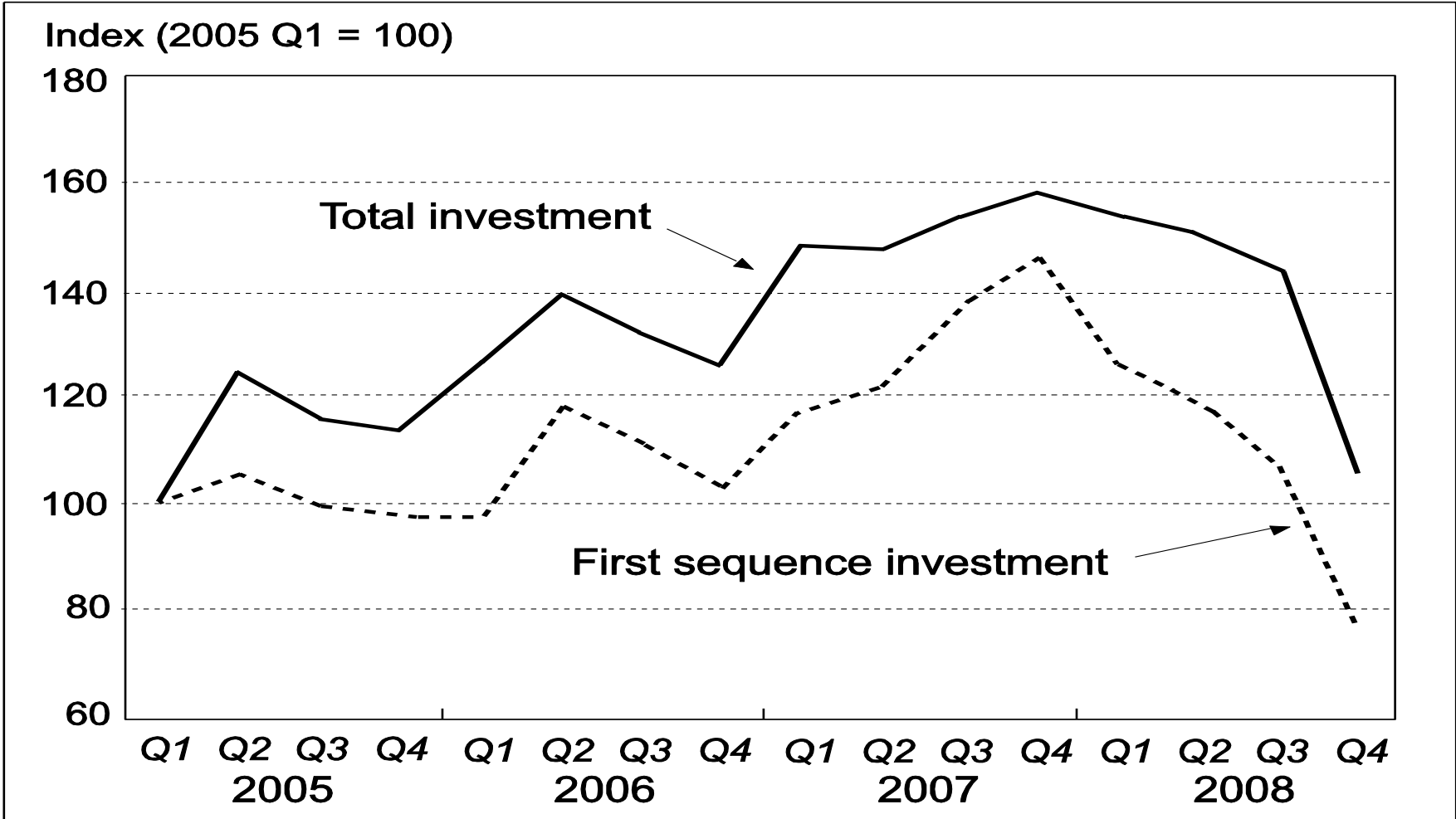
- Decline in demand for goods and services
- Increased payment delays
- Shortage of working capital and decreased liquidity
- Increase in insolvencies and bankruptcies
- Reduced demand for credit to finance investments and for short term finance
- Tightened lending conditions and increased cost of finance (spreads)

Bank spreads on small and large loans to non-financial corporations (monthly data, August 2007-January 2009, basis points)



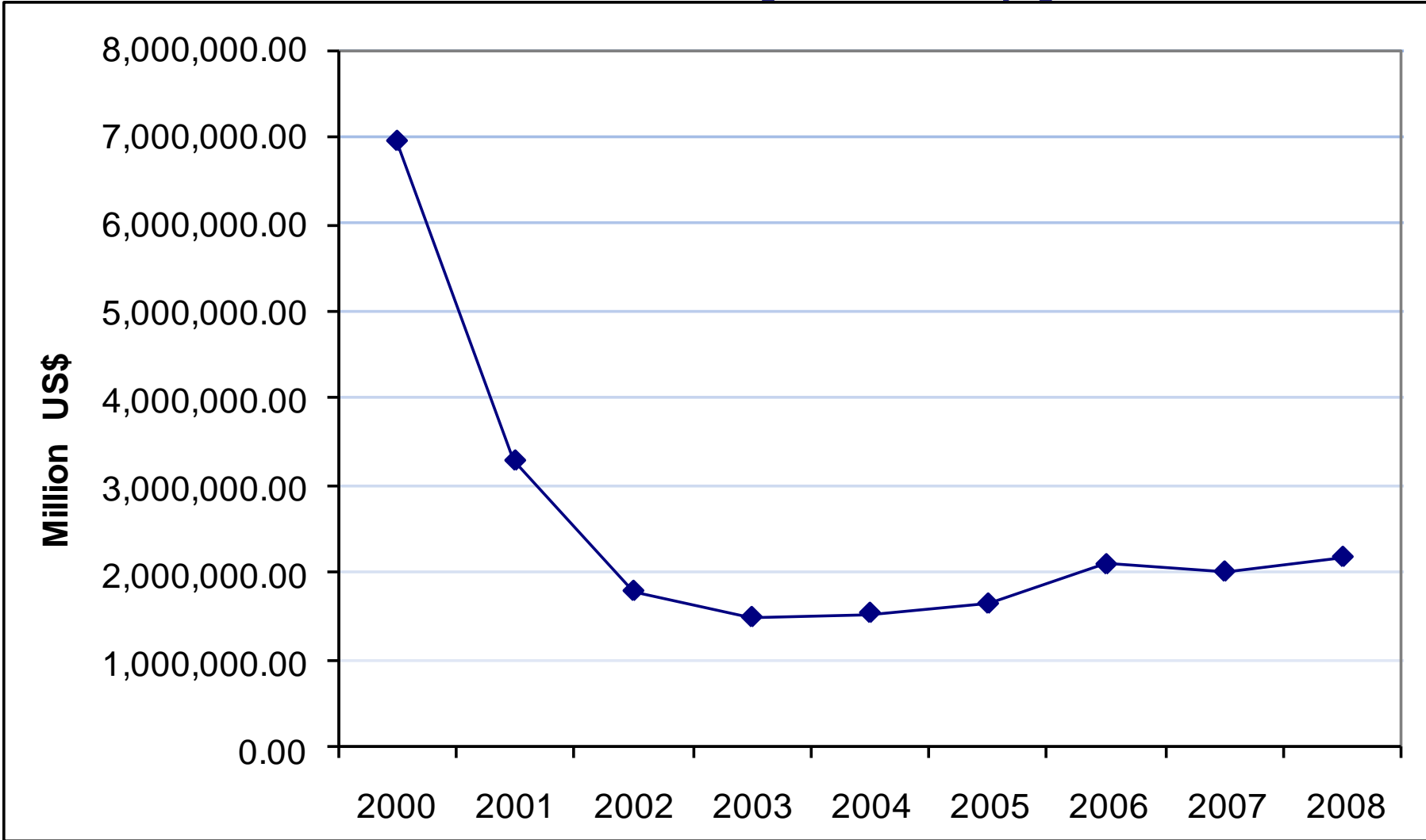
Source: European Central Bank

Recent trends in VC investment in the United States



Source: PricewaterhouseCoopers and National Venture Capital Association.

Global Venture Capital Investment 2000-2008 (in US\$)



Source: VentureXpert, Thomson Financial, 2009

| | |
|--|---|
| Alleviating working capital shortage in the economy | Canada, France, Italy, Netherlands, Chile |
| Easing tax payments | Australia, Belgium, Canada, Denmark, France, Italy, Mexico, Netherlands, New Zealand, Brazil |
| Export facilitation | Austria, Canada, Czech Republic, Denmark, Germany, Italy, Luxembourg, Mexico, Netherlands, New Zealand, Spain, Switzerland, Brazil, Chile, Slovenia |
| Easing procurement payment procedures | Australia, France, Netherlands, New Zealand, United Kingdom |
| Creation and extension of loan and guarantee schemes | Austria, Belgium, Canada, Czech Republic, Finland, France, Germany, Greece, Hungary, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, Spain, UK, USA, EC, Brazil, Chile, Russia |
| Mediation (MD) and monitoring (MN) | Belgium (MD), France (MD), Italy (MN), United States (MN) |
| Strengthening pro-investment measures | Austria, Czech Republic, France, Germany, Hungary, Italy, Japan, Spain, Switzerland, USA, EC, EIB/EIF |
| Strengthening capital base and private equity and venture capital | Austria, Denmark, Finland, Hungary, Mexico, UK, Chile, Slovenia, EIF/EIB |

Size of some of the measures for SME financing in the OECD area

| | Measure |
|---------|---|
| EU | <p>€1 billion for the EIF for mezzanine financing</p> <p>€10 billion more for loans to SMEs (for a total of €30bn)</p> |
| France | <p>€22 billion plan for financing SMEs:</p> <ul style="list-style-type: none"> ✓ €17bn transferred to banks for SME lending. ✓ €5bn in loans and guarantees for OSEO |
| Germany | €15 billion to enhance the supply of credit for the private sector |
| Italy | €450 million for re-financing of the Central Guarantee Fund for SMEs. |
| Japan | An Emergency Guarantee System of 30 trillion yen and a Safety Net Loans of 15 trillion yen. Total: 45 trillion yen, app. €343 billion |
| Spain | Fiscal measures for €17 billion and financial instruments for €29 billion |
| USA | Boost credit markets for SMEs by purchasing up to USD15 billion (€11.25 billion) in securities backed by loans from the SBA. |

Policy Implications - 1

I. Resolving the problem of insufficient working capital

- Making guarantees effective
- Dealing with cash flow problems

II. Supporting innovative start-ups and high-growth SMEs

- Provision of private risk capital through co-investment
- Reduction or elimination of taxes on capital gains for investment in SMEs by venture capital funds

Policy Implications - 2

III. Improving the SME and entrepreneurship financial environment in the long term

- Balancing banks' scoring methods for assessing SME credit-worthiness with adequate room for "*relationship banking*"
- Financial institutions' partnership with business service providers to help SMEs
- SMEs' improved transparency of their economic and financial conditions and improved quality of their credit demand
- Assessment possible effects of Basel II future revision on SME lending

Policy Implications -3

IV. Other policy responses to improve SME and entrepreneurship financing

- Improving SME and entrepreneurs' information and competencies
- Facilitating dialogue and consultation between governments, SMEs and financial institutions
- Improving knowledge of the situation of SME and entrepreneurs' financing:
 - need for more timely and SME specific data on the supply of and demand for financing