

Evaluation of EIB Group debt support for small businesses and mid-caps

Áron Gereben – Evaluation Expert/Team Leader

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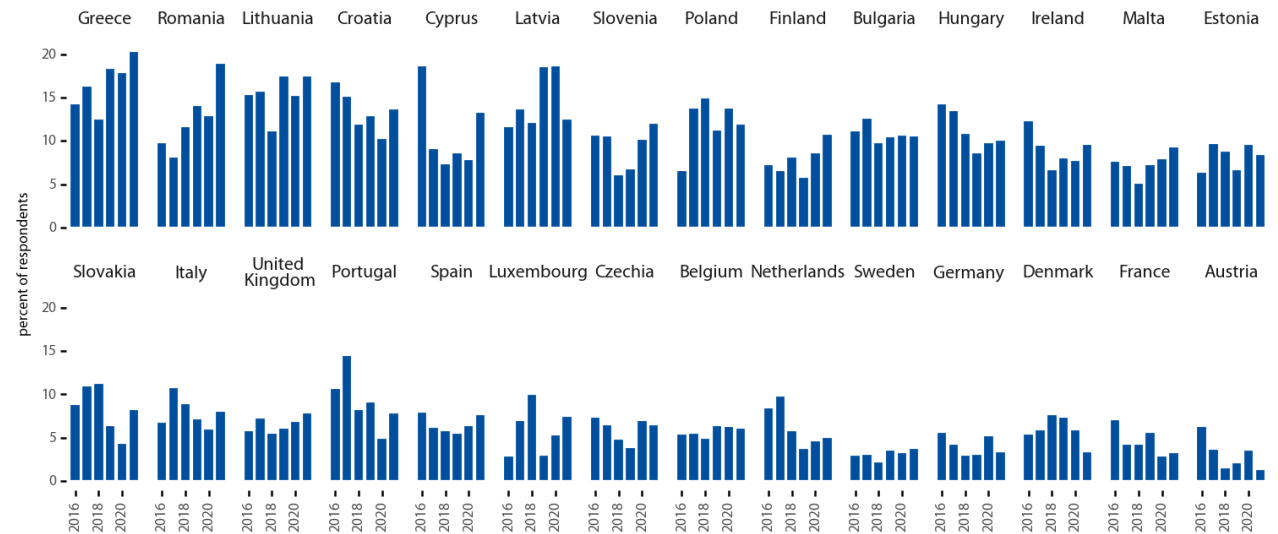
Evaluation

Why public intervention?

SME financing gap

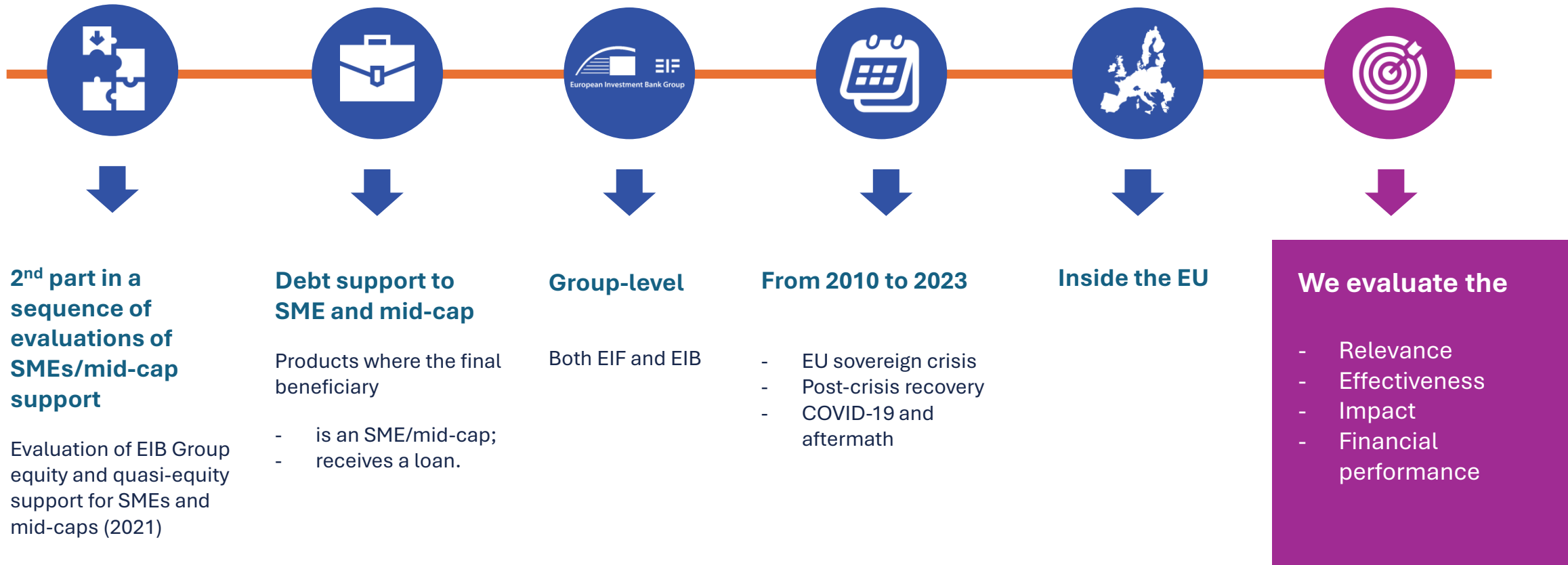
- Small- and medium-sized enterprises (SMEs) are the **backbone of the economy**.
- Yet, SMEs often find it **difficult to access financing** from banks at all, or on suitable conditions.
- The SME financing gap is generally **more pronounced** for firms that are
 - **younger,**
 - **smaller,**
 - **innovative,** or
 - have **less collateral.**
- The SME financing gap **varies across geographies and over time.**
- Besides the generic SME financing gap, public intervention is also often targets **thematic investments** with positive externalities (e.g. **green**)

Share of finance-constrained SMEs in the European Union



Source: EIB Investment Survey

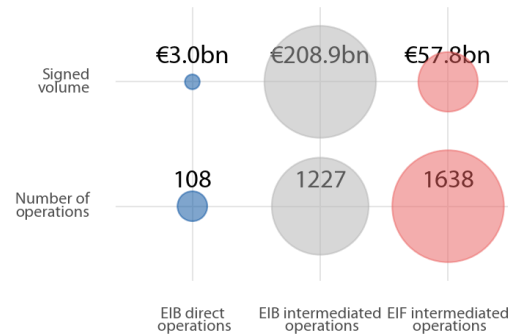
What is the evaluation's scope?



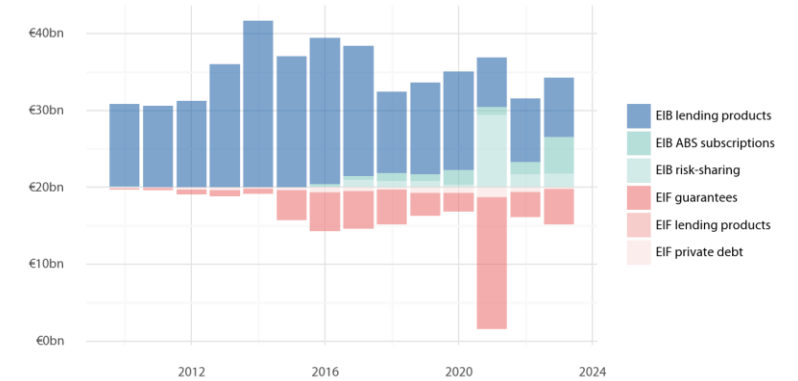
How does the portfolio look like?

- Total signed volume between 2010 and 2023 amounts to **€270 billion**.
- The overwhelming majority is **intermediated finance**, where support is channeled through other financial institutions:
 - Close to 70% is through **EIB lending products** ('credit lines').
 - About 20% is through **EIF portfolio guarantees**.
 - The rest is 'in-between'.
- The year 2021 is an **outlier** for the EIF due to a special COVID-related mandate (Pan-European Guarantee Fund).

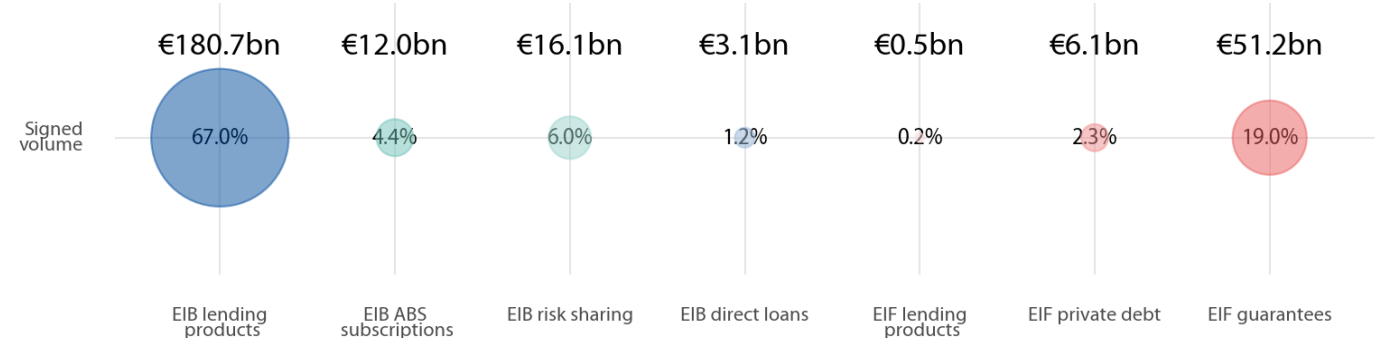
Volume and number of EIB Group SMEs and mid-caps debt operations (2010-2023)



EIB Group SMEs and mid-caps debt operations by product (2010-2023)



Volume of EIB Group SMEs and mid-caps debt operations by product category (2010-2023)



What did we find?



1. Increasingly diversified portfolio

- from lending products towards deploying risk sharing;
- from generic SME support to thematic products (climate)
- towards alternative finance providers.



2. Unclear targets

- Operations' expected objectives are often unclear.
- Products tend to aim at all SMEs, with little focus on firms with difficulties in accessing finance.
- Products aim at reducing borrowing costs, while most firms report quantitative constraints (e.g. rejection, low credit limits).



3. Good deployment, with caveats

- Overall, SME and mid-cap support is deployed effectively and rapidly.
- Yet, adjusting the offer to the evolving constraints of financial intermediaries (funding vs guarantees) has occurred with delays.



4. Limited knowledge of firm-level results

- Good information on intermediaries, but
- Little is known about the final beneficiary firms' customer experience.

What did we recommend?



1. Define a Group-level strategy for SME and mid-cap support.



2. Strengthen the incentives in thematic (green) products.



3. Stand ready to adapt to the needs of financial intermediaries.



4. Strengthen the focus on final beneficiary firms.