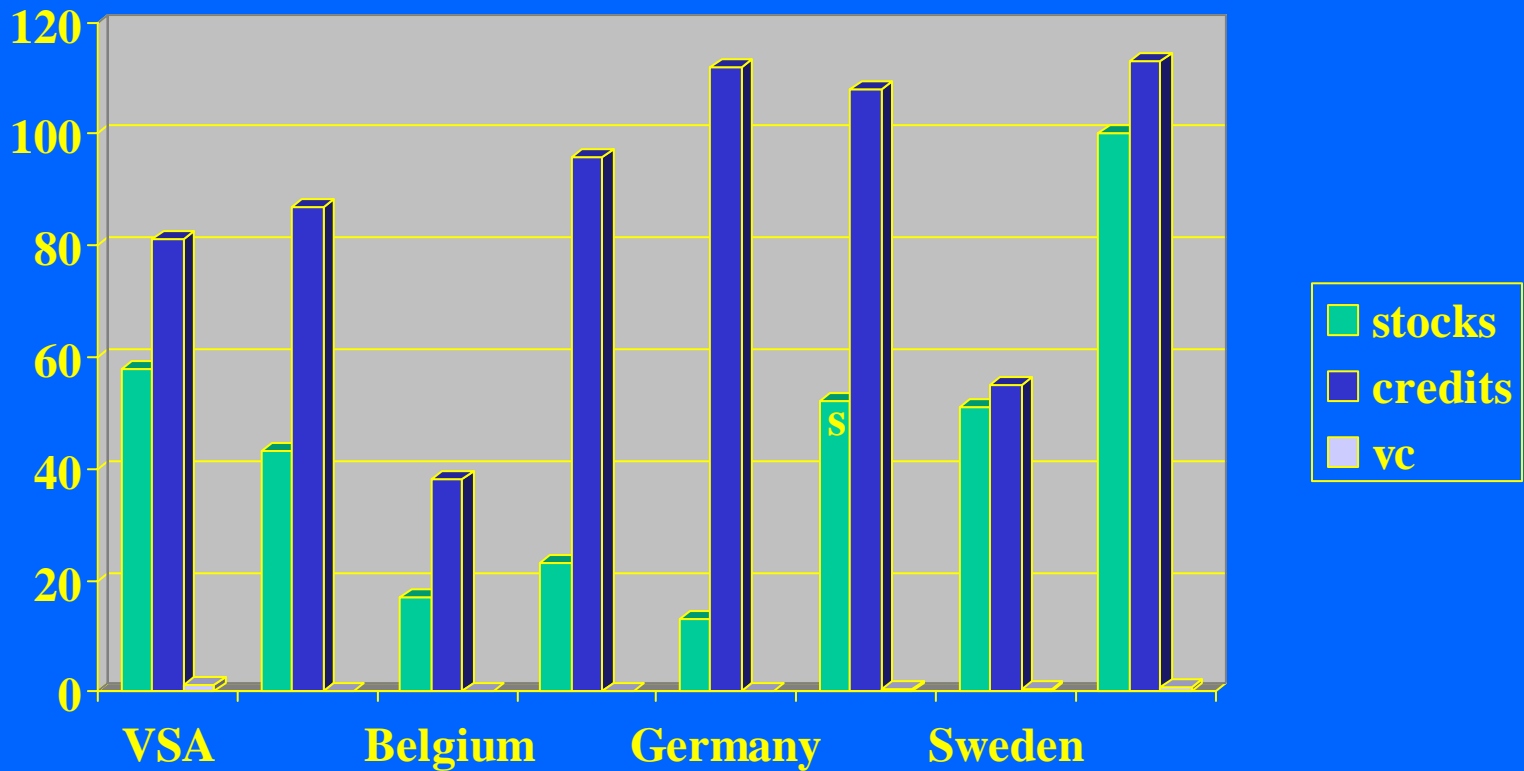


# Funding Entrepreneurship in Europe

Serge Kubla  
Belgian President of Industry Council

# Sources of Financing credits/stocks versus risk capital



# Interest Rate Margins

(% balance sheet)

	1990	1995	1999
<b>Netherlands</b>	<b>1.82</b>	<b>1.87</b>	<b>1.70</b>
<b>Belgium</b>	<b>1.49</b>	<b>1.23</b>	<b>1.09</b>
<b>Spain</b>	<b>3.95</b>	<b>2.76</b>	<b>2.29</b>
<b>Germany</b>	<b>1.96</b>	<b>2.02</b>	<b>1.48</b>
<b>France</b>	<b>1.74</b>	<b>1.17</b>	<b>0.80</b>
<b>US</b>	<b>3.62</b>	<b>3.72</b>	<b>3.52</b>

# The Basle directive

Rating	Default Rate	KMV	MIDCAP	PME	PMR	S&P	Moody's	pondérations forfaitaires				
0	Belgian Central Bank											
1	0-2	[Blue bar]	[Blue bar]	[Blue bar]	[Blue bar]	AAA/AA+	Aaa/Aa1	20%				
2	2-4					AA/AA-	Aa2/Aa3	20%				
3	4-8					A+/A	A1/A2	100%				
4	8-12					A-	A3	100%				
5	12-16					BBB+	Baa1	100%				
6	16-25					BBB	Baa2	100%				
7	25-40					BBB-	Baa3	100%				
8	40-60	[Green bar]	[Green bar]	[Green bar]	[Green bar]	BB+	Ba1	100%				
9	60-90					BB		100%				
10	90-120						Ba2	100%				
11	120-160					[Orange bar]	[Orange bar]	[Orange bar]	[Orange bar]	BB-		100%
12	160-250										Ba3	100%
13	250-350					[Red bar]	[Red bar]	[Red bar]	[Red bar]	B+	B1	100%
14	350-500									B		100%
15	500-700											100%
16	700-1000										B2	100%
17	1000+										B3 and below	150%
18	Interest Suspense	[Black bar]	[Black bar]	[Black bar]	[Black bar]	CCC and below	B3 and below					
19	Provision					Default	Default					
20	Liquidation					Default	Default					

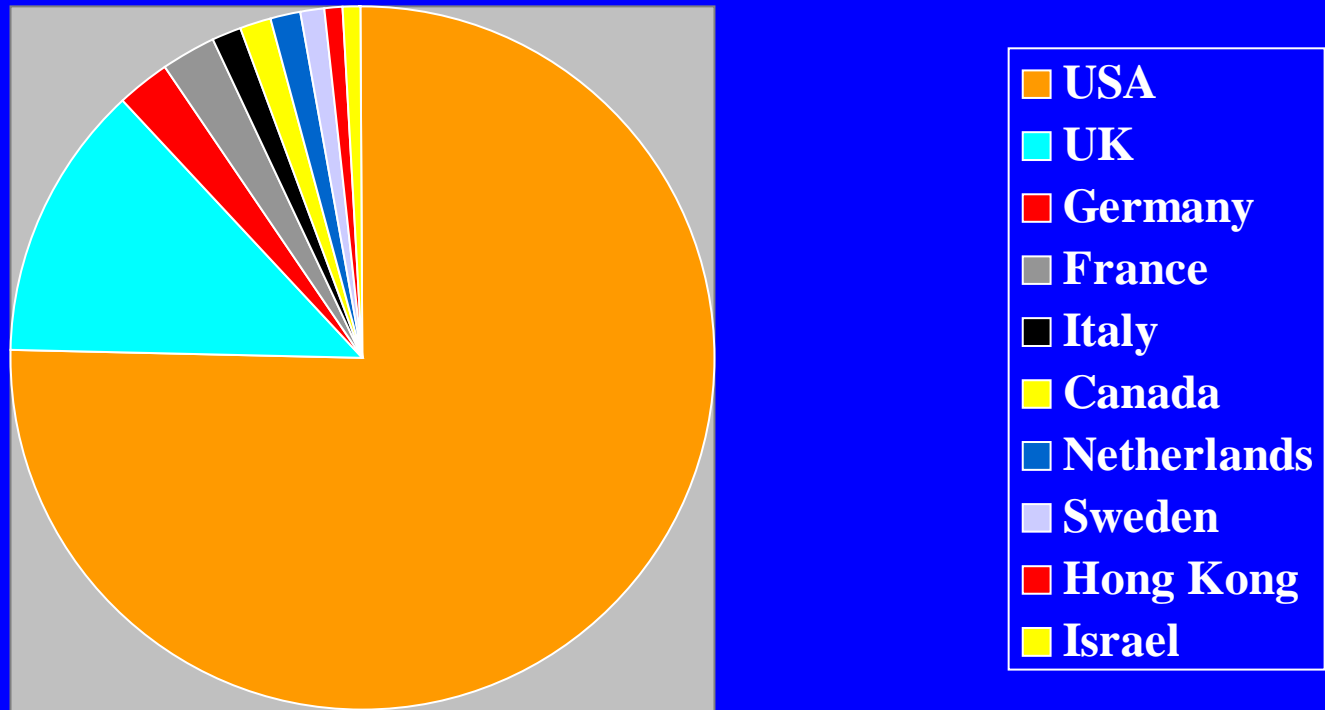
17 ratings - 1 the best / 17 the worst + colors + building blocks

# The myth of lack of venture capital: Facts and figures

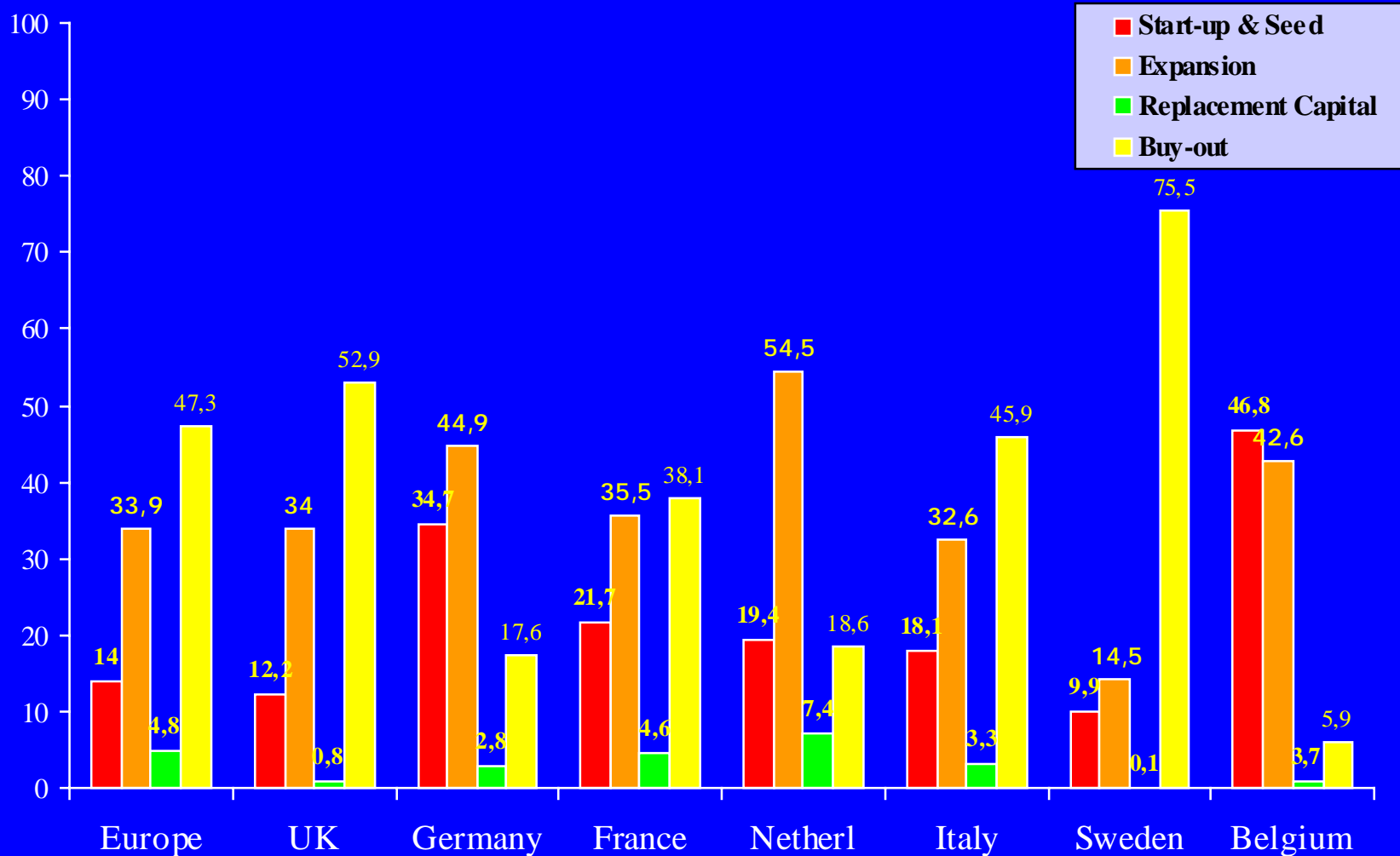
Reference period: 1995 - 2000

- *Investment: Annual average rate: 35%*
- *High-technology investments:*
  - Average growth rate : 114%*
- *Fund raising: average growth rate: 41%*
- *Total in 2000: 177 billion \$*
- *Equals 0, 62 % of worlds' GDP*
- *Average deal in USA 15 million \$*
- *In EU average for starter tripled in 3 years*

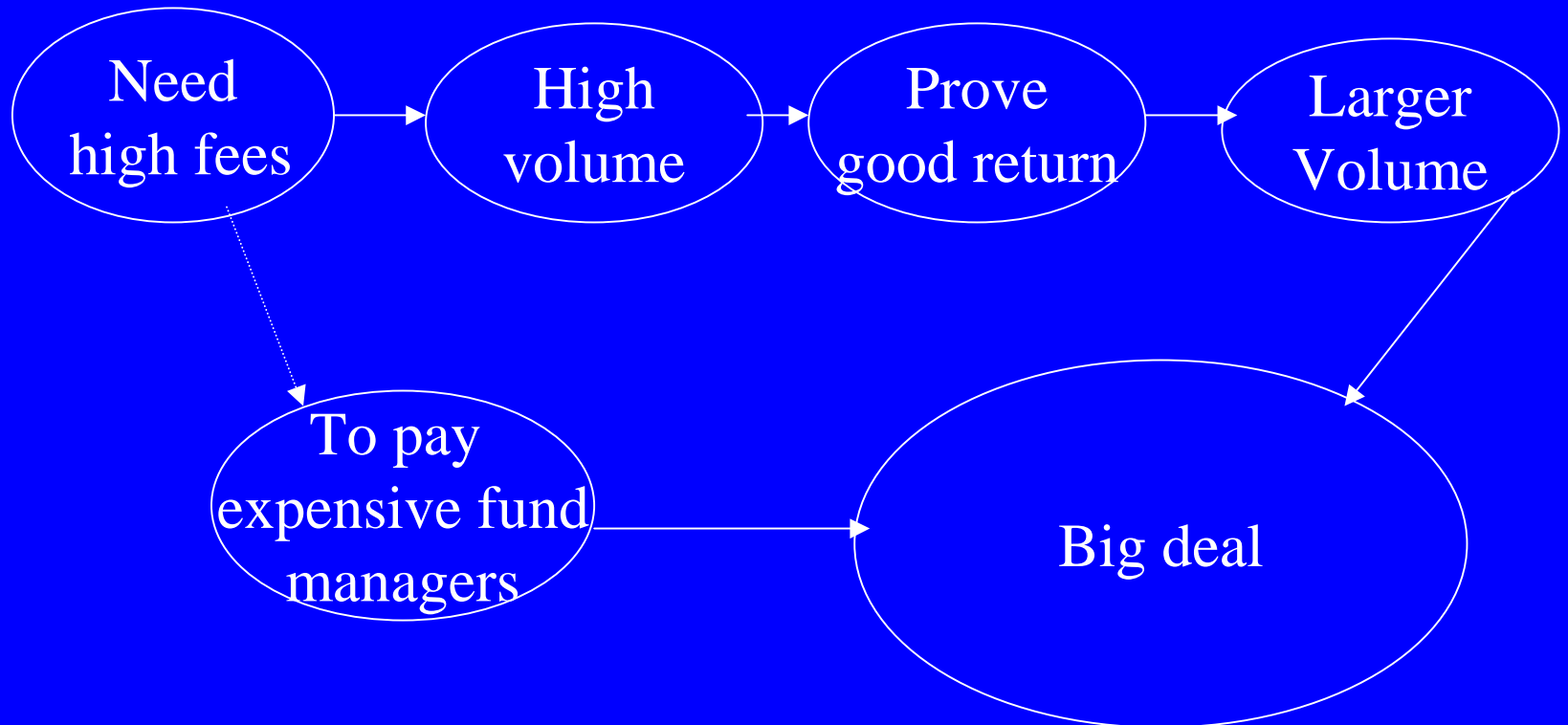
# 10 countries have 95% of VC in the World



# Stage Distribution of investments by Amount in 2000

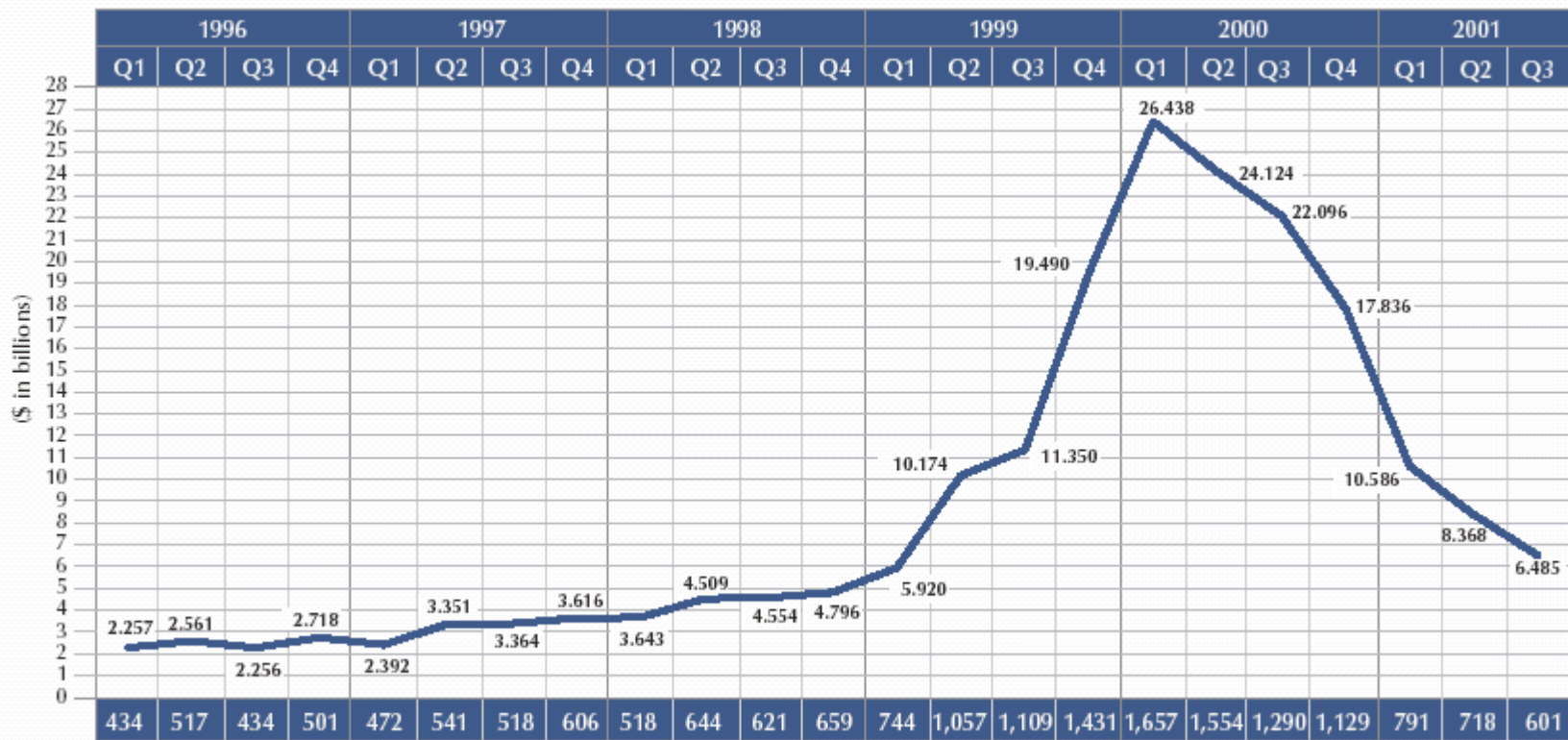


# Natural tendency for big deals



# Figures 2001

- USA: 26,5 bi \$ (1/1 – 30/9)
- Estimated for 2001: 30 bi \$ (2000: 126 bi \$)
- Europe: Q3 – 63%
- Especially seed decreases

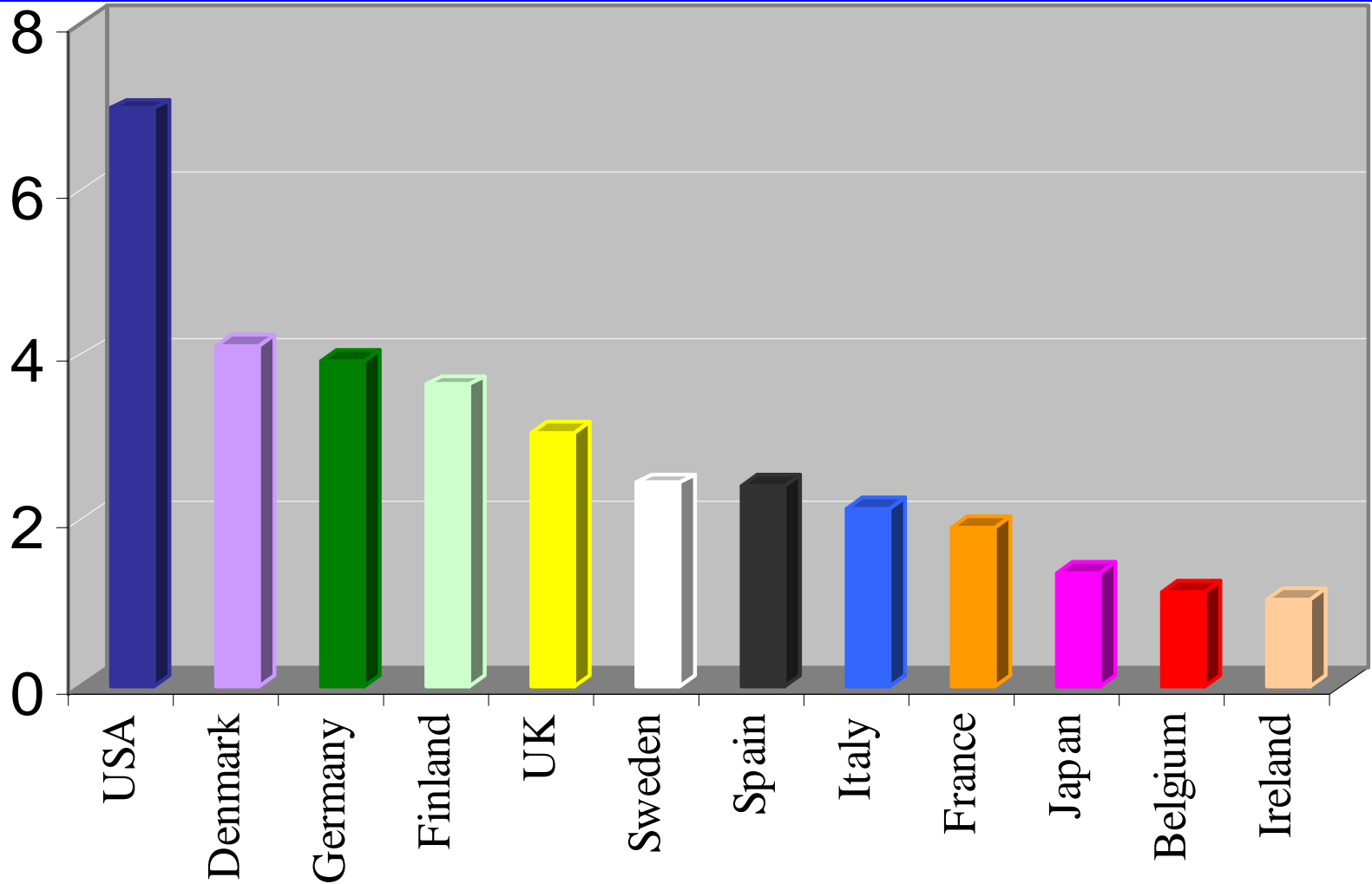


(Total # of deals)

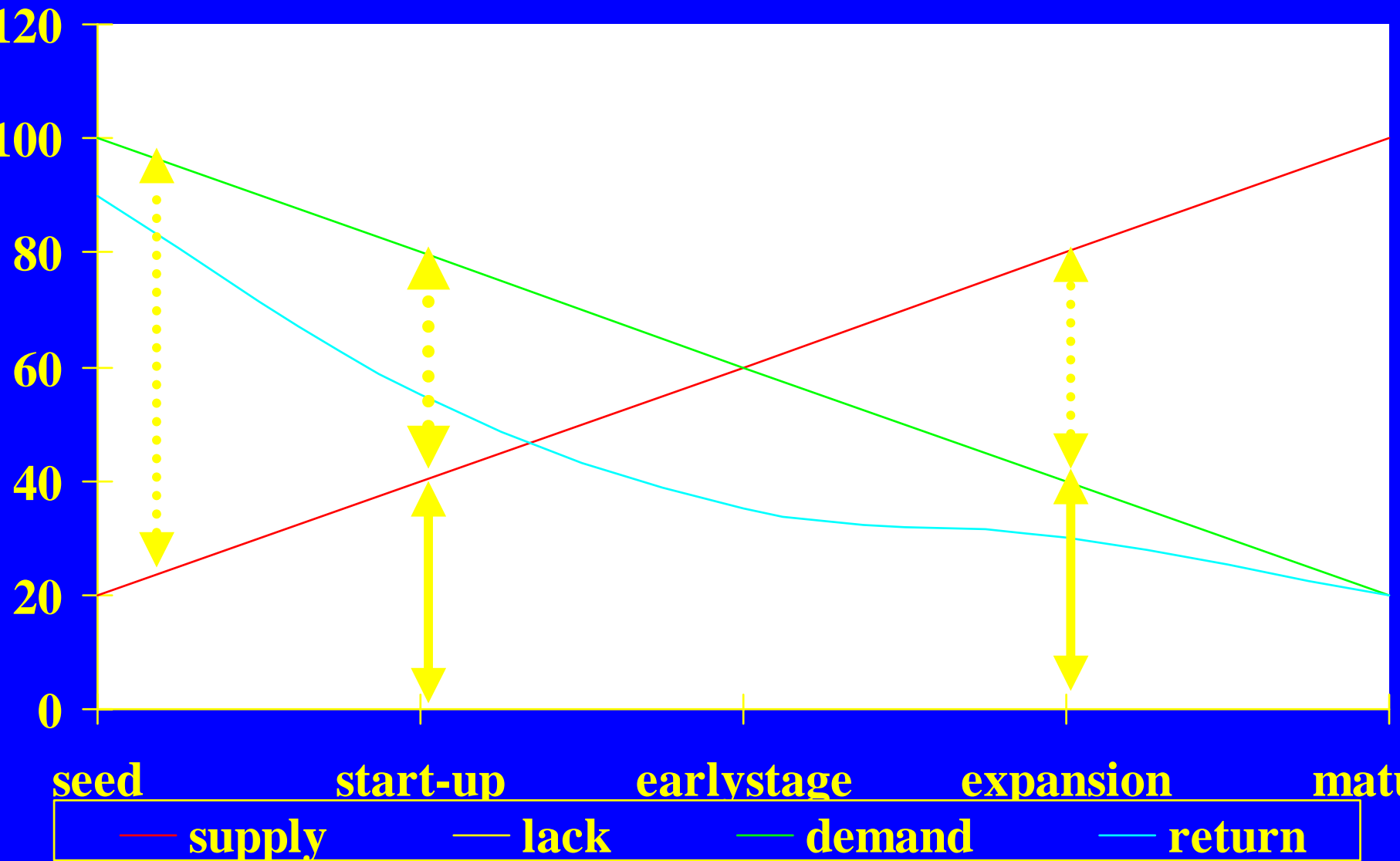
# Business Angels Prevalence Rate

% yes on item:

"You have, in the past three years, personally provided funds for a new business started by someone else"



# Supply/demand and return



# EU Facts and figures

- 1,6 million enterprises created a year
- 150 000 (Bannock) are:
  - Growth oriented
  - Offers a sufficient, but not extra-ordinary return
- 3000 gets venture capital

**2 out of 1000 starters gets VC in EU**

# Market failures and policy implications

- VC:
  - ➔ big deals; not for starters
- EU is loan culture; not equity culture
  - ➔ *“biggest problem is lack of collateral”*
- Problem
  - is not lack of capital
  - is transmission towards SMEs; towards starters
- Policy implications:
  - don't throw money to the markets*

# Under Belgian Presidency of EU

- Commission report on
  - Access to finance (working document)
  - RCAP
  - Benchmarking on BA and BANs
- Conference on access to finance:
  - 24/25 oktober: *book available*
  - (*carine.pietquin@kubla.gov.wallonie.be*)
- Decision on industry council of 5 december 2001:  
*guidelines for future policy in the field of finances*

# Under Belgian Presidency of EU

*Objective: bridge gap between venture and capital*

- Transparency: return, reliable figures
- Professionalism and entrepreneurship in VC/BA
- Benchmarking on administrative procedures for VC/BA
- CREAtE a pool of professional managers
- Integrated financial approach (BA and VC)
- SBIC in Europe (levy on private sources)
- Venture academy (coaching VC/BA and entrepreneurs)

# Council decision 5/12/2001

- Code of conduct between banks and SMEs
- Private/public partnership in field of guarantees
- Observatoire finances PME
- reorient loans BEI
- concentrate risk capital actions
- priority at Member State level