It's the SMEs, Stupid:
Lessons from America
Lucy Hatton

Introduction

In the UK, discussion is raging with regard to the potential for an Economic Regeneration Bill, or Jobs Bill, to be drawn up in order to fill the gap in this autumn's legislative calendar left by the House of Lords Reform Bill, which failed earlier this year.[1] Speculation as to what is to be included within the Bill is rife, with the relaxation of planning laws, major national infrastructure projects including road-building, new nuclear power stations, a shake-up of employment law, and additional runways at London airports all considered to be possible components. Whilst the details of the contents of the Bill are yet to be confirmed, it is striking that little mention has been made of that vital component of the national economy upon whose success our economic recovery rests: small and medium-sized enterprises (SMEs).

Businesses, particularly SMEs, are critical constituents of any country's economy. However, some countries' governments are clearly doing more to support their SMEs than others, leaving those without available state assistance at a competitive disadvantage. With the UK still languishing in recession, it has never been more important for the Government to encourage British SMEs to fulfil their potential and to be in a position to compete on an international level. The introduction of the Economic Regeneration Bill provides the perfect opportunity for the introduction of policies to do just that.

At present, the British Government is not doing enough to help British SMEs to grow and pull the country out of the continuing economic crisis. Many of its provisions with regard to SMEs are merely rhetorical and in practice do not amount to anywhere near as much support as is provided for similarly placed businesses in other countries. In the United States (US), for example, the Federal Government has repeatedly demonstrated its commitment to assist businesses, and its recent economic growth (the US recorded 1.5 per cent GDP growth in Q2 2012[2]) and declining unemployment (the unemployment rate declined to 8.1 per cent in August 2012[3]) is likely not coincidental to this. The question is, therefore, that if the US, the model example of a free market

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[1] Clegg, Nick (3 September 2012) *House of Lords Reform Bill,* House of Commons Hansard, Column 35

[2] US Department of Commerce, Bureau of Economic Analysis (31 May 2012) *National Income and Product Accounts Gross Domestic Product, 4th quarter and Annual 2011 (advance estimate),* [online] Available at: http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm

[3] US Department of Labor, Bureau of Labour Statistics (3 February 2012) *The Employment Situation, August 2012,* [online] Available at: http://www.bls.gov/news.release/empsit.nr0.htm

economy, can put significant resources into helping American businesses and consequently see signs of economic recovery, why is the UK Government not implementing similar policies and assisting British businesses to promote growth?

In May 2011 President Obama stated: 'Small businesses are the backbone of our economy and the cornerstones of our communities. They create two of every three new jobs in America, spur economic growth, and spark new industries across the country'.[4] This statement was made during the launch of a US government report which highlighted the importance of the support that it provides for SMEs. This support is indeed substantial: between January 2009 and May 2011, more than $53 billion of government-guaranteed loans were issued to more than 11,300 SMEs, and over $221 billion of Federal Government contracts were awarded to SMEs.[5] The US has approximately 27.3 million SMEs, representing 99.7 per cent of employer firms,[6] compared with 4.5 million SMEs in the UK representing 99.9 per cent of British businesses.[7]

The US economy is seemingly leaving that of the UK behind, and the differing scales of their governments' approaches to supporting businesses has arguably contributed to this. The CBI has recently estimated that if the conditions that enable medium-sized businesses to flourish elsewhere (for example in the US) were to be replicated in the UK, these businesses could contribute as much as £50 billion to the UK's economy by 2020 and create many job opportunities throughout the country, transforming the UK's economic health.[8]

The aim of this paper is to identify where the UK's policies with regard to businesses fall significantly short of those in place in the US, and to point out the ways in which the British Government should draw inspiration from US business policies in the preparation of the forthcoming Economic Regeneration Bill. Even though SMEs in both countries are vital to the functioning of their national economies, in the US the Government is committed to ensuring their continued growth and success, evidenced in the impact of its policy, whereas in the UK the Government says it is similarly committed but its policies thus far have failed to live up to expectations. The Economic Regeneration Bill could, and should, take inspiration from some of the legislative acts introduced in the US in the

[4] The White House, Office of the Press Secretary (16 May 2011), *White House Releases The Small Business Agenda: Growing America's Businesses to Win the Future Highlighting Critical Support for Small Businesses Across the Country,* [online] Available at: http://www.whitehouse.gov/the-press-office/2011/05/16/white-house-releases-small-business-agenda-growing-americas-small-busine

[5] The White House, National Economic Council (May 2011) *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* [online] Available at: http://www.sba.gov/sites/default/files/Small%20Business%20Agenda%20NEC.pdf p.1

[6] Merlin-Jones, David (2012) *Extending Lending,* Civitas, London p.26

[7] Department for Business, Innovation and Skills (2012) *SME Access to External Finance, BIS Economic Paper No.16,* [online] Available at: http://www.bis.gov.uk/assets/biscore/enterprise/docs/s/12-539-sme-access-external-finance.pdf p.1

[8] CBI (November 2011) *Future Champions: Unlocking growth in the UK's medium-sized businesses,* [online] Available at: http://www.cbi.org.uk/media/1196347/cbi_future_champs_a5summary.pdf p.2

wake of the financial crisis, so that the economic prosperity currently being experienced in the US can be emulated here in the UK.

Improving Businesses' Access to Finance

Access to finance for business in the UK is a huge issue. Bank lending to SMEs peaked in 2009 and has been declining ever since. In November 2011, the stock of bank lending was 6.1 per cent lower than it was one year previously. In 2010, 21 per cent of SMEs that sought finance in the UK were unable to obtain any from any source, a significant increase from the 8 per cent of businesses in this same situation in 2007.[9] Conversely, in the US, lending to small businesses increased by 20 per cent in October 2011, the fifteenth consecutive month of double figure growth.[10]

This increase is in part a consequence of the Small Business Jobs Act (SBJA), signed into law by President Obama in September 2010, which was designed to improve access to finance for SMEs throughout America. Its provisions included: an extension of the Federal Government-backed loans to SMEs administered through the Small Business Administration (SBA); a new fund to encourage small banks to lend to small businesses; an initiative to strengthen state-based programmes of lending to small businesses, and significant tax relief for small businesses.[11] The SBJA has been hailed by the National Economic Council as the 'most significant piece of legislation to help small businesses in over a decade',[12] and its impact on the growth of small businesses and improvement of the economic situation can already be seen. Some of the provisions of the SBJA could be replicated in the Economic Regeneration Bill to stimulate the growth of small businesses in the UK and put the economy firmly on the road to recovery.

State-Backed Lending to Small Businesses

The SBA itself is no new innovation: it has been in place for almost sixty years with the primary purpose of assisting small businesses. However, it has been significantly revitalised in recent years, particularly through the provisions of the SBJA, which extended its brief, enlarged its budget, and made it better able to provide financial assistance to American SMEs. The SBA does not provide loans in itself, but rather it provides guarantees on loans provided by commercial lenders to companies that would otherwise be unable to obtain finance.[13] The SBJA increased the maximum

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[9] Department for Business, Innovation and Skills, *SME Access to External Finance, BIS Economic Paper No.16,* p.vi
[10] Adler, Lynn (12 December 2011) 'Small Business Loan Demand Shows New Economic Gain', *Reuters* [online] Available at: http://www.reuters.com/article/2011/12/12/us-manufacturing-summit-smallbiz-idUSTRE7BB10N20111212
[11] Lee, Jesse (27 September 2010) 'President Obama Signs Small Business Jobs Act: Learn what's in it', *The White House Blog,* [online] Available at: http://www.whitehouse.gov/blog/2010/09/27/president-obama-signs-small-business-jobs-act-learn-whats-it
[12] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.2
[13] Merlin-Jones, David, *Extending Lending,* p.28

size of the loans that the SBA could guarantee, from $2 million to $5 million for the 7(a) Loan Program, which is the largest programme available from the SBA and is used by SMEs which are otherwise unable to obtain finance as they do not qualify for commercial loans. Similarly, maximum loan sizes were increased from $2 million to $5 million (or $5.5 million for manufacturing projects) for the 504 Loan Program, which is also available for SMEs unable to obtain finance but is targeted specifically at businesses and projects that encourage economic development at the community level.[14] Immediately following the introduction of these increased loan guarantees, the SBA saw an increase in the weekly volume of loans it guaranteed, reaching a peak of $2.2 billion, the highest weekly lending level since records of weekly volumes began. By the end of 2010, the SBA had approved more than $10 billion in loan guarantees that would not have been possible without the introduction of the SBJA.[15] One company that has benefited from the increased loan guarantees is Miceli Dairy Products based in Ohio. The business wanted to expand its operations and was successful in obtaining a $5.49 million SBA-backed 504 loan, which will enable them to take on an additional 60 employees over five years.[16] This is an example of how the extension of lending made possible through the SBJA has impacted upon the labour market and improved opportunities for employment.

In addition to the provisions of the SBJA, the American Recovery and Reinvestment Act (ARRA), 2009, also enhanced the provisions of the SBA by reducing the fees applicable to the borrowers of SBA-backed loans. Between the passage of the Act and September 2010, the SBA guaranteed $30.4 billion of lending to SMEs supported by the ARRA, and over 70,000 SMEs benefitted from the fee reduction.[17] The combined impact of the ARRA and the SBJA has raised the volume of lending to small businesses supported by the SBA to over $70 billion to 150,000 businesses over the financial years of 2009, 2010 and 2011.[18] These provisions have therefore significantly impacted upon the ability of American SMEs to obtain the financing they have required to survive the recession.

The UK has attempted to undertake a programme of backing commercial loans to businesses through the Enterprise Finance Guarantee (EFG) scheme, which was launched in January 2009. The Government provides a 75 per cent guarantee for loans to viable SMEs that are unable to obtain

[14] The White House, *Resources for Businesses in America,* [online] Available at: http://www.whitehouse.gov/economy/business/resources#resource-for-small-biz

[15] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.6

[16] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.7

[17] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.6

[18] The White House, *Supporting Small Business,* [online] Available at: http://www.whitehouse.gov/economy/business/small-business

commercial finance, due to insufficient collateral, yet demonstrate the ability to service the loan. The maximum size of the loans to be guaranteed are, however, significantly smaller than those in the US, at only £1 million ($1.59 million), compared with the $5 million (£3.14 million) limit for SBA loans.[19] The scheme is also not a long term measure: it is in place only until April 2015, by which time it is expected to have guaranteed approximately £2 billion in lending to SMEs,[20] a figure somewhat pale in comparison to the $2.2 billion of loan guarantees the SBA was providing each week at its peak. Interestingly, just over seven in ten of the loans guaranteed under the EFG scheme are for sums under £100,000.[21] Whilst the EFG scheme can be claimed to have had some success (the EFG supported loans to the value of £1.47 billion to 14,750 SMEs between January 2009 and April 2011[22]), demand for its guarantees has been declining, with lending through the EFG reaching a record low of £77.8 million in the final quarter of 2011 (24% lower than the same quarter the previous year).[23] Even after the Chancellor increased the threshold under which businesses were eligible for an EFG backed loan, the lending volume continued to fall.[24] This is partly attributed to a lack of awareness of the scheme: a study by BIS and the CBI found that only 22 per cent of SMEs are aware of the EFG.[25] Furthermore, the Government has been criticised for increasing the annual premium payable on the remaining balance of the loan from 1.5 to 2 per cent, and for placing a 'compensation cap' on the value of the loans of 9.225 per cent. This means that the participating banks are only entitled to a maximum 9.225 per cent compensation across their entire portfolio, that is, if a bank has EFG guaranteed loans outstanding of £1 million, they are only covered for £92,250 of loan losses. This is a further potential reason for the decline in lending under the EFG scheme, as the banks are less likely to lend to businesses they deem more risky. Therefore, even though the mechanism is in place it is clearly not fulfilling its potential to assist SMEs in a similar way that the SBA is succeeding to do so in the US.

A further scheme, the National Loans Guarantee Scheme (NLGS), was announced by the Chancellor in the 2011 Autumn Statement and was launched in March 2012. This scheme allows banks to

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[19] Department for Business Innovation and Skills, *Access to Finance,* [online] Available at: http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance

[20] Department for Business Innovation and Skills, *Enterprise Finance Guarantee,* [online] Available at: http://www.bis.gov.uk/efg

[21] Department for Business Innovation and Skills, *Enterprise Finance Guarantee - Statistics,* [online] Available at: http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/enterprise-finance-guarantee/efg-statistics

[22] Department for Business, Innovation and Skills, *SME Access to External Finance, BIS Economic Paper No.16,* p.27

[23] SMEWEB (12 March 2012) *Lending to SMEs under Government's EFG scheme falls to new record low,* [online] Available at: http://www.smeweb.com/index.php?option=com_content&view=article&id=3495:lending-under-efg-scheme-falls-to-record-low&catid=53:news&Itemid=89

[24] ByteStart (5 September 2012) *EFG scheme lending to small businesses continues to fall,* [online] Available at: http://www.bytestart.co.uk/efg-scheme-lending-to-small-businesses-continues-to-fall.html

[25] CBI (February 2012) *Improving Access to Non-Bank Debt,* [online] Available at: http://www.cbi.org.uk/media/1314437/breedon_review_submission_feb_2012.pdf p.5

deliver up to £20 billion of funding, backed by government guarantees, to SMEs at a low cost to enable them to obtain necessary finance more cheaply than they otherwise would with a commercial loan.[26] However, following the announcement of the scheme progress appears to have been very slow and the scheme is expected to lead to a reduction in the cost of business loans of a maximum of only one percentage point, with the different participating banks setting their own rates. Between the launch of the scheme and 1 August 2012, £2.5 billion of loans to over 16,000 businesses had been provided with the one per cent reduction in cost.[27] In addition, any business deemed to be 'in financial difficulty', i.e. those that need finance the most, are not eligible for the scheme. At this stage it is impossible to tell whether this scheme will have a significant impact on the ability of SMEs to access government-backed finance on a comparable scale with the SBA in the US, but this initially slow progress suggests it will be a long time before any tangible results will be visible.

More recently the Chancellor has announced plans for a new institution, the Small Business Bank, to improve the access to finance for small businesses. Whilst initially this sounds promising, it appears as though this Small Business Bank will be charged solely with administering the pre-existing schemes to provide finance to small businesses that are listed here, and so in practice its introduction is unlikely to significantly influence the availability of finance for British SMEs.

Encouraging Banks to Lend to Businesses

A further provision of the SBJA has been the introduction of the Small Business Lending Fund (SBLF) which has the objective of incentivising small banks to increase their lending to small businesses. $30 billion of capital is available to community banks and community development loan funds which have assets of under $10 million, to be used to lend to viable local SMEs.[28] Small business lending in the context of the SBLF is defined as a loan of under $10 million to a company with revenue of under $50 million.[29] The fund encouraged small business lending via community banks through an interest rate incentive structure – the more that the institutions increased their small business lending, the lower the rate of interest they would have to pay on the funds received from the government. The initial rate payable on SBLF capital was five per cent, but this declined to one per cent if the institution increased their small business lending by more than ten per cent on 2008 levels, decreasing on a sliding scale from two to four per cent for those banks that did increase their lending

[26] Department for Business Innovation and Skills, *Access to Finance*
[27] HM Treasury, *National Loan Guarantee Scheme,* [online] Available at: http://www.hm-treasury.gov.uk/nlgs.htm
[28] The White House, Office of the Press Secretary (24 October 2010) *FACT SHEET: How Small Businesses Can Benefit from the Small Business Jobs Act,* [online] Available at: http://www.whitehouse.gov/the-press-office/2010/10/24/fact-sheet-how-small-businesses-can-benefit-small-business-jobs-act
[29] The Department of the Treasury (2011) *Small Business Lending Fund: Use of Funds Report, fourth quarter 2011,* [online] Available at: http://www.treasury.gov/resource-center/sb-programs/DocumentsSBLFTransactions/Use%20of%20Funds%204016(3)%20Report%20-%2001-09-12.pdf

but by less than ten per cent, and increasing to seven per cent if no increase in small business lending was reported.[30] Investments from the SBLF were completed by September 2011, and the results are very promising. The fund invested in 332 institutions across the US: 281 community banks which received $3.9 billion from the fund, and 51 community development loan funds, which received $104 million. The community bank participants increased their small business lending by an average of 9.8 per cent, with some institutions' rate of increase in the thousands. Community development loan funds increased their lending to small businesses by an average of 11.1 per cent. More than 60 per cent of participants increased their small business lending by ten per cent or more.[31] In addition, it is to be assumed that since the institutions that received the funds leverage their capital, the actual volume of lending that can be delivered to SMEs as a consequence of the SBLF is likely to be many times the value of the capital provided.[32] The SBLF has therefore been a very significant contributor to the increase in lending to SMEs throughout the US in the last few years.

In the UK, a plan to increase lending to small businesses was introduced through the Project Merlin agreement, announced in February 2011. Part of the agreement related to lending to small businesses: the five big banks – Barclays, HSBC, Lloyds Banking Group, RBS and Santander – pledged to lend £76 billion to SMEs in the UK in 2011, an eleven per cent increase on the previous year's lending.[33] Whilst the initial results of the scheme looked promising – £56 billion had been lent to SMEs by the banks as of the third quarter of 2011 – by the end of the year the target had not been reached and the actual figure was £1.1 billion short at £74.9 billion.[34] In fact, lending to businesses from all banks contracted by £9.6 billion in financial year 2011,[35] despite measures such as the Project Merlin agreement designed to boost it, and a three per cent drop in net lending was recorded in the final quarter of the year.[36] In spite of the widespread press coverage of the Project Merlin agreement, only 20 per cent of SMEs questioned by BIS and the CBI were aware of the

[30] Office of Community Developments Investments (2011) '$30 billion Fund Targets Small Business Lending', *Renewing Economic Growth: Small Business Jobs Act of 2010,* [online] Available at: http://www.occ.gov/static/community-affairs/community-developments-investments/small-biz11/articles/fund-targets/cdebiz11spring02.htm
[31] The Department of the Treasury, *Small Business Lending Fund: Use of Funds Report, fourth quarter 2011*
[32] US Department of the Treasury (October 2011) *Small Business Lending Fund,* [online] Available at: http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx
[33] Department for Business, Innovation and Skills (January 2011) *Bigger, Better Business: Helping small firms start, grow and prosper,* [online] Available at: http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/11-515-bigger-better-business-helping-small-firms.pdf p.26
[34] Barrow, Becky (15 February 2012) 'Small firms can't rely on banks to lend them money they need to grow, warns CBI', *Daily Mail,* [online] Available at: http://www.dailymail.co.uk/news/article-2101329/Small-firms-rely-banks-lend-money-need-grow-warns-CBI.html
[35] Treanor, Jill (13 February 2012) 'Banks miss Project Merlin lending targets to small business', *The Guardian,* [online] Available at: http://www.guardian.co.uk/business/2012/feb/13/banks-miss-project-merlin-targets-small-business?newsfeed=true
[36] BBC News (13 February 2012) 'Project Merlin: Bank net lending fell in 2011', *BBC News,*[online] Available at: http://www.bbc.co.uk/news/business-17009985

commitment made by these banks to increase small business lending.[37] If they had been, perhaps the results would be more promising. Following the disappointing results, the Government decided not to pursue any lending targets for 2012. It is quite clear that the UK Government's attempt to increase bank lending to small businesses has been significantly less successful than measures used to increase lending to SMEs in the US.

The SBJA introduced yet another fund to encourage lending to small businesses in the form of the State Small Business Credit Initiative (SSBCI). This was intended to strengthen state-based programmes that assist small businesses. By providing $1.5 billion to state programmes that leverage private lending, the SSBCI was expected to support at least $15 billion of lending to small businesses.[38] The SSBCI is in place for seven years, during which time states may apply for a portion of the funding, which will be allocated on the proviso that the state demonstrates a reasonable expectation that for every $1 of funding received, they will generate a minimum of $10 in lending to small businesses.[39] The funds can be used by the state in any way it deems appropriate to fulfil these conditions. In Kansas, for example, $10.5 million from the SSBCI has gone to the Kansas Capital Multiplier Loan Fund, which provides matching funds with private sector investors to small businesses, and $2.6 million has gone to the Kansas Capital Multiplier Venture Fund, which provides new capital investments for second stage small businesses. This use of the funds is expected to result in more than $132 million of additional small business lending in Kansas, and the creation of many new private sector jobs.[40] On its own, perhaps, a programme such as the SSBCI would not have a significant impact on small business lending, but when its impact is combined with that of the SBLF and the increased loan guarantee volumes of the SBA, significant improvements in the ability of SMEs to access finance has led to small business growth and new employment opportunities throughout the US.

The UK government has also considered the importance of encouraging private investment in small businesses, and a new programme of Business Finance Partnerships was launched in January 2012. This entails an investment of £1.2 billion in loan funds to be used alongside private sector co-investors, and is available to medium-sized businesses with a turnover of up to £500 million. Its objective is to diversify the channels of finance available to SMEs and improve their financing

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[37] CBI, *Improving Access to Non-Bank Debt,* p.5

[38] US Department of the Treasury (January 2012) *State Small Business Credit Initiative,* [online] Available at: http://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx

[39] US Department of the Treasury, *State Small Business Credit Initiative*

[40] Graves, Don (23 June 2011) 'Sparking Small Business Jobs Growth, in Kansas and Across the Country', *US Department of the Treasury, Treasury Notes,* [online] Available at: http://www.treasury.gov/connect/blog/Pages/Sparking-Small-Business-Jobs-Growth,-In-Kansas-and-Across-the-Country.aspx

options.[41] First round applications for the Business Finance Partnership funds were completed in February 2012 and the initial £700 million of investment was allocated to a shortlist of seven fund managers. A second round of applications, with a further £500 million of investment available, opened in June 2012.[42] However, due to the slow start-up of the Business Finance Partnerships programme, it has yet to be fully functioning and its significance in improving small businesses' access to finance is therefore unknown. It could well be a case of too little too late.

Another Act is expected to come into force soon in America, aiming to further improve the availability of finance for SMEs. The Small Business Lending Enhancement Act aims at increasing the lending of credit unions. At present some credit unions are only able to lend up to 12.5 per cent of their assets to businesses, but under the proposed law they would be able to lend up to 27.5 per cent of their total assets. As credit unions tend to supply loans under $1 million, increasing their lending abilities could have a significant impact upon the ability of small businesses to obtain the small loans that they are unable to receive from commercial banks.[43] The Act is also expected to create 140,000 jobs across the US by targeting funds to small businesses.[44] The Small Business Lending Enhancement Act has the potential to be yet another measure in place to improve the access to finance for SMEs in the US, further improving the range and availability of assistance available to American businesses in comparison to their UK counterparts.

Improving Access to Export Finance for Small Businesses

Both the US and the UK have introduced programmes in an attempt to improve the access to finance for SMEs specifically for the purpose of exports. In the US, the National Exports Initiative (NEI) was established in March 2010 in an attempt to help meet President Obama's target of doubling US exports over five years, with the intention of creating millions of jobs.[45] SMEs face significant barriers and high risks when embarking upon exporting their goods or services, including a lack of knowledge of foreign markets, the necessity to develop a foreign customer base, lack of resources to address barriers to trade, being financially unable to wait any significant period of time for payment for exported goods, etc. Consequently the NEI aims to tackle not only the problem of access to finance, but also improved advocacy provisions for SMEs looking to export. President Obama's 2013 budget,

[41] Department for Business Innovation and Skills, *Access to Finance*

[42] HM Treasury (31 May 2012) *Business Finance Partnerships (BFP),* [online] Available at: http://www.hm-treasury.gov.uk/bfp.htm

[43] Pofeldt, Elaine (2 December 2011) 'Small Biz Loans: Credit Unions to the rescue?' *CNN Money, Secrets of Growth,* [online] Available at: http://management.fortune.cnn.com/2011/12/02/small-business-loans-credit-unions-to-the-rescue/

[44] Miller, Danielle (25 April 2012) 'Small Business Lending Enhancement Act', *Access to Capital* [online] Available at: http://www.accesstocapital.com/small-business-lending-enhancement-act/

[45] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.33

should he be re-elected, commits $517 million for the continued implementation of the NEI.[46] The ability of exporting firms to obtain finance was improved through the extension of the Export Express Loan Program offered by the SBA. The programme provides 90 per cent Federal Government guarantees for an export loan of up to $350,000 and 75 per cent Government guarantees for an export loan of up to $500,000 for small businesses. In addition, the Export Working Capital Program (EWCP) and International Trade Loans had their maximum loan sizes increased to $5 million, and the State Trade and Export Promotion (STEP) Grants programme is being piloted, to enable the financing of $30 billion per year for the next three years to states, to enable them to assist business owners expand their exporting capabilities. Many of the SBA-backed programmes have been very successful in supporting small businesses looking to export: since 2005 the SBA has supported over 15,000 loans related to international trade worth over $4 billion.[47] Providing this kind of facility for SMEs has impacted upon US economic growth. In 2010, exports from US businesses, including SMEs, significantly contributed to economic recovery: US exports totalled $1.83 trillion, and supported 10.3 million jobs throughout the country.[48]

The Export Import Bank of the US (Ex-Im Bank) is an important institution with regard to the provision of export finance. It has a significant knowledge base of international trade and foreign markets which it can provide to SMEs that have no other way of obtaining the information, and it is also able to finance both the exporter business and the foreign buyer.[49] Over 20 per cent of Ex-Im Bank financing authorisations in 2010 in value terms were for small businesses, worth $5 billion, a substantial increase on the $3.2 billion authorised in 2008, and the bank was on track for a 20 per cent increase on the 2010 figures, to $6 billion in 2011. 85 per cent of the Ex-Im Bank's authorisations are for small businesses and the number of businesses benefitting has risen steadily from 2,328 in 2008 to 3,091 in 2010. Between 2009 and 2014, the Ex-Im Bank aims to add 5,000 new SMEs to the Ex-Im Bank portfolio (1,379 had been added as of 30 March 2012); double its annual SME lending volume to $9 billion (as of 2011 it had increased to $6 billion), and to approve $30 billion in total SME transactions (as of March 2012 it had achieved $13.2 billion).[50] One business that has benefitted substantially from the work of the Ex-Im Bank and the SBA is Dan's Fish, Inc. based in Wisconsin. Dan's Fish is a company of 15 employees which exports fish to Sweden, Finland and

[46] The White House, Office of Management and Budget, *Supporting Small Businesses and Creating Jobs* [online] Available at: http://www.whitehouse.gov/omb/factsheet/supporting-small-businesses-and-creating-jobs
[47] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.38
[48] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.33
[49] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.35
[50] Export-Import Bank of the United States, *Small Business Global Access: Your competitive edge* [online] Available at: http://www.exim.gov/smallbusiness/

Estonia, using a $500,000 Ex-Im Bank insurance policy and a $500,000 EWCP loan from the SBA. Consequently, in 2010 Dan's Fish reported exports of $3.3 million, compared with $2.2 million in the previous year. [51] The US Government's commitment to improve the availability of export finance to SMEs is undoubtedly therefore enabling US businesses to expand and contribute to the more rapid recovery and economic growth of the US coming out of the financial crisis.

In the UK, the Government introduced, to run alongside the EFG, the Export Enterprise Finance Guarantee Scheme (ExEFG) in April 2011 in order to facilitate the provision of export finance to viable SMEs that are unable to obtain such finance commercially. Unlike the EFG, the ExEFG operates on a commercial basis, as the EFG is restricted from offering any assistance for exporting purposes due to restrictive EU State Aid Rules. The Government provides the lender of the loan with a 60 per cent guarantee, and the scheme is only administered by five accredited lenders, which are those large banks involved in the Project Merlin agreement. The borrower must pay a three per cent pro rata premium each year in order to cover the costs of the programme, and consequently the scheme is self-financing.[52] The guarantee is available to SMEs seeking export finance of between £25,001 and £1 million to be paid back over a term of up to two years, at three-monthly increments.[53] Whilst this is an important step in the right direction in terms of improving the accessibility of finance to SMEs looking to export their products and services, this is just one measure available to a specific group of businesses seeking a specific level of financing. Between the launch of the scheme and the beginning of January 2012, only six businesses had been assisted through the ExEFG scheme, with loans totalling £3.01 million.[54] However these figures were revised in March 2012 and it was revealed that in fact only five SMEs had benefitted from the ExEFG scheme, with loans totalling £2.9 million.[55] British SMEs are even less aware of the ExEFG scheme than they are of the EFG scheme, with only eight per cent of those responding to the BIS and CBI survey having any awareness of the ExEFG.[56] The schemes and programmes to assist businesses looking to export are significantly more numerous and wide ranging in the US, and this is perhaps why US businesses have managed more successfully than UK businesses to keep exporting and growing in the wake of the recession. UK businesses are clearly at a disadvantage in comparison to their American counterparts when it comes to receiving

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[51] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.39

[52] Department for Business, Innovation and Skills, *Export Enterprise Finance Guarantee,* [online] Available at: http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/ex-efg

[53] Department for Business, Innovation and Skills, *Access to Finance*

[54] Prisk, Mark (10 January 2012) *Daily Hansard – Written Questions,* Question 88750 [online] Available at: http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120110/text/120110w0007.htm

[55] Lamb, Norman (26 March 2012) *Daily Hansard – Written Questions,* Question 101760 [online] Available at: http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120326/text/120326w0003.htm

[56] CBI, *Improving Access to Non-Bank Debt,* p.5

help in accessing international markets and the finance they need to increase their exporting capabilities.

In terms of access to finance, therefore, US SMEs have significantly more options available to them to obtain finance, particularly when they are unable to do so commercially, in comparison to UK businesses. Although the UK Government has made some steps to improve the ability of SMEs to access finance, these pale in comparison to those available in the US and many are yet to have a significant impact. More needs to be done by the UK Government in the forthcoming Economic Regeneration Bill to recreate the success of the American Government's assistance for SMEs, and consequently stimulate the economy. A comparison of the impact of the two countries' measures introduced to improve access to finance is summarised in Appendix I.

Key points:

- Lending to SMEs continues to decline in the UK, whereas it continues to rise in the US.
- The US Government introduced the SBJA to increase lending to small businesses through the state-backed SBA, provided financial incentives for banks to increase lending to SMEs (SBLF) and supported lending to small businesses at the state level (SSBCI).
- In the UK, however, the EFG introduced by the government has been heavily criticised and demand for its guarantees has significantly declined, the NLGS is yet to show any tangible impact, and the BFP programme is yet to fully take off. Furthermore the Project Merlin agreement failed to meet its lending targets.
- The US has also improved access to export finance and advocacy for small businesses, through the NEI, whilst the number of companies benefitting from the ExEFG in the UK has been revised down and research suggests it is unknown to British SMEs.

Supporting Businesses through Government Procurement

The US Government has not only been committed to making sure SMEs have access to finance, but also to business contracts. President Obama has prioritised government provision of federal contracts to small businesses.[57] Each year approximately half a trillion dollars is spent by the US government on goods and services. The Government committed itself under the ARRA to ensure 23 per cent of federal contracting dollars are awarded to SMEs. This goal was exceeded and by April 2011 32.6 per cent of federal contracting dollars had been awarded to small businesses,[58] totalling

[57] Graves, Don (23 June 2011) 'Sparking Small Business Jobs Growth, in Kansas and Across the Country', *US Department of the Treasury, Treasury Notes,* [online] Available at: http://www.treasury.gov/connect/blog/Pages/Sparking-Small-Business-Jobs-Growth,-In-Kansas-and-Across-the-Country.aspx

[58] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.22

approximately $221 billion.[59] The government has estimated that every one per cent increase of federal contracting dollars awarded to small businesses equates to around $4 billion in business,[60] so these percentage increases are providing substantial levels of business and income to SMEs across the US. The ARRA also has a 'Buy American' clause, which states that

> 'none of the funds appropriated or otherwise made available by the Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work done unless all the iron, steel and manufactured goods used are produced in the US',

thereby also increasing the sales of American goods within the country.

In April 2010 the Administration built upon the provisions in the ARRA by establishing an Interagency Taskforce on Federal Contracting Opportunities for Small Businesses, with the aim of training the acquisition workforces of government departments to understand the importance and benefits of awarding federal contracts to SMEs and to improve their relations with small businesses.[61] One recommendation of the Taskforce has been to create a portal providing easier access to procurement information, FedBizOpps.gov, which provides information on federal procurement opportunities to SMEs from across Federal Government departments and agencies.[62] The Government has also worked on reducing the length of time it takes federal departments, such as the Department of Defense, to pay SMEs which provide them with goods or services. Reducing the payment time from within 30 days to within 20 days impacts upon an estimated $60 billion of SME goods and services contracts.[63] An example of an SME that has significantly benefited from the Government's commitment to providing contracts for small businesses is Hal Hays Construction, Inc (HHCI). HHCI won several government contracts following the implementation of the ARRA, including an $8.6 million contract to install solar panels for the National Park Service, a $7.2 million contract to work at Pearl Harbor for the Navy, and a contract to build roads for the Federal Highway Administration. These contracts have helped to build HHCI's portfolio and, more importantly, have enabled it to retain 35 employees and hire 30 additional employees.[64]

Whilst the UK Government similarly set itself a target in the 2010 coalition agreement of 25 per cent of government contracts to be awarded to SMEs, that is, two per cent more than the US target, it has

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[59] The White House, Office of the Press Secretary, *White House Releases The Small Business Agenda: Growing America's Businesses to Win the Future Highlighting Critical Support for Small Businesses Across the Country,*

[60] The White House, *Supporting Small Business*

[61] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.19

[62] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.20

[63] The White House, Office of the Press Secretary, *White House Releases The Small Business Agenda: Growing America's Businesses to Win the Future Highlighting Critical Support for Small Businesses Across the Country,*

[64] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.22

since done very little to ensure the attainment of this target. By March 2012, the proportion of government contracts awarded to SMEs had increased to 13.7 per cent,[65] but whether or not it will reach the 25 per cent target by 2015 is unclear, and this is pitiful in comparison to the 32.6 per cent of federal contracting dollars awarded to American SMEs in 2011. The only measure the government has enacted in pursuit of this target is an online procurement portal, *Contracts Finder*, in some ways similar to FedBizOpps.gov, launched in February 2011 as a facility to enable SMEs to find government contracting opportunities of over £10,000.[66] Whilst this improves the transparency of government procurement practices, it does little to increase the opportunities available to SMEs. In addition, whilst it would be difficult for the British Government to create an explicit 'Buy British' clause like the one introduced in America due to EU Procurement rules, many other European countries have demonstrated that these rules are easily circumvented or stretched when it comes to contracts of small value, which are those most likely to be attractive to SMEs. Therefore, unlike the highly significant improvements made in the US to ensure its SMEs survive difficult times and are able to grow, the UK Government has done little in this regard.

Key points:

- President Obama has prioritised the provision of Federal Government contracts to SMEs by committing 23 per cent of contracting dollars to be awarded to small businesses, as well as introducing a 'buy American' clause into the ARRA and providing easier access to procurement information.
- The UK on the other hand, whilst the Coalition has set itself a target of 25 per cent government contracts to be awarded to SMEs has done little in pursuit of this.

Tax Relief for Small Businesses

By removing obstacles to SME growth, such as high taxes, small businesses have a better chance of growing and expanding without requiring external financing. The Obama Administration has gone a long way to reducing the tax burdens on small businesses and has enacted a total of 17 tax-cutting measures specifically for SMEs. The cuts, amounting to billions of dollars of relief for SMEs, have been introduced through the ARRA, the SBJA, the HIRE Act (2010) and the Affordable Care Act

[65] Cabinet Office (March 2012) *Making Government Business more accessible to SMEs – One Year On* [online] Available at: http://www.cabinetoffice.gov.uk/sites/default/files/resources/SME-Progress-Report-Management-Summary-One-Year-On.PDF

[66] Department for Business, Innovation and Skills, *Public Procurement Simplification,* [online] Available at: http://www.bis.gov.uk/policies/enterprise-and-business-support/business-environment/procurement-simplification

(2010). Obama's 2013 budget is committed to building on these tax cuts and introducing new ones to the further benefit of SMEs.[67]

The ARRA eliminated 75 per cent of capital gains tax on certain small business stock, and the SBJA took this further by eliminating 100 per cent of the capital gains from these specific investments during 2010.[68] This temporary elimination of capital gains tax provided an immediate incentive for increased investment in SMEs and consequently increased growth and employment. The proposed 2013 budget would make this capital gains tax elimination permanent.

The Affordable Care Act made it possible for more than four million SMEs, with fewer than 25 employees, to obtain a tax credit of up to 35 per cent to offset the cost of employer premiums for providing health insurance to employees between 2010 and 2013.[69] In 2013, President Obama has proposed to expand the provisions of the Act to employers with up to 50 employees.[70] From 2014, the maximum credit will increase to 50 per cent of the costs. The Affordable Care Act amounts to an investment of $40 billion over ten years in tax credits, contributing to the ability of SMEs to invest, compete and hire additional employees.[71] The SBJA built upon the Affordable Care Act to extend the benefits to self-employed business owners, who were able in 2010 to deduct 100 per cent of the cost of healthcare for themselves and their families.[72]

Tax relief for the costs of mobile phones were simplified in the SBJA, classifying them as 'other property' and removing the previous additional requirements and burdensome bureaucracy involved with business mobile phone tax deductions.[73] The potential deductions new entrepreneurs can claim for their start-up expenditures was doubled in the SBJA, from $5,000 to $10,000,[74] an immediate incentive for entrepreneurs to start-up a new business. The proposed 2013 budget would double the potential deductions of start-up expenses to $20,000.[75] Another immediate incentive for SMEs to expand and create new jobs came from the expansion of limits on SME expenses that can be deducted from taxes implemented through the ARRA. The ARRA increased the amount that SMEs

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[67] The White House, Office of Management and Budget*, Supporting Small Businesses and Creating Jobs*
[68] US Small Business Administration, *Fact Sheet: Tax Breaks for Small Businesses,* [online] Available at: http://www.sba.gov/content/fact-sheet-tax-breaks-small-businesses
[69] The White House, *Supporting Small Business*
[70] The White House, Office of Management and Budget*, Supporting Small Businesses and Creating Jobs*
[71] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.3
[72] US Small Business Administration, *Fact Sheet: Tax Breaks for Small Businesses*
[73] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.5
[74] US Small Business Administration, *Fact Sheet: Tax Breaks for Small Businesses*
[75] The White House, Office of Management and Budget*, Supporting Small Businesses and Creating Jobs*

could deduct from their tax on the cost of machinery, equipment, furniture, vehicles and other property in 2009 from $133,000 to $250,000, and the SBJA extended this further to $500,000.[76]

The SBJA also rectified the disproportionately high penalties faced by SMEs for incorrectly reporting their tax returns. The equation was changed from a fixed amount to a percentage of the tax benefits from the transaction, avoiding the disproportionately hard hitting effects of the penalty on SMEs compared to larger corporations.[77] It is therefore indisputable that the US Government has acted on its commitment to improve the financial situation of its SMEs through enacting a series of tax relief measures, of which only the most significant have been mentioned here. The significant sums of money saved by the businesses benefitting from these tax cuts enable them to expand their capabilities or employ additional staff, either way contributing to national economic health.

The British Government has managed to implement some tax-related benefits to SMEs in the UK, although nowhere near on the scale of those in the US. Perhaps most significant of these measures is a reduction in the small profits rate of corporation tax from 21 per cent to 20 per cent in April 2011,[78] although the extent of the impact of a one per cent cut is questionable. The main rate of corporation tax is being reduced from 28 per cent to 24 per cent over four years from April 2011[79] – indeed quite substantially lower than the average of 38 per cent paid in the US, but nevertheless still a potentially rather insignificant cut.

One new scheme enacted by the UK Government which may well have a notable impact upon the finances of SMEs is an increase of the point at which employers must begin to pay National Insurance contributions for their employees from £110 to £136 in 2011.[80] This is estimated to save employers, including SMEs, up to £3 billion per year,[81] which could result in fairly substantial savings for many businesses. However, this still seems a rather specific and narrow reaching measure when considered in comparison with the extent of the tax breaks for US businesses, and no analysis has yet been undertaken of the actual impact this measure will have on the finances of British SMEs. Tax cutting measures akin to those enacted in the US could, if introduced in the Economic Regeneration Bill this autumn, put UK SMEs on the same road to growth and prosperity as their American counterparts.

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[76] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.4
[77] US Small Business Administration, *Fact Sheet: Tax Breaks for Small Businesses*
[78] Department for Business, Innovation and Skills, *Bigger, Better Business: Helping small firms start, grow and prosper,* p.2
[79] Department for Business, Innovation and Skills, *Bigger, Better Business: Helping small firms start, grow and prosper,* p.9
[80] Department for Business, Innovation and Skills, *Bigger, Better Business: Helping small firms start, grow and prosper,* p.9
[81] Department for Business, Innovation and Skills, *Bigger, Better Business: Helping small firms start, grow and prosper,* p.2

Key points:

- The US has enacted a total of 17 tax cuts specifically for SMEs, including in capital gains tax, offsetting the costs of healthcare for employees, and tax on start-up expenditures. Obama's 2013 budget commits to widening these cuts to the further benefit of SMEs.
- Whilst the UK has enacted a corporation tax cut for small businesses and an increase in the National Insurance threshold, these are much less significant when compared with those in the US.

Incentives for Increasing Employment

Both the US and the UK governments have introduced measures to encourage small businesses to take on new employees, particularly targeting those who would otherwise be out of work. In the US, the HIRE Act entails a financial incentive for small businesses to employ previously unemployed workers. A payroll tax credit of $1,000 is provided for each new employee who was previously unemployed for 60 days or more and is retained in employment for at least one year.[82] The tax credit could provide up to $10.4 billion in tax relief to small businesses,[83] and between February and August 2010, SMEs across the US took on 8.1 million workers who had previously been unemployed.[84] This wide ranging and innovative scheme is therefore helping both SMEs to reduce their tax costs, and nationally to reduce unemployment by encouraging businesses to take on people who had previously been unemployed.

The UK has introduced a similar idea but on a much narrower scale. The Youth Contract, announced in 2011 and launched in April 2012, is a system of wage subsidies for businesses which offer work placements to unemployed 16 to 24 year olds. Any business taking on an unemployed 18 to 24 year old for at least six months will receive a subsidy, from a pot of £1 billion, of £2,275. It is hoped that the scheme will provide opportunities of work for 500,000 unemployed young people over three years. [85] The Government has also made available at least 20,000 additional financial incentives worth £1,500 for businesses that agree to take on an apprentice, increasing the total number of available apprenticeship places.[86] As part of the Youth Contract, a further scheme worth £126 million

[82] US Small Business Administration, *Fact Sheet: Tax Breaks for Small Businesses*
[83] The White House, National Economic Council, *The Small Business Agenda: Growing America's Small Businesses to Win the Future,* p.3
[84] The White House, Office of the Press Secretary, *FACT SHEET: How Small Businesses can Benefit from the Small Business Jobs Act*
[85] Brandweiner, Natalie (25 November 2011) 'Government offers wage incentive to businesses hiring jobless youths', *BusinessZone,* [online] Available at: http://www.businesszone.co.uk/topic/finances/government-offer-wage-incentives-businesses-hiring-jobless-youths/38267
[86] Department for Work and Pensions, Newsroom (25 November 2011) *£1 billion package to tackle youth unemployment,* [online] Available at: http://www.dwp.gov.uk/newsroom/press-releases/2011/nov-2011/dwp132-11.shtml

was announced in February 2012 which specifically targets 16 and 17 year olds who are not in full time education, employment or training (NEETs). Charities and small businesses will be able to bid for a contract of up to £2,200 for every 16 or 17 year old, without any GCSEs grade C or above, who can be kept in education, employment or training for one year.[87] The businesses that are awarded the contracts are then free to use the money however they see fit to keep that person in employment. The payment of the financial incentive will be staggered through a results based system so that the full amount is only available once the business has kept the NEET in employment, education or training for one year. At least 55,000 NEETs across the UK are expected to benefit from the scheme. However, many have been sceptical of the scheme's potential to improve the situation for NEETs, which now number over 1 million young people in the UK. The scheme has been criticised for being too small and being introduced too late to have the required impact on the significant problem of youth unemployment in the UK,[88] and it has been called insufficient to tackle the UK's current unemployment problem by the House of Commons Work and Pensions Committee.[89] It is also targeted much too specifically to encourage businesses to take on more employees on a broader scale, which is what is required for the UK to emulate the success of the US policies which have managed to increase employment levels.

By removing disproportionate restrictions on SME expansion by introducing tax relief measures and providing incentives for taking on new employees, the US Government has done significantly more than the UK Government to encourage the growth of SMEs and an improvement in employment. Policymakers currently drafting the Economic Regeneration Bill should take heed.

Key points:

- The US Government has introduced a financial incentive for businesses to take on previously unemployed workers.
- The UK has announced a Youth Contract in a bid to reduce unemployment amongst young people in the UK, particularly those classified as NEETs. However this has been criticised for being too little too late and has been described as insufficient to tackle the country's problems.

[87] Coughlan, Sean (21 February 2012) ''Pay-per-Neet' scheme aims to help teenagers find work', *BBC News,*[online] Available at: http://www.bbc.co.uk/news/education-17104998
[88] Rickman, David (21 February 2012) 'Nick Clegg Unveils Scheme to Tackle 'Ticking Time Bomb' of Youth Unemployment', *Huffington Post,* [online] Available at: http://www.huffingtonpost.co.uk/2012/02/20/nick-clegg-126m-scheme-youth-unemployment-neets_n_1288961.html
[89] Work and Pensions Committee (12 September 2012) *Work and Pensions Committee Second Report – Youth Unemployment and the Youth Contract,* UK Parliament, London

Conclusion

In comparison to those policies put in place by President Obama in the wake of the recession, and which have already demonstrated significant returns in terms of economic growth and improvements in unemployment, the UK's approach to assisting small businesses thus far seems to be more words and empty promises than action. Even if more of the Government's proposed schemes and policies do fulfil their potential, it may be a case of too little too late to help businesses to grow and in turn benefit the economy as their American counterparts have done. More significant assistance for SMEs should be introduced in the Economic Regeneration Bill, as SMEs are the key to economic recovery as the case of the US has demonstrated. The Government must also raise the awareness of its existing provisions for small businesses if it expects them to meet its own targets and for them to make full use of the schemes available. If more businesses knew that they could receive financial help from the Government then more would no doubt take up what is available, and British SMEs would be in a much better situation to contribute to economic growth, export more, and take on more employees. As it currently stands, however, on the periphery of a significant financial and economic crisis, American SMEs are in a considerably better position, in terms of stability, competitive advantage, and outlook, than British SMEs. The UK Government needs to take a leaf out of President Obama's book and introduce policies and programmes emulating those that have been so successful and still have so much potential in the US. This will encourage our SMEs to grow, and will diminish the competitive disadvantages they currently face. The forthcoming Economic Regeneration Bill is the ideal opportunity for it to do just that.

Appendix I: A Comparison of US and UK Government Policies Supporting Businesses' Access to Finance

USA			UK		
Measure	***Scope***	***Impact***	***Measure***	***Scope***	***Impact***
Extension of SBA loans	SBJA increased maximum loan size to $5m (£3.14m). ARRA reduced SBA fees.	Volume of lending increased to over $70bn (£43.95bn) to 150,000 businesses between 2009 and 2011. Peak of weekly lending volume at $2.2bn (£1.38bn)	**EFG**	£1m ($1.59m) maximum loan guarantees. Expects to lend £2bn ($3.19bn) between 2009 and 2015.	£1.47bn ($2.34bn) loan guarantees to 14,750 SMEs between 2009 and 2011.
SBLF	$30bn (£18.83bn) available to encourage community banks to increase lending to SMEs by at least 10%.	332 institutions used capital increasing lending to SMEs by an average 9.8%. More than 60% of participants reached or exceeded the 10% increase target.	**NLGS**	Up to £20bn ($31.88bn) of funding made available for banks to lend to SMEs.	Between 20 March 2012 and 1 August 2012, £2.5bn of loans to over 16,000 businesses were provided at 1% reduction in cost.
SSBCI	$1.5bn (£941.7m) available to encourage state programmes to lend to small businesses, expected to support at least $15bn (£9.42bn) of lending to SMEs.	$13.1m (£8.22m) capital used in Kansas alone to lend more than $132m (£82.8m) to SMEs in just the one state.	**Project Merlin Agreement**	Large banks pledged to lend £76bn ($121.1bn) to SMEs during 2011, an 11% increase on 2010 levels.	Large banks lent £74.9bn ($119.4bn) to SMEs - £1.1bn short of target. Lending to businesses contracted by £9.6bn in 2011.
Small Business Lending Enhancement Act	Increasing the lending capabilities of Credit Unions from 12.5% of their assets to 27.5%.	Not yet launched.	**Business Finance Partnerships**	£1bn ($1.59bn) loan funds to be used alongside private sector co-investors.	No funds yet launched.
NEI	Export Express Loan Program extended to offer 90% government guarantees for a loan up to $350,000 and 75% guarantees for loans up to $500,000. EWCP and International Trade Loans maximum size increased to $5m (£3.14m).	Between 2005 and 2011 15,000 export loans totalling over $4bn (£2.51bn) supported. In 2010 exports from US businesses totalled $1.83trillion (£1.15trillion), supporting over 10.3m jobs. In 2010 Ex-Im Bank financed $5bn (£3.14bn) authorisations for 3,091 SMEs.	**ExEFG**	60% government loan guarantees for exporting purposes lent by accredited banks to SMEs.	Between April 2011 and March 2012 £2.9m ($4.6m) of lending to five businesses was facilitated.

Glossary of Terms

ARRA – American Recovery and Reinvestment Act of 2009; also known as 'the Stimulus' or 'the Recovery Act', signed into law by President Obama on 17 February 2009 with the objective of saving and creating jobs with immediate effect.

BIS – Department for Business, Innovation and Skills; a department of the UK government responsible for business regulation and support, higher education, training and innovation.

CBI – Formerly the Confederation of British Industry, the CBI is a not-for-profit organisation with a membership of over 200,000 British businesses, with the purpose of promoting the members' interests.

Community Bank – A locally owned and operated independent bank, which focusses on providing banking services to local communities. In the US community banks comprise a significant proportion of the banking industry, reported in 2004 as 94%.

Community Development Loan Fund – An institution that provides credit and financial services to underserved populations with the objective of community development. Community Development Loan Funds are non-governmental entities and remain accountable to the community.

Credit Union – A member-owned cooperative financial institution, which is democratically controlled by its members. The purpose of credit unions is to provide credit at competitive rates and other financial services to its members.

EFG – Enterprise Finance Guarantee; a loan guarantee scheme launched by the UK government in January 2009 to facilitate additional lending to SMEs that lack the security required for a normal commercial bank loan. The borrower pays a premium for the government guarantee provided to the lenders, which administer EFG loans and make all lending decisions.

EU State Aid Rules – Rules in Article 107 of the Treaty on the Functioning of the European Union which forbid EU member states from aiding businesses in a way that distorts free competition, or confers any selective advantages on some businesses over others.

ExEFG – Export Enterprise Finance Guarantee; an export loan guarantee scheme launched by the UK government in April 2011 to facilitate commercial lending for export purposes to viable SMEs which lack the security required to obtain such funding. ExEFG is a self-financing, commercially operated scheme, and all lending decisions rest with the five accredited lending participants.

Ex-Im Bank – The Export Import Bank of the United States; the official export credit agency of the US Federal Government. It was established in 1934 to create and sustain jobs by financing sales of US exports to international buyers. It finances or insures the purchase of US goods for customers unable or unwilling to accept credit risks.

HIRE Act – Hiring Incentives to Restore Employment Act of 2010; an Act signed into law by President Obama on 18 March 2010 to provide tax relief and payroll incentives to encourage businesses to hire unemployed workers.

NEI – National Exports Initiative; an Obama Administration initiative with the intention of doubling US exports by the end of 2014. The Initiative involves various policies and legislation introduced with the objective of achieving this goal.

NLGS – National Loan Guarantee Scheme; a programme of loan guarantees for small businesses announced by the UK Chancellor of the Exchequer in the November 2011 Autumn Statement to increase bank lending to small businesses at a lower cost than would otherwise be the case without the government's guarantee.

Project Merlin – An agreement between the British government and five major high street banks – Barclays, Lloyds Banking Group, the Royal Bank of Scotland, HSBC and Santander – on issues of banking activity including lending to small businesses, the transparency of executives' pay and bankers' bonuses. The agreement was finalised on 9 February 2011.

SBA – The US Small Business Administration; a US government agency that provides support and assistance, primarily in the form of loan guarantees through its 7(a) and 504 loan programmes, for small businesses across America.

SBJA – Small Business Jobs Act of 2010; an Act signed into law by President Obama on 27 September 2010 with the objective of increasing the availability of credit for small businesses. The most significant amongst the provisions of the act are the creation of the SBLF, the SSBCI, the extension of SBA loan guarantees and several tax relief mechanisms for small businesses.

SBLF – Small Business Lending Fund; an investment fund introduced by the US government in the SBJA to encourage lending to small businesses by providing capital to community banks and community development loan funds.

SME – Small and medium-sized enterprise. Whilst there are varying criteria for categorising a business as an SME, it is usually done on the basis of being below a specific threshold for the number of employees or the annual turnover of the business.

SSBCI – State Small Business Credit Initiative; a fund, introduced by the US government through the SBJA, with the objective of strengthening state programmes that support lending to small businesses. The fund will be used to leverage private-sector investment in viable SMEs that are unable to obtain commercial credit.

Youth Contract – A scheme introduced by the UK government to help young, unemployed people gain employment. The Youth Contract is part of the wider 'Get Britain Working' campaign and aims to provide 410,000 new jobs for 18 to 24 year olds by 2015.