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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 7.11.2008
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COMMISSION STAFF WORKING DOCUMENT

ACCOMPANYING THE REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

on the financial instruments of the multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2006)

End report as at 31.12.2006

(including key results as at 31.12.2007)

(pursuant to Article 5(1) of Council Decision 2000/819/EC, as amended by Decisions 593/2004/EC and 1776/2005/EC of the European Parliament and of the Council)

{COM(2008)708 final}

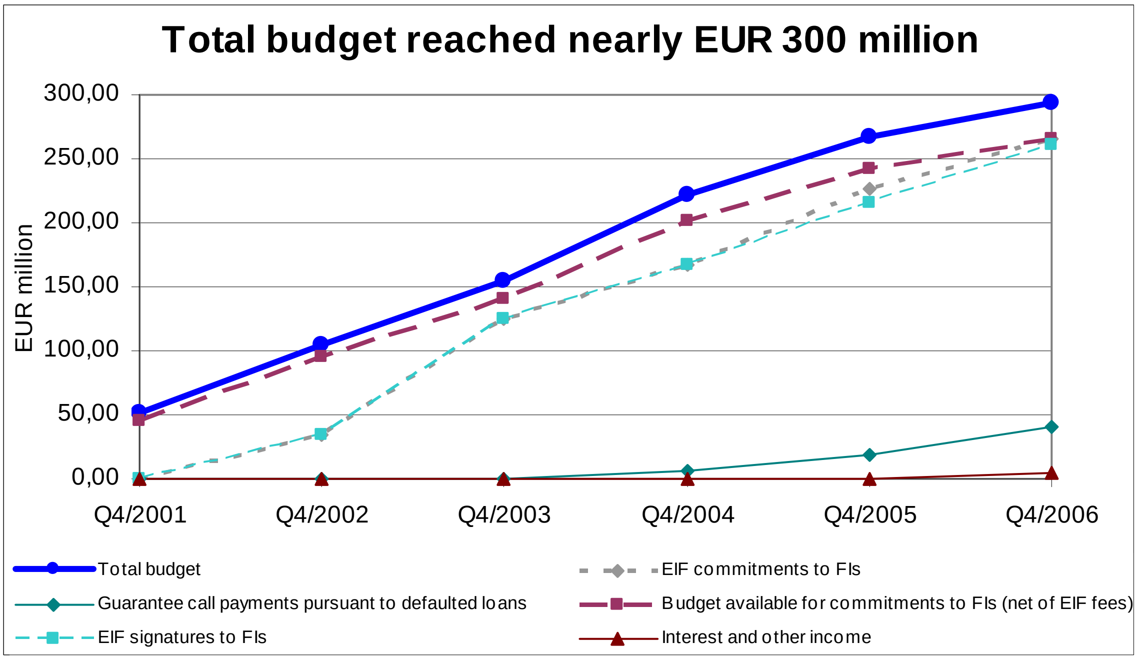
Table of contents

1. SECTION I TABLES AND FIGURES

1.1. SME Guarantee Facility

Figure 1: SME Guarantee Facility - Cumulative evolution of EIF operations

(per year), data referring to the last quarter of the corresponding year

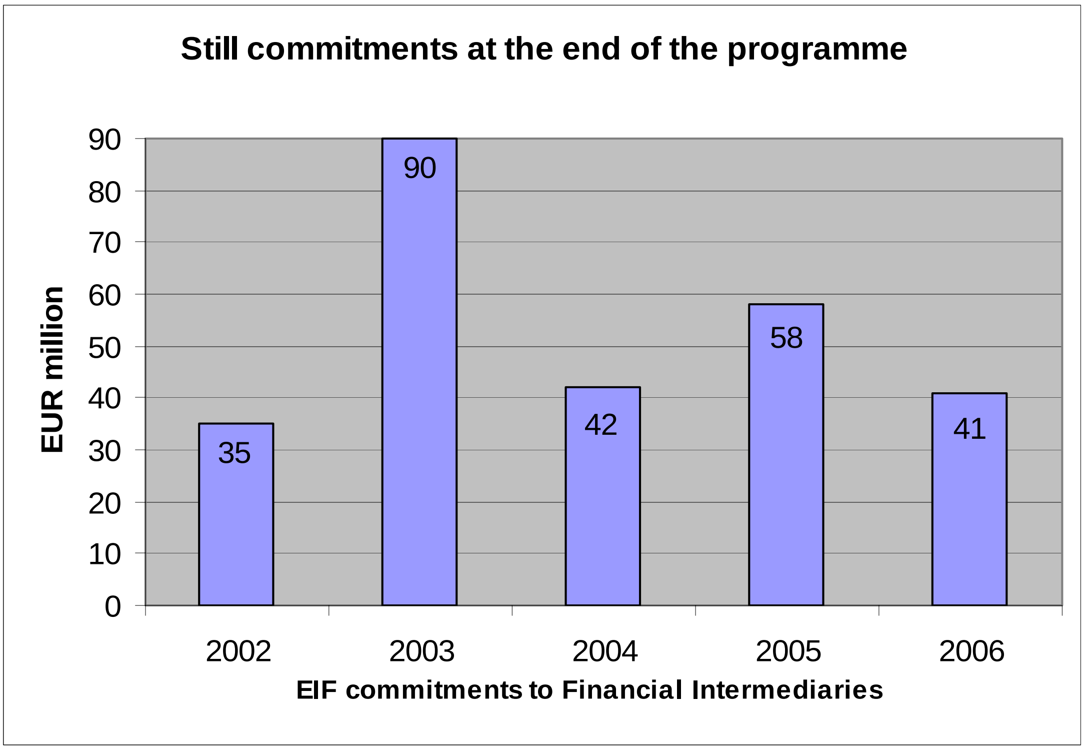


Source: PMS/Report/Strategic/Commitment Overview/SMEG01

Data extraction: 30.05.2007

Figure 2: SME Guarantee Facility – Commitments to Financial Intermediaries

(per year)



Source: PMS/Report/Strategic/Commitment Overview/SMEG01

Data extraction: 04.04.2007

Table 1: SME Guarantee Facility - Leverage effect (gearing)

Leverage effect achieved at 31.12.2006 with the Community funds in the terms of:

(a) Estimated volume of loans

(b) Guaranteed amounts

	Cap Amounts[1]	Estimated underlying loan volume supported	Maximum EIF Guarantee Amount	Leverage effect	Leverage effect
	EUR million	***EUR million***	***EUR million***	***(a)***	***(b)***
Loan guarantee window	208.1	16827.1	4619.0	80.9	22.2
Micro-credit window	36.2	314.0	200.3	8.7	5.5
Equity guarantee window	17.3	308.2	89.4	17.8	5.2
Total	**261.6**	**17,449.3**	**4,908.7**	**66.7**	**18.8**

Source: EIF Quarterly Report – 31 December 2006 – SMEG 2001 Facility

Report issued: 28.03.2007

<u>Note: Estimation of enhanced access to finance for SMEs</u>

(a) Methodological background

Basic approach

Under the SME Guarantee Facility ("SMEG"), the EU provides guarantees to Financial Intermediaries ("EU Guarantees") with a view to increasing and improving access to finance for SMEs. This is referred to here as "enhanced access to finance" ("EAF"). EAF is a complex issue that can rarely be studied directly. Looking back, it is impossible to know with precision what would have happened in the absence of the programme. In the literature, this is referred to as the "counterfactual problem of measurement".

A detailed analysis of the EAF can only be carried out in the context of an evaluation (see point 3 on the planned evaluation). The purpose of this report is to provide an estimate that can serve as an input to such an analysis. Here a quantitative approach is taken, based on data available from EIF. This approach is subject to certain constraints and limitations set out below.

[1] Corresponds to cap amounts signed between the EIF and Financial Intermediaries.

It should be noted that EAF can also be estimated by other methods, for example surveys that ask beneficiary SMEs about the loans they would have received/not received with/without support by the SMEG.[2]

The basis for calculations

The following definitions, considerations and assumptions have been used in order to estimate the EAF achieved under the SMEG as at the reporting date:

The EAF should be measured by comparing the actual volumes (AV)[3] of financing, guarantees and counter-guarantees provided for the benefit of SMEs against a baseline, called the Reference Loan or Guarantee Volume (RLV):

$$EAF = AV - RLV \quad (1)$$

The RLV represents an estimate of the amount of guarantees or financing that the Financial Intermediary could reasonably be expected to achieve during the availability period in the absence of the EU Guarantee, having regard to comparable products, and subject to, inter alia, prevailing market conditions, where applicable.

The RLV and the EAF are established by the EIF using its professional judgement and experience. There are however certain limitations that should be kept in mind:

EAF is based on the EIF ex-ante estimate of the funding that Intermediaries could reasonably have been expected to provide in the absence of an EU Guarantee,

there are limitations to a simple extrapolation of past finance volumes : historic data could be incomplete, market conditions can change, a modified or entirely new lending product offered by an intermediary in response to the EU guarantee is likely to result in a different level of credit risk from that previously covered by the Intermediary, etc.

figures reflect the situation as at the reporting date; actual volumes can still change until the end of the latest availability period (usually 31.12.2007), thus impacting EAF.

Gearing is then calculated by comparing EAF to the total cap[4] amounts:

Gearing = EAF/total cap amounts actually paid (2)

Regarding formula (2), it should be kept in mind that the denominator will be known with precision only once all the EU Guarantees have expired and all payments due under the Facility will have been made.

Taking into account these considerations, the estimation of EAF has been made using the approach set out below.

(b) Calculations

All calculations are based on figures provided by the EIF.

EAF

Calculation of the difference between the actual volume of loans and guarantees extended with the EU support, and the Reference Loan Volume:

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2 These other methods will also be taken into account in the context of the planned evaluation.

3 Actual volume: means the volume of financing, guarantees and counter-guarantees included in the portfolios benefiting from the EU Guarantee.

4 The cap amount is the maximum aggregate amount which the EC is liable to pay to the financial intermediary under the SMEG.

Reference Loan Volume (RLV)	2,100 million EUR
Actual Portfolio Volume (AV) of financial intermediaries extended with EU support[5]	8,359 million EUR
Difference	6,259 million EUR

It is therefore estimated, that thanks to the EU intervention, an additional volume of loans, guarantees and counter-guarantees of nearly EUR 6.3 billion has been created **by financial intermediaries** to support final beneficiaries.

Extrapolation of the loan volume

Taking into account the risk sharing arrangements between the EIF and intermediaries, EIF's reported data on the total loan volume supported and EIF's calculations of RLV, the following extrapolations can be made, based on the ratio resulted from the calculation under 2.1:

Extrapolated loan volume that would have been extended by financial intermediaries without EU support (estimate)	*4,384 million EUR*
Loan volume to final beneficiaries extended with EU support[6] (estimate)	17,449 million EUR
Difference	13,065 million EUR

Based on these figures and assumptions, the EU intervention helped to support an estimated additional financing volume **to final beneficiaries (SMEs) of more than 13 billion EUR**.

Gearing

Based on the EIF figures, the gearing attributed to this additional loan volume can be estimated as follows:

(a) Additional loan	(b) Cap amounts	Gearing: (a)/(b)
13,065 million EUR	261.6 million EUR	50[7]

(c) Planned evaluation

The Terms of Reference prepared for the interim evaluation of the "Entrepreneurship and Innovation Programme" under the successor programme CIP foresee a more detailed analysis by the external evaluators of the results and impacts of the previous MAP programme, including an assessment of the financial instruments, which will cover the gross and net results achieved in terms of enhanced access to finance. This evaluation is scheduled to be completed in December 2008.

5 Actual Portfolio Volume extended with EU support. This volume could further increase up to the Maximum Portfolio Volume (MPV - EUR 10,666 million), which under MAP will stabilize at the end of the latest availability period. It follows that the ratio of Actual used Portfolio Volume/Reference Loan Volume could further increase in the next few years.

6 Estimate at the end of 2006. This estimated volume might still slightly increase until the end of the last availability period (usually 31.12.2007).

7 In case the payments actually made are below the total cap amounts, the gearing would increase.

Table 2: SME Guarantee Facility - Calls received and recoveries

	Amount (EUR)
Calls received	46,843,834
Recoveries received	- 6,819,064
Net called guarantees (*)	40,024,770

(*) Calls received less recoveries received

Source: EIF Quarterly Report – 31 December 2006 – SMEG 2001 Facility

Report issued: 28.03.2007

Table 3: SME Guarantee Facility – Financial Intermediaries

Overview by window and by country; approvals as of 31.12.2006

(3.1) Loan Guarantee Window

Name	Country	Cap amount	Max EIF guarantee amount	FIs with contract under previous Growth and Employment initiative
		EUR million	*EUR million*	
LOAN				
Austria Wirtschaftsservice (AWS)	Austria	6.4	163.2	Yes
Fonds de Participation (FdP)	Belgium	6.5	43.5	Yes
Encouragement Bank	Bulgaria	2.5	21.0	No
Raiffeisen Bank Bulgaria	Bulgaria	0.6	10.0	No
Cyprus Development Bank	Cyprus	0.2	1.5	No
Czech Moravian Bank	Czech Rep	3.6	54.5	No
Ceska Sporitelna	Czech Rep	3.2	80.0	No
The Danish Investment Fund	Denmark	4.7	44.6	Yes
KredEx	Estonia	1.2	16.0	No
Finnvera	Finland	5.9	117.0	Yes
Siagi	France	1.0	19.3	No
SOCAMA	France	13.0	482.2	No
Sofaris	France	11.7	124.4	Yes
KfW (ex DtA)	Germany	26.4	176.0	Yes
TEMPME	Greece	1.6	22.5	No
HVB Bank	Hungary	1.2	30.0	No
Rural Credit Guarantee Foundation	Hungary	0.3	6.0	No
Artigiancredit Lombardia	Italy	0.5	17.5	Yes
ATI Allenza di Garanzia	Italy	22.7	710.0	No
ATI Controgaranzia /APEROL	Italy	9.0	450.0	No
ATI Garanzia Diretta	Italy	2.7	135.0	No

(3.1 continues)

Name	Country	Cap amount	Max EIF guarantee amount	FIs with contract under previous Growth and Employment initiative
		EUR million	*EUR million*	
LOAN				
ATI Sistema Garanzia Umbria Marche	Italy	3.1	157.5	No
Mediocredito Centrale	Italy	12.8	321.0	Yes
Mortgage and Land Bank (Hipoteku B.)	Latvia	1.6	22.5	No
INVEGA	Lithuania	2.6	40.0	No
Malta Enterprise Corporation	Malta	0.4	6.0	No
BBMKB	Netherlands	8.0	320.0	Yes
Innovation Norway	Norway	1.5	7.5	No
Bank BPH SA	Poland	8.0	133.1	No
Polfund	Poland	0.2	2.4	No
SPGM	Portugal	4.0	79.0	Yes
BRD	Romania	1.8	31.0	No
Raiffeisen Bank	Romania	1.3	22.2	No
Tatra Banka AS	Slovakia	1.8	45.0	No
VUB	Slovakia	0.2	5.0	No
Slovene Enterprise Fund	Slovenia	1.0	9.5	No
Banco Santander Central Hispano	Spain	1.2	40.0	No
CERSA	Spain	21.5	500.0	No
Almi	Sweden	11.5	143.7	Yes
KGF	Turkey	0.6	9.4	No
Total		**208.1**	**4619.0**	

(3.2) Micro-credit and Equity Guarantee Windows

Name	**Country**	**Cap amount**	**Max EIF guarantee amount**	**FIs with contract under previous Growth and Employment initiative**
		EUR million	***EUR million***	
MICROCREDIT				
Fonds de Participation (FdP)	Belgium	2.4	12.0	Yes
ADIE	France	2.6	24.7	No
KfW (ex DtA)	Germany	17.2	85.8	Yes
First Step	Ireland	0.1	1.1	No
Cultura Sparebank	Norway	0.1	0.9	No
ICO	Spain	1.6	10.5	No
La Caixa	Spain	1.7	11.3	No
The Enterprise Fund	Spain	0.2	1.8	No
The Prince's Trust and Prince's Scottish Youth Business Trust	UK	10.3	52.2	Yes
Total		**36.2**	**200.3**	
EQUITY				
Austria Wirtschaftsservice (AWS)	Austria	1.9	12.5	Yes
Sofaris	France	15.4	76.9	Yes
Total		**17.3**	**89.4**	

Sources: PMS/Reports/Report/Project; Data extraction: 02.05.2007
EIF quarterly report - SMEG 2001 Facility, 31 12 2006

Table 4: SME Guarantee Facility – Beneficiary SMEs – Breakdown by country

Number of SMEs, Average loan amount

All windows: Loan Guarantee, Micro-credit, Equity

As of 31.12.2006

Country	Number of beneficiary SMEs	Average loan amount in EUR
Austria	3,029	139,910.01
Belgium	2,140	40,755.93
Bulgaria	355	108,934.58
Cyprus	5	85,641.70
Czech Republic	2,146	126,515.18
Denmark	582	194,978.38
Estonia	293	181,754.02
Finland	2,350	214,752.75
France	43,977	27,737.50
Germany	15,770	26,295.82
Greece	509	64,941.24
Hungary	165	233,698.52
Ireland	96	10,778.28
Italy	69,964	76,377.73
Latvia	230	133,302.26
Lithuania	532	138,896.33
Malta	18	178,823.38
Netherlands	3,340	152,198.85
Norway	50	123,655.84
Poland	5,662	27,639.67
Portugal	627	295,591.34
Romania	824	117,528.62
Slovakia	203	193,600.20
Slovenia	83	176,493.06
Spain	20,088	106,877.49
Sweden	7,110	46,685.12
Turkey	147	143,794.74
United Kingdom	13,495	3,864.95
All	**193,790**	**62,960.21**

Source: EIF; data extraction: 02.05.2007

Table 5: SME Guarantee Facility – Beneficiary SMEs – Breakdown by country and size class

Number of SMEs

All windows: Loan Guarantee, Micro-credit, Equity

As of 31.12.2006

Country	0-10	11-50	51-100	Total
Austria	2,675	314	40	**3,029**
Belgium	2,120	20	-	**2,140**
Bulgaria	260	86	9	**355**
Cyprus	1	2	2	**5**
Czech Republic	1,652	400	94	**2,146**
Denmark	503	76	3	**582**
Estonia	204	78	11	**293**
Finland	2,020	300	30	**2,350**
France	42,705	1,246	26	**43,977**
Germany	15,657	109	4	**15,770**
Greece	459	50		**509**
Hungary	92	61	12	**165**
Ireland	96	-	-	**96**
Italy	62,963	6,237	764	**69,964**
Latvia	157	61	12	**230**
Lithuania	289	213	30	**532**
Malta	10	6	2	**18**
Netherlands	2,699	601	40	**3,340**
Norway	43	5	2	**50**
Poland	4,202	1,295	165	**5,662**
Portugal	180	342	105	**627**
Romania	372	345	107	**824**
Slovakia	88	92	23	**203**
Slovenia	50	32	1	**83**
Spain	18,077	1,794	217	**20,088**
Sweden	6,472	590	48	**7,110**
Turkey	85	57	5	**147**
United Kingdom	13,494	1	-	**13,495**
All	**177,625**	**14,413**	**1,752**	**193,790**

Source: EIF; data extraction: 02.05.2007

Figure 3: SME Guarantee Facility – Beneficiary SMEs – Breakdown by sector

as of 31.12.2006

Source: EIF, data extraction: 29.06.2007

Figure 3.1: All windows: Loan Guarantee, Micro-credit, and Equity

in %; total number: 193,790 SMEs

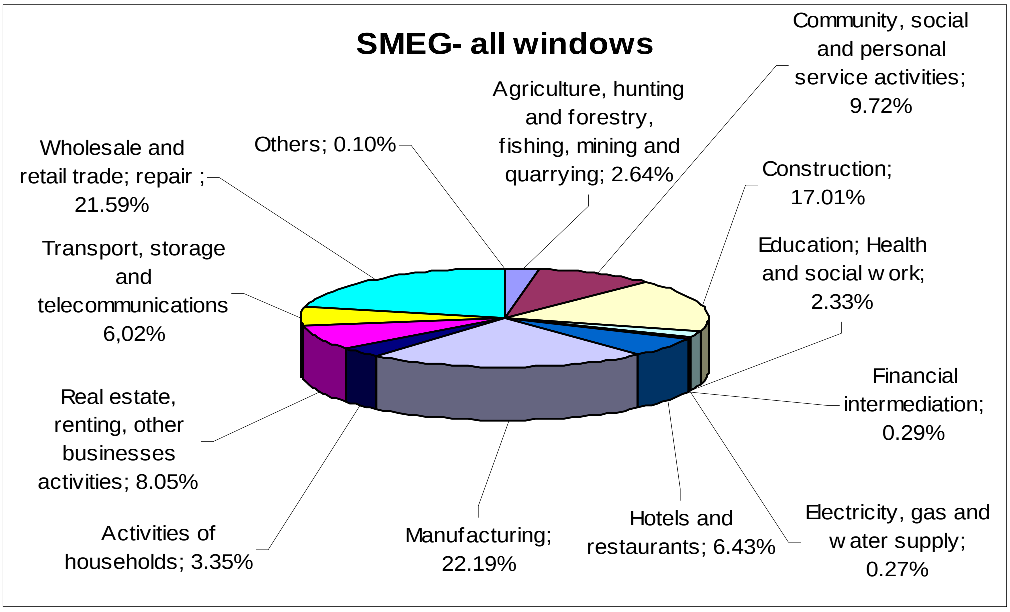


Figure 3.2 Loan Guarantee

in %; total number: 162,939 SMEs

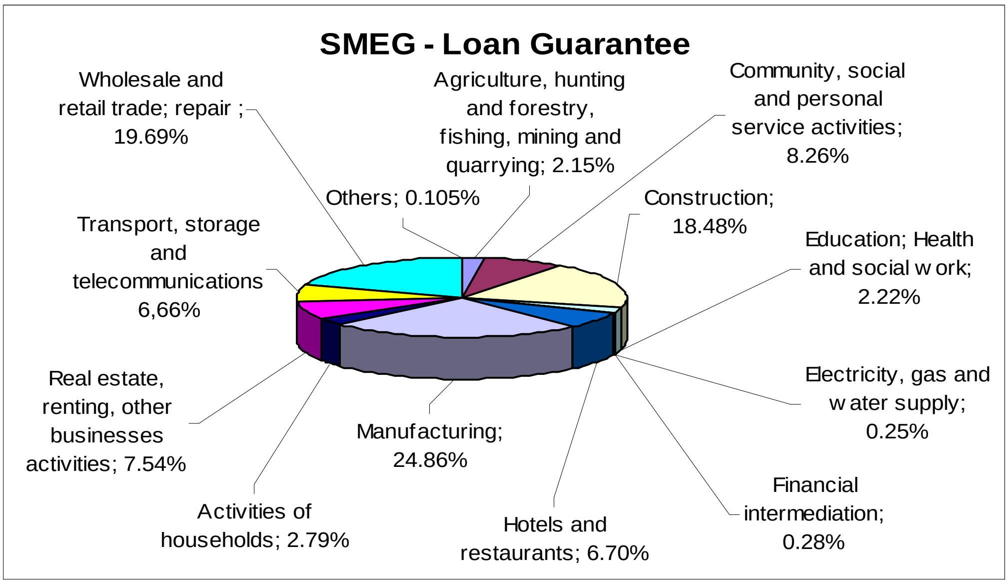


Figure 3.3: Micro-credit (in %; total number: 30,552 SMEs)

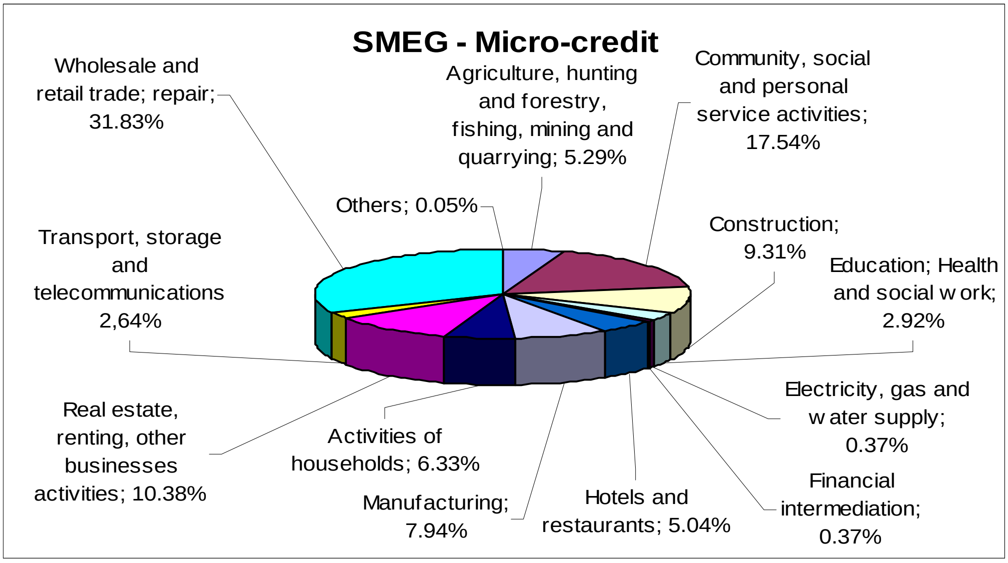


Figure 3.4: Equity (in %; total number: 299 SMEs)

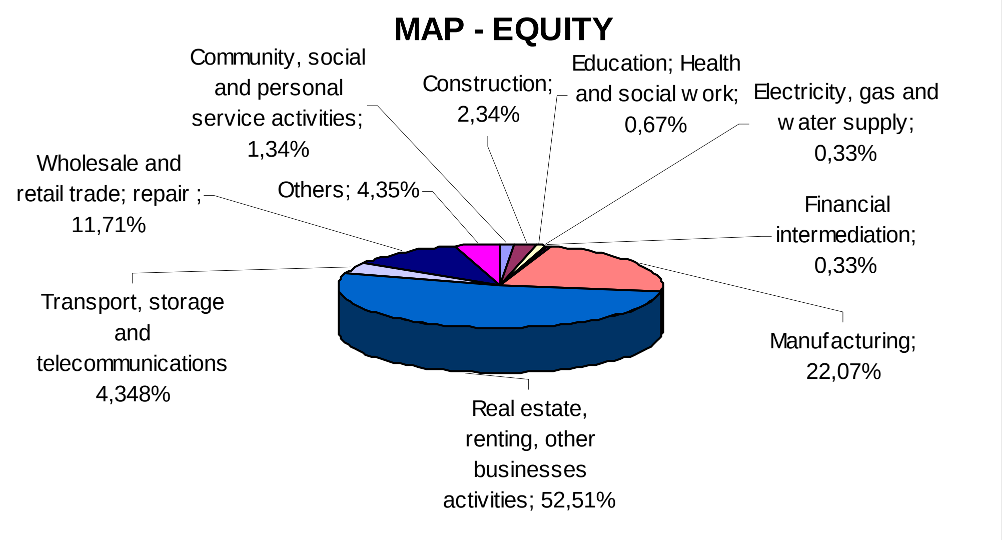


Table 6: SME Guarantee Facility - Investment volume by window

As of 31.12.2006

	Investment EUR million
Loan Guarantee	22 676
Micro credit	437
Equity Guarantee	270
Total SMEG	**23 383**

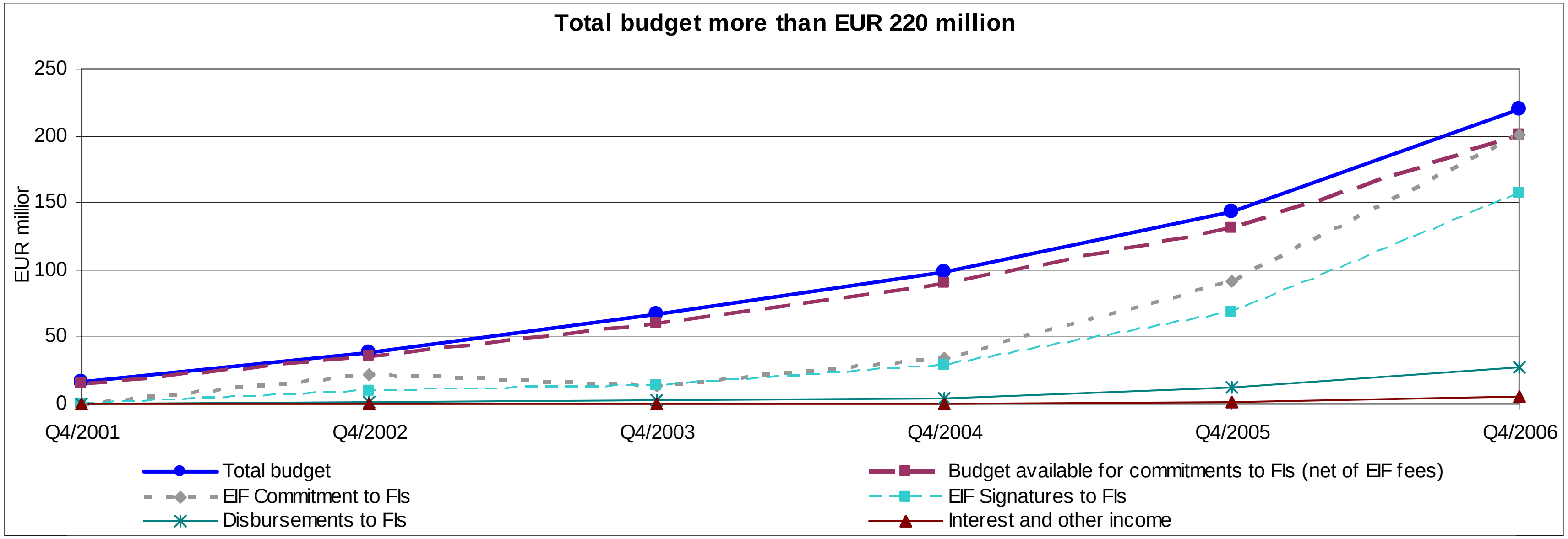
Source: EIF Quarterly Report – 31 December 2006 – SMEG 2001 Facility

Report issued: 28.03.2007

1.2. ETF Start-up Facility

Figure 4: ETF Start-up Facility – Cumulative evolution of EIF operations (per year)

Data referring to the last quarter of the corresponding year



Source: PMS/Report/Strategic/Commitment overview/ESU01

Data extraction: 10.04.2007

Table 7: ETF Start-up Facility – Venture Capital funds with contractual agreements with the EIF

Situation as of 31.12.2006

(*) Projects approved but still to be signed.

(**) Legal seat may differ

Name	Country of headquarters (**)	Geographical orientation	Sector focus	Establishment year	Duration (years)	Fund size (EUR million)	
						Current	Target
Adara Ventures SICAR	Spain	Spain	Communications, Computer related	2005	10+2	49.9	49.9
Aescap Venture	Netherlands	Northern Europe with emphasis on Benelux and Germany	Biotechnology, Medical/health related	2006	10+3	54.9	150.0
Auriga Ventures III	France	France (50%) EU countries (25%), Switzerland, USA, Israel (25%)	Biotechnology, Communications, Computer related, Medical/health related, Other Electronics related	2006	10+2	144.3	150.0
Big Bang Ventures II	Belgium	Flander region (60-80%), remaining part in the Benelux countries	Communications, Computer Related	2006	10 +	(*)	
Capital-E	Belgium	Flander region (60), remaining part in the rest of Europe	Microelectronics	2006	12+1	(*)	
Creandum II L.P.	Sweden	Sweden (70-80%) and near-by Nordic countries including Denmark, Finland and Norway	Communications, Computer related	2007	10+	(*)	

(Table 7, continued)

Name	Country of headquarters (**)	Geographical orientation	Sector focus	Establishment year	Duration (years)	Fund size (EUR million)	
						Current	Target
Creathor	Germany	Germany (70%), France (20%, other European countries (10%) incl. small percentage to Switzerland	Communications, Computer related, Optics, Micro- and Nanotech and new materials	2006	10+	59.4	59.4
Crescent Capital II	UK	UK	Technology related sector	2004	10+2	33.5	33.5
Debaeque II FCR	Spain	Primarily in Spain (80%) and opportunistically in other countries (20%) which may include non-participating countries on an exceptional basis	Communications, Computer related (85 %(, life science (15%)			(*)	
Eden One LP	UK	UK	Communications, Computer related, Other Electronic related	2004	10+3	66.7	66.7
EMBL Technology Fund	Germany	EMBL member states	Biotechnology, Medical/health related	2001	10+2	26.4	26.4
Gilde Healthcare II	Netherlands	Multi-regional orientation: Benelux, France, United Kingdom, Spain and Germany	Biotechnology, Medical/health related	2006	10+2	70.7	125.0

(Table 7, continued)

Name	Country of headquarters (**)	Geographical orientation	Sector focus	Establishment year	Duration (years)	Fund size (EUR million)	
						Current	Target
Innogest Capital	Italy	Northern Italy	Innovation driven technology sector	2006	10+3	50.5	60.0
IP Venture Fund	United Kingdom	United Kingdom and pan-European	Biotechnology, Chemicals and Materials, Communications, Energy, Industrial Automation, Medical/health related	2006	10+2	23.1	30.0
New Tech VCF II	Luxembourg	Multi-country	Communications, Computer related	2005	10+2	120.0	120.0
Pontis Venture Partners I **Beteiligungs-Invest AG**	Austria	Austria	Biotechnology, Communications, Computer Related, Industrial Automation, Industrial Products and Services, Medical/health Related, Other Electronics Related	2005	10+2	30.4	30.4
Talde Capital II	Spain	Spain	Generalist, Biotechnology, Communications, Computer Related	2005	10+2	60.0	60.0
The Environment Technologies Fund	UK	EU, predominantly UK, D, Nordic countries, Benelux and CH	Clean technologies and services	2006	10+3	51.6	150.0

(Table 7, continued)

Name	Country of headquarters (**)	Geographical orientation	Sector focus	Establishment year	Duration (years)	Fund size (EUR million)	
						Current	Target
T-Source	France	France	Communications, Computer related, Other Electronic Related	2000	10+2	38.3	38.3
VIVES	Belgium	Belgium	Biotechnology, Communications, Computer related	2003	12+2	15.0	15.0
Wellington Partners III Life Sciences Fund L.P.	Germany	Mainly Germany and German speaking countries and on a co-investment basis in other European countries	Biotechnology	2006	12+1	15.0	100.0
TOTAL						**909.7**	**1,264.6**

Sources:

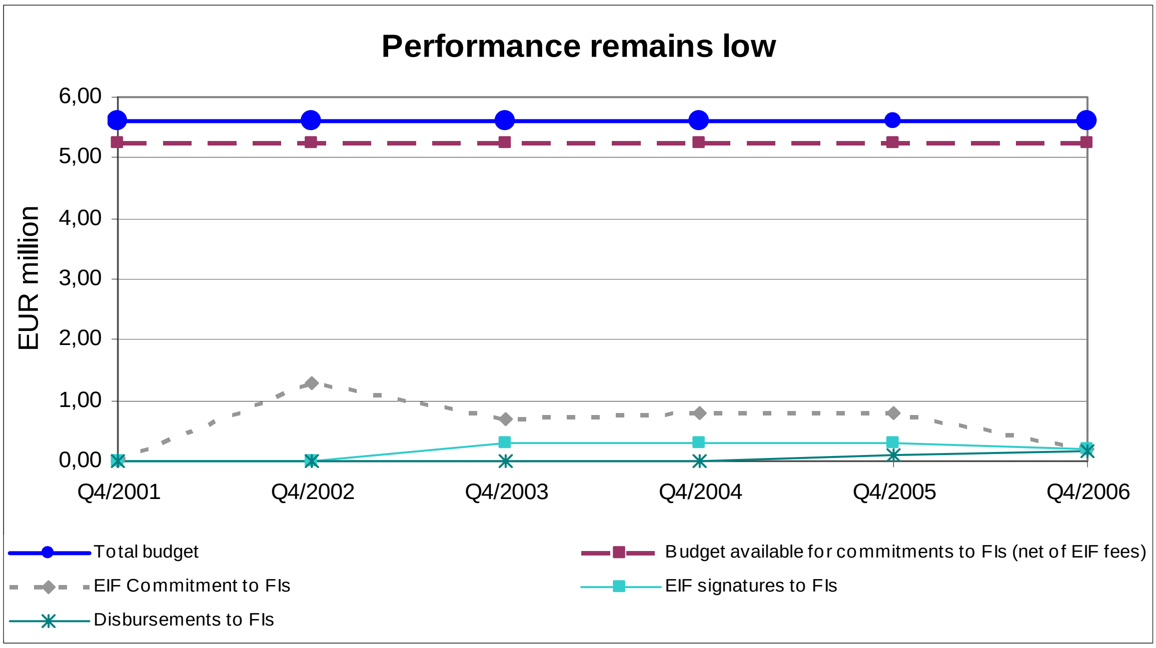
PMS/Reports/VC; extraction date: 11.05.2007

EIF, Quarterly Report ETF Start-up, 31.12.2006; issued 04.05.2007

1.3. Seed capital action

Figure 5: Seed capital action – Cumulative evolution of EIF operations (per year)

Data referring to the last quarter of the corresponding year



Source: PMS/Report/Strategic/Commitment/Overview/SCA01

Data extraction: 16.04.2007

Table 8: Seed Capital Action – Venture Capital Funds with contractual agreements with the EIF

As of 31.12.2006

Name	Country of headquarters	Geographical orientation	Sector focus	Establishment year	Duration (years)	Fund size (EUR million)	
						Current	Target
EMBL Technology Fund	Germany	EMBL member states	Biotechnology, Medical/health related	2001	10+2	26.4	26.4
Pentech Fund I	United Kinddom	United Kingdom	Computer related	2001	10+0	33.4	33.4
Total						**59.8**	**59.8**

Source: EIF, Quarterly Report, Seed Capital Action, 31.12.2006; issued 04.05.2007

2. SECTION II: MAPS

Map 1, page 18

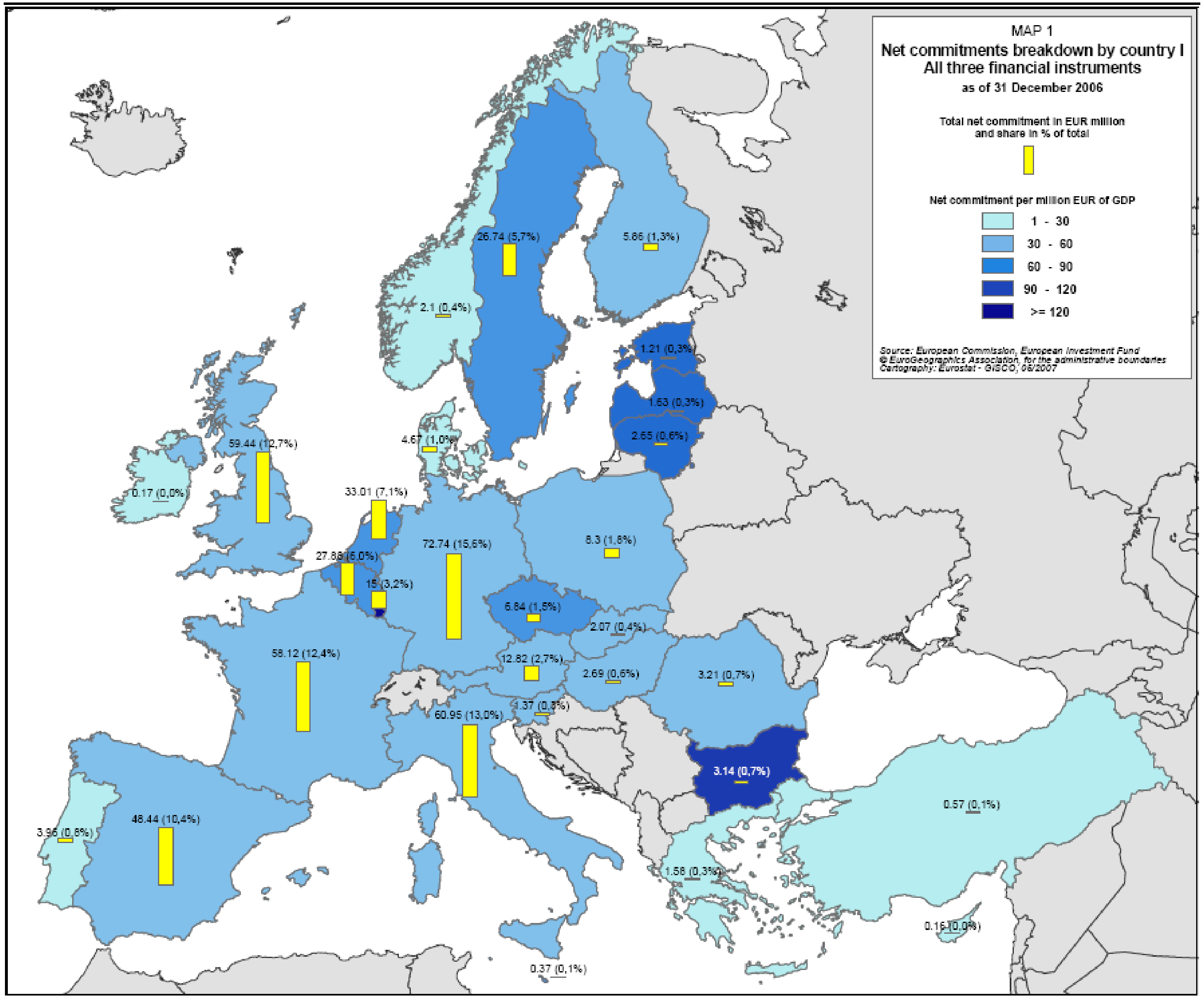
Shows the geographical coverage of the MAP, based on the EC net commitments as at 31.12.2006, all three financial instruments included. In addition, map 1 shows the relation of the EC net commitment to the GDP for each participating country.

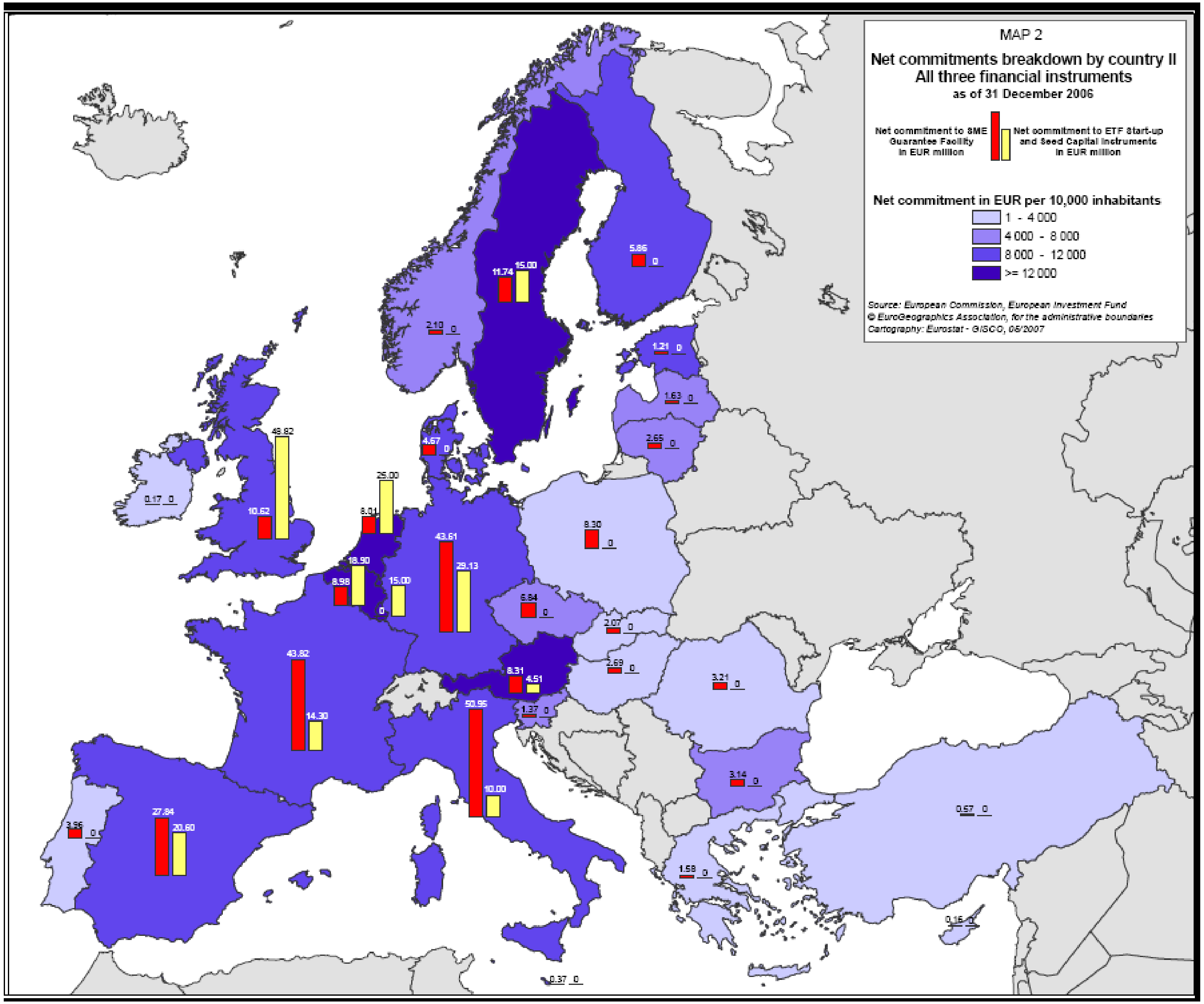
Map 2, page 19

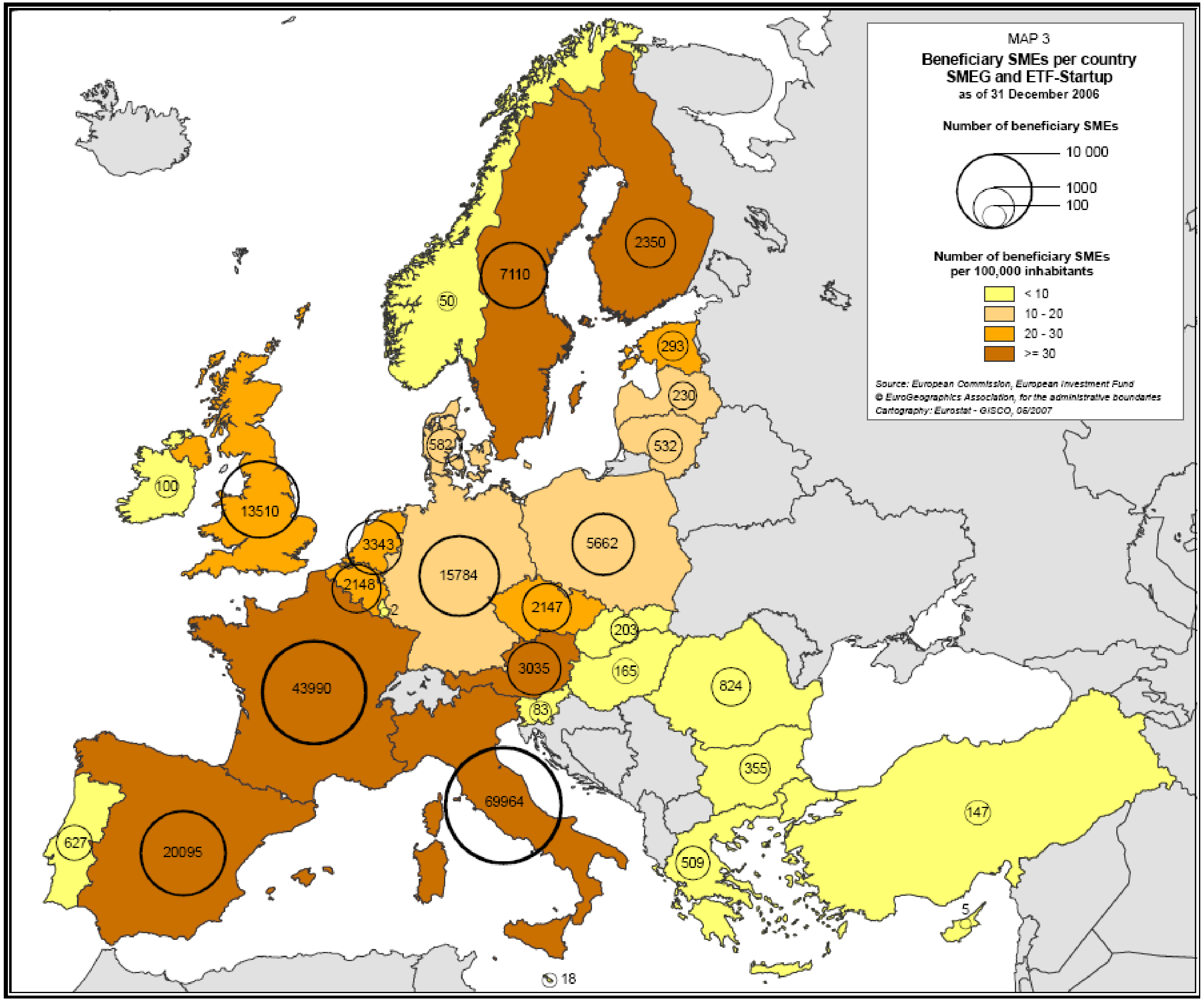
Shows the relation between EC net commitments and the population figures per country. It also indicates both the amounts spent from the SMEG facility and from the ETF + SCA, for each country.

Map 3, page 20

Illustrates the number of beneficiary SMEs per country, also in relation to the population.


MAP 1
Net commitments breakdown by country I
All three financial instruments
as of 31 December 2006
Total net commitment in EUR million
and share in % of total
Net commitment per million EUR of GDP
1 - 30
30 - 60
60 - 90
90 - 120
>= 120
Source: European Commission, European Investment Fund
© EuroGeographics Association, for the administrative boundaries
Cartography: Eurostat - GISCO, 06/2007
26.74 (5,7%)
5.86 (1,3%)
2.1 (0,4%)
1.21 (0,3%)
1.63 (0,3%)
2.65 (0,6%)
4.67 (1,0%)
59.44 (12,7%)
0.17 (0,0%)
33.01 (7,1%)
72.74 (15,6%)
8.3 (1,8%)
27.88 (6,0%)
15 (3,2%)
6.84 (1,5%)
2.07 (0,4%)
58.12 (12,4%)
12.82 (2,7%)
2.69 (0,6%)
3.21 (0,7%)
60.95 (13,0%)
1.37 (0,3%)
3.14 (0,7%)
0.57 (0,1%)
3.96 (0,8%)
48.44 (10,4%)
1.56 (0,3%)
0.16 (0,0%)
0.37 (0,1%)


MAP 2
Net commitments breakdown by country II
All three financial instruments
as of 31 December 2006
Net commitment to SME Guarantee Facility in EUR million
Net commitment to ETF Start-up and Seed Capital Instruments in EUR million
Net commitment in EUR per 10,000 inhabitants
1 - 4 000
4 000 - 8 000
8 000 - 12 000
>= 12 000
Source: European Commission, European Investment Fund
© EuroGeographics Association, for the administrative boundaries
Cartography: Eurostat - GISCO, 06/2007


MAP 3
Beneficiary SMEs per country
SMEG and ETF-Startup
as of 31 December 2006
Number of beneficiary SMEs
10 000
1000
100
Number of beneficiary SMEs
per 100,000 inhabitants
< 10
10 - 20
20 - 30
>= 30
Source: European Commission, European Investment Fund
© EuroGeographics Association, for the administrative boundaries
Cartography: Eurostat - GISCO, 06/2007
7110
2350
50
293
230
582
532
100
13510
3343
5662
15784
2148
2
2147
203
3035
165
824
43990
83
355
69964
147
627
20095
509
5
18

3. SECTION III: DESCRIPTION OF FINANCIAL INSTRUMENTS AND CONCLUSIONS

3.1. SME Guarantee Facility

3.1.1. Description

The objective of this Facility was to promote entrepreneurship and to enhance growth and competitiveness, by improving the financial environment for business, especially for SMEs. The Facility provided support for higher volumes of guarantees for the existing guarantee products of the Financial Intermediaries (FIs)[8] and guarantees for riskier loans, thus facilitating access to financing for a larger number of small companies for a wider variety of investments. It also supported the creation and development of new guarantee schemes, by covering part of the losses incurred under the guarantees, up to a pre-determined amount (the "cap"[9]).

The Facility is managed by the EIF on behalf of the European Commission. The EIF identified, evaluated and selected potential FIs for the Facility in accordance with the relevant Guarantee Policy. Some FIs may employ stricter SME eligibility criteria, depending on their specific guarantee or loan products. In all cases, the origination and risk assessment as well as monitoring and recovery actions with regard to the final SME beneficiaries remain the full responsibility of the selected Financial Intermediaries.

The following **windows** were available under the SME Guarantee Facility:

- Loan Guarantees: aimed at enterprises with growth potential and with 100 or fewer employees. Under this window, the EIF issues partial guarantees or counter-guarantees to cover portfolios of loans or guarantees.
- Micro-credit Guarantees: supports micro-loans for very small enterprises with 10 or fewer employees. Here, the EIF issues partial guarantees to cover portfolios of micro-loans.
- Equity Guarantees: counter- or co-guarantees offered to guarantee schemes to cover equity investments in SMEs (no direct guarantees to Venture Capital funds).
- ICT Guarantees: this window was intended to cover portfolios of loans specifically dedicated to the financing of IT equipment, software and training to promote the use of the internet and e-commerce. No projects have been approved under the ICT window. There was no demand for this window, since ICT loans can also be guaranteed under the Loan Guarantee window, so the ICT window was discontinued for the CIP programme.

3.1.2. Conclusions for the SME Guarantee Facility

The SME Guarantee Facility has had a strong impact over the entire programme period and has undoubtedly improved access to finance for SMEs.

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8 Direct lending provided by commercial and promotional banks was also supported.

9 The cap is a pre-set amount, fixed both in Euro and as a percentage, and defines EIF's maximum liability towards a FI. The cap is based on expected losses. The financial risk to the Community's budget is limited in the first instance by the cap and in the second by the guarantee rate approved by the Commission for a given intermediary (typically 50%).

The entire budget has been used and nearly *194,000 enterprises*, representing about 1 % of existing European enterprises, have benefited[10]. This figure also represents more than 10 % of newly created enterprises[11].

The SME Guarantee Facility allowed *Financial Intermediaries* to increase substantially the volume of loans they granted to SMEs and to take on higher risk. There is further added value, particularly in the Micro-credit Window, where "disadvantaged" groups have also benefited from the programme.

The Facility has a high *leverage effect*, especially under the Loan Guarantee Window, where for each EUR 1,000 of EC money committed, there is more than EUR 80,000 of loan volume. (cf. chapter 3.2.3 of the main report and Section I, Table 1, of this Staff Working Document).

The rather flexible, market-driven structure of the SME Guarantee Facility has meant it could be easily adapted to different market, national and regional conditions, allowing it to achieve both a wide range of application and a broad geographical distribution.

A higher level of transparency has been achieved by increased monitoring and reporting requirements, which must be carried through all the way down to the final beneficiaries. Visibility of the EU contribution was ensured through a requirement for the FIs to mention the EU support in the loan agreements with SMEs.

The *Loan Guarantee window* proved to be an appropriate scheme for most Financial Intermediaries, allowing them to significantly increase their financing to SMEs. It is by far the most used of all windows in terms of monies committed.

The *Micro-credit window* allowed some of the Financial Intermediaries to enter into the field lending to micro-enterprises, which may have been previously excluded from access to finance. It also improved access to finance for the self-employed and some disadvantaged groups.

The *Equity Guarantee window* was little used. It guarantees larger investments for fast-growing high-tech companies, which means that the target group is similar to that of Venture Capital funds and therefore limited overall. There were also some technical constraints.

The *ICT Loan Guarantee window*, designed as a sectoral window, did not attract any demand, due to its narrow focus. It is assumed that part of such ICT investments are covered by the "general" Loan Guarantee window.

3.2. ETF Start-up Facility

3.2.1. Description

The objective of ETF Start-up was to increase the availability of risk capital to innovative SMEs during their creation and their early stage development.

Under ETF Start-up, the EIF invests EU money in specialised Venture Capital (VC) funds established to provide equity or other forms of risk capital to SMEs. The funds considered under this Facility are typically small or newly established, including funds operating at regional level, those focusing on specific industries or technologies and funds that finance the commercialisation of R&D results.

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10 According to Eurostat there are about 18.8 million enterprises in EU-27 (figures for 2004), and 99.98 % of these are SMEs.

11 According to Eurostat: Statistics in Focus 48/2007, the newly created enterprises accounted for 9.2 %, on average, of the total of active enterprises (figures for 2003)

The EIF examines the fund proposals based on criteria that include size, level of involvement from the private sector, investment strategy, target market, deal flow, proposed terms, expected rate of return, management team and the extent to which the EIF investment in the VC fund is expected to have a catalytic effect in raising funds.

The ETF Start-up investments in risk capital funds are made on equal terms (‘pari passu’) with private investors. The ETF Start-up Investment Guidelines specify that investments under the Facility must represent between 10% and 25% of the total capital of a VC fund or business incubator, or 50% in exceptional cases, such as new funds where a particularly strong catalytic role in the development of VC markets for a specific technology or in a specific region is probable. Investments can be made up to a maximum amount of EUR 10 million. In exceptional, duly substantiated cases the amount committed may be higher, but will not in any case exceed EUR 15 million.

Where the investment policy of a VC fund foresees investments outside the eligible countries, the EIF's participation is reduced by the appropriate corresponding percentage. In all cases the majority of the capital fund must be invested in eligible countries.

3.2.2. Conclusions for the ETF Start-up Facility

The facility is tailored to the strategically important area of seed and early stage investments in mainly high tech enterprises with high growth potential, where there is a are generally accepted market failure. ETF Start-up thus played an important role in contributing to the implementation of the Lisbon strategy. The demand for early stage funding remains strong and European technology centres (especially research centres and universities) continue to generate valuable results in terms of concepts and intellectual property rights.

The entire budget allocated to ETF Start-up has been used.

ETF Start-up has often had a catalytic effect in the establishment of early stage VC funds making it possible to attract more investors and thereby allowing funds to invest larger amounts, to have more resources available for follow-on investments in selected SMEs and to achieve a more commercially viable size. In several cases, VC funds would not have materialised without the investment made under the ETF Start-up Facility since the minimum size for a viable fund would not have been reached.

The improved market cycle in 2006 resulted in the recovery of the venture capital market, with a significant impact on the number of new investments under ETF-Start-up, although investors remained much more reluctant to invest in early stage enterprises than later those in later stages of development.

The EIF’s investment in VC funds under ETF Start-up also gave a degree of reassurance regarding the quality of the funds, thus helping to attract other investors.

3.3. Seed Capital Action

3.3.1. Description

The Seed Capital Action (SCA) aimed to stimulate the supply of capital for the creation of innovative new businesses with growth and job-creation potential, including those in traditional economic sectors, through support for seed funds, incubators and similar schemes.

The SCA is managed by the EIF on behalf of the European Commission. The action provides support for the long-term recruitment of additional investment managers to reinforce the capacity of the venture capital industry to cater for investments in seed capital. SCA provides grants covering management costs up to EUR 100,000 per newly recruited manager and for a maximum of 3 new staff per beneficiary.

3.3.2. Conclusions for the Seed Capital Action

The demand for this instrument was significantly below expectations. Constraints in terms of eligibility criteria and difficult market conditions for seed capital meant that demand was limited. Based on this experience, the instrument will therefore be modified under the CIP programme.

4. SECTION IV: JOINT EUROPEAN VENTURE (JEV) PROGRAMME

4.1. Description of the JEV programme

The JEV programme aimed to encourage joint ventures between European SMEs in the European Economic Area[12], thereby helping them to benefit from the opportunities offered by the single market. Following the decision (593/2004/EC) of the European Parliament and the Council of 21 July 2004 to phase out the JEV programme, no new submissions have been accepted since 29 December 2004.

The contribution was intended to cover some of the expenses related to the setting up of a joint venture (Facility for preparatory work and investment). The amount (maximum EUR 100,000 per project) and the terms of this contribution were as follows:

- The first part of the contribution covered up to 50 % of the eligible expenses with a maximum ceiling of EUR 50,000. Eligible expenses included the expenses of the market survey, the preparation of the legal framework and the business plan, the analysis of the environmental impact, and any other expenses that are essential for the setting up of the joint venture.
- The second part of the contribution covered up to 10 % of the total amount of the investment made.

In addition, initially JEV supported actions promoting the programme (Promotion Facility). The maximum amount of a contribution for the Promotion Facility was EUR 10,000 for promotional action material and EUR 20,000 for events intended to stimulate co-operation. It consisted of 50% of all eligible expenses and was in the form of a grant. Entities which were eligible to apply for a JEV Promotion Facility contribution were financial intermediaries, European, national or regional associations of SMEs, Chambers of Commerce, Euro-Info-Centres, the Business & Innovation Centres, and all other non-profit entities from European Union, such as trade and industry associations, public agencies and other entities, promoting investments eligible for the JEV Programme.

In autumn 2001, the Commission suspended support for the Promotion Facility as the JEV Programme was undergoing a review and internal evaluation.

4.2. Budgetary situation

The budgetary allocations for the JEV programme totalled EUR 57 million, including EUR 5 million allocated in 1997 for the JEV pilot action. Due to the very low utilisation of the programme, EUR 37.2 million were decommitted during the operational period of JEV in budgetary terms.

With regard to the projects, at the end of 2006, the Commission services had committed EUR 19.8 million of the available budgetary resources to final beneficiary SMEs on the basis of approved applications. The total disbursements to beneficiary SMEs amounted to EUR 3.7 million.

4.3. Financial Intermediaries

The JEV programme was implemented through a network of financial institutions. This network, constituted following a call for expressions of interest (Official Journal S 42 of 28 February 1998), comprised in total 31 financial intermediaries.

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[12] Decision of the EEA Joint Committee n°72/1999 of 15 June 1999

The table below gives an overview of the financial intermediaries by country:

Table 1: Breakdown of financial intermediaries by country

Country	Number of financial intermediaries
Austria	3
Belgium	1
Finland	1
France	1
Germany	6
Italy	11
Luxembourg	2
Portugal	2
Spain	3
Sweden	1
Total	**31**

An SME that wished to submit an application under this scheme had to contact one of the financial intermediaries in the network. This intermediary was entrusted with evaluating the application and passing it on to the Commission services. The latter then verified the eligibility of the application and the possible impact on employment.

Out of the 31 financial intermediaries that remained in the network at the end of 2005, about one third never submitted an application for a joint venture project. Of the active financial intermediaries, one quarter accounted for more than three-quarters of the joint venture projects.

4.4. Review of the projects

From the start of the programme in 1998 until 31 December 2006, after an in-depth assessment of potential projects by the financial intermediaries, 323 projects were received by the Commission services, of which 230 were approved. Of these, 54 were promotion projects and 176 were preparatory work and investment projects.

The first year of the JEV programme (1998) was used by the Commission services to build the network of financial intermediaries and to implement the scheme. By the second year of the programme 104 projects had been received. In 2000 and in 2001 the number of new applications received remained at about the same level as the year before. This was lower than expected. In 2003 the number of new applications being received was on average one per month. In 2004, a 300% increase was seen but this was probably due to a “last minute rush” after the announcement of the closure of the programme.

Almost one in three projects was refused by the Commission or withdrawn by the financial intermediary. Most refusals were due to non-compliance with the eligibility criteria or to insufficient impact as regards the setting-up of new economic activities involving investment and job creation. Most of the withdrawals were due to the level of administrative requirements related to the processing of the files and the resulting delays.

Table 2: Employment in lead and partner SMEs

Number of Employees	Number of SMEs (cumulative figures)					
	1998-2000	2001	2002	2003	2004	2005/2006
<10	135	119	144	172	185	210
10-49	89	70	93	102	106	111
50-249	49	35	42	45	48	49
Total	273	224	279	319	339	370

Out of the 370 partner SMEs, 57 % had fewer than 10 employees, while 30 % had between 10 and 49 employees and 13% had more than 50 employees.

4.5. Employment

With only 45 joint ventures created and reported so far, the effect on employment has been limited.

At the end of 2006 only 19 applications had resulted in the investment grant being awarded based on investments realised in the newly created joint ventures.

In each of the grant request cases, only about 20% of the job creation foreseen in the initial application forms had been realised. However, it should be taken into account that the job creation figures given in the grant application only reflect the current situation. Creation of, and investment in a joint venture is often a long process and it may be that further jobs will be created as the business progresses. There is also no information available on any jobs that may have been created within the partners' enterprises as a result of the joint venture.

The great majority of the joint ventures created and reported so far opted not to apply for the investment grant. The general opinion is that the procedures were too lengthy and complicated. Another reason for not applying for the investment grant is that the joint ventures have invested only limited amounts in fixed assets, so the 10% support has not been considered as incentive enough to justify the administrative effort. It can reasonably be assumed that jobs have also been created in the joint ventures that have decided not to apply for an investment grant but, in view of the actual job creation figures available for the four grants submitted, the numbers are probably rather limited.

4.6. Conclusions

Demand for JEV from the market was much lower than originally expected. The programme was originally conceived, partly in response to requests from SME representative organisations, to complement the (then) existing ECIP (European Community Investment Partners) and JOP (Joint Venture Programme – Phare/Tacis) joint venture programmes, which covered the ALAMEDSA and CEEC/NIS countries respectively. ECIP was closed at the end of 1999 and JOP during 2000. One effect of this was that some financial intermediaries who had offered ECIP, JOP and JEV to their SME clients scaled down or ceased their activities, since JEV alone did not provide them with a sufficient volume of projects to justify dedicated staff. The remuneration paid to financial intermediaries for submitting files was regarded by many as insufficient in view of the administrative obligations that the financial intermediaries have assumed when concluding the Framework Agreement with the Commission.

Although the logic behind the JEV programme was considered sound, time has shown that there was in fact relatively little demand from SMEs for support for the creation of transnational joint ventures in the EU. In reality, SMEs investing in other Member States often preferred to create subsidiaries rather than joint ventures, or to enter into looser cooperation agreements without the obligation to create a new legal entity.

Take-up of the programme may also have been affected by the need to impose thorough controls on the processing of applications in order to ensure sound financial management and reduce the risk of irregularities to the minimum. As a result, file processing times were longer than expected by the SME target group.

5. SECTION V: SUCCESSOR PROGRAMME CIP

The *Competitiveness and Innovation Framework Programme (2007 to 2013) (*CIP), successor programme of the MAP, is a coherent response to the objectives of the growth and jobs strategy. The legal base for the CIP entered into force on 29 November 2006[13].

The CIP brings together into a single framework specific Community support programmes, and relevant parts of other Community programmes, in the fields most critical to boosting European productivity, innovation capacity and sustainable growth, whilst also addressing environmental concerns. It combines Community actions in the fields of entrepreneurship, SMEs, industrial competitiveness, innovation, ICT development and use, environmental technologies and intelligent energy.

The CIP will help enterprises to grow and innovate, including by supporting private equity and loan guarantee schemes; improving the conditions for innovation, including eco-innovation; stimulating the new converging markets for electronic networks, media content and digital technologies, and encouraging the uptake of new and renewable energies and promoting energy efficiency.

The CIP comprises three specific programmes: the Entrepreneurship and Innovation Programme (EIP), which includes the CIP financial instruments; the ICT Policy Support Programme (ICTP); and the Intelligent Energy Europe Programme (IEEP).

The CIP financial instruments further strengthens support for SMEs investing in ICT and innovation, including eco-innovation, as well as supporting SMEs in traditional sectors. A particular aim is to help SMEs, especially high-growth innovative companies in their early and expansion stages of development, to have easier access to finance. The CIP financial instruments build on those of the MAP and further extend support for access to finance. New elements have been introduced to reflect market developments, such as the possibility to support the provision of mezzanine finance for SMEs, and a window for securitisation.

The instruments are:

- The High Growth and Innovative SME Facility (GIF): this instrument includes 2 windows: GIF1 for early stage investments (which already existed under ETF Start-up) and a new GIF2 window for expansion stage investments. Particular attention is also paid to VC funds whose main investment focus is on eco-innovation.
- The SME Guarantee (SMEG) Facility: In the area of financial guarantees, the Loan and Micro-credit windows have been retained. Mezzanine financing is eligible under an extended Equity & Quasi-Equity window and there is also a new Securitisation window.
- The Capacity Building Scheme: This covers both the Seed Capital Action and the Partnership Action. The revised, more flexible Seed Capital Action provides grants to VC funds to cover start-up costs and costs related to the recruitment of additional staff.

[13] Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013), OJ L310/15, 9.11.2006.

The financial instruments are managed by the EIF on behalf of the Commission, except for the Capacity Building Scheme, which may also be implemented by other international financial institutions, including the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).