Employment: financial assistance for innovative Small and Medium Sized Enterprises SMEs. Report 1999

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PURPOSE: To present an annual report to the EP and the Council concerning the different schemes on job creating SMEs that have been implemented. CONTENT: Following Council Decision 98/347/EC on the Growth and Employment Initiative on measures of financial assistance for job creating SMEs, the Commission is required to present an annual report to the EP and the Council concerning the different schemes that have been implemented. In particular, it should refer to ways in which SMEs gain access to the various methods of financing and consequently, what the prospects for employment are. According to the report, as far as European venture capital for companies is concerned, growth is still significantly behind the US. This weakness is being addressed by the ETF Start-up Facility, which has been set up to strengthen the availability of seed and early stage financing, through investment in specialised venture capital funds. In comparison to the other activities carried out by the European Investment Funds (EIF) and the European Investment Bank (EIB), the investment policy of the ETF Start-up Facility is oriented towards higher risk venture capital funds. Investments are made on equal terms with other equity investors and must represent between 10 per cent and 25 per cent of the total captial of the venture capital fund, up to a maximum of EUR 10 million. Following the approval of the fund proposals by the Commission, the EIF signs contractual agreements with the fund managers and the other investors in the fund. Thereafter, the venture capital funds will receive the first ETF Start-up instalments in order to start making investments. Since the signing of the co-operation agreement, the Commission has approved investment commitments to nine funds, selected by the EIF for a total of up to EUR 54 million. Altogether, these nine funds are expected to raise a total capital pool of EUR 306 million. From 1998 to date, the Commission services have approved commitments to fifteen financial intermediaries selected by the EIF for a total of up to EUR 90 million. The EIF has signed contracts with all the fifteen financial intermediaries. The corresponding EIF guarantee portfolio under the Facility amounts to EUR 1238 million. The 7,223 SMEs benefiting from the SME Guarantee Facility so far have declared that they have 32,869 employees and moreover, it is anticipated that more than 14,000 SMEs will have benefited from the SME Guarantee Facility by the end of 1999.