Employment: financial assistance for innovative and job creating small and medium sized enterprises SMEs. Report

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PURPOSE: To present an annual report concerning financial assistance to SMEs encouraging innovation as well as job creation. CONTENT: This Report stems from Article 7 of Council Decision 98/347/EC on financial assistance for the promotion of growth, employment and innovation amongst SMEs. The Report in turn covers the three financial instruments set up to implement the measures outlined in the Decision. Specifically, the financial instruments are: - The ETF Start-up Facility - JEV and - The SME Guarantee Facility. As regards the first, the ETF start-up facility, the Report concludes that it is still at an early stage of investment and thus its success or failure difficult to assess. Given the complexities of the programme however the Commission considers its initial start-up phase to have been relatively successful. The European Investment Fund (EIF) which has been set up to manage the funds, estimates that the total remaining budgetary allocation will be committed by the beginning of 2002. This assessment takes into account the steady flow of new proposals from potential fund managers and sponsors. Concerning the second of these instruments, the JEV programme, the Commission's assessment is less favourable. The take-up rate of the programme has been slower than expected. The lengthy processing time of submission is considered too long and could explain why SMEs are reluctant to take advantage of the JEV programme. In addition the current criteria do not correspond to SMEs needs with regard to cross-border investment. For many, cross-border co-operation and the sharing of management responsibilities this implies, is simply too much of a burden. Concerning the last of these programmes, the SME Guarantee Facility, the Report notes that the global take-up rate has been satisfactory. In light of the mixed response to these financial instruments, and in particular the lack of success with JEV, the Council decided in December 2000 to extend the three financial instruments of the Growth and Employment Initiative under a new legal basis, the multi-annual programme for enterprises and entrepreneurship (MAP). The credits proposed for financial instruments under the new MAP are allocated to the three respective financial instruments described above. Within the scope of MAP, the ETF Start-up Facility has been adapted to support the establishment and financing of SMEs in their start-up phase by investing in specialised VC funds and incubators. Concerning the Guarantee Facility three new sub-windows have been added in order to enlarge the range of available instruments. This will guarantee micro credits, equity investment and loans to cover IT equipment. The Seed Capital Action plan is intended to support seed funds, incubators or similar organisations in which the EIF participates. Finally, the JEV programme will be simplified and eligibility criteria adapted. The method of calculating the amount of contribution will be linked both to the investment realised and the number of jobs created.