Small and medium-sized enterprises SMEs: job creation, financial assistance. Growth and employment initiative

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This report outlines the progress achieved on the implementation of three financial instruments, ETF Start-up Facility, JEV and SME Guarantee Facility. This is the second report of this type, which reviews the developments that have occurred since 1999 and outlines future prospects of the Initiative. The report is broken down into three sections, one for each of the financial instruments. It is complemented by annexes, referring particularly to statistics on SMEs that are beneficiaries of either the ETF Start-up Facility or the SME Guarantee Facility. Finally, the conclusion describes further developments of the Initiative within the context of the multiannual programme for enterprise and entrepreneurship (2001-2005). In response to a request by the Lisbon European Council, the Commission prepared a review paper in October 2000 on specific Community financial instruments for SMEs, setting up a framework for future Community action which should continue to be offered through four windows (loans, equity, guarantees and grants). The Ecofin Council on 7 November 2000 agreed to the Commission's proposal to regroup similar Commission financial instruments under one budget line and one legal basis. As a consequence, several Community SME programmes have been included under the framework of the multiannual programme for enterprises and entrepreneurship 2001-2005 (MAP), which was approved by the Council on 20 December 2000 (2000 /819/EC). The new MAP proposes modifications and extensions of the ETF Start-up Facility and the SME Guarantee Facility, and it foresees a simplification of the JEV programme and an adaptation of its eligibility criteria in order to respond more effectively to the needs of SMEs. Furthermore, the Seed Capital action (formerly CREA), constitutes an integral part of the financial instruments of the MAP. Two of the instruments of the Growth and Employment Initiative are managed on a trust basis by the European Investment Fund (EIF). In this context it is worth mentioning that the June 2000 reform of the EIF has turned it into the EIB Group·s specialist risk capital arm and strengthened its role as a guarantor to ensure continued efficient support for SMEs. The aim is to achieve the Community objectives in these key areas for growth and employment in the Member States of the Union and, for the first time, also in the Accession countries. This report concludes that SMEs are not homogeneous, which is why under the Growth and Employment Initiative different kinds of support measures have been developed for different categories of enterprises. The three financial instruments - ETF Start-up Facility, JEV and SME Guarantee Facility - contribute in varying degrees to the development of SMEs. They support the creation and the growth of businesses as well as co-operation between businesses. The degree of development of these three instruments varies considerably. The ETF Start-up Facility is still at an early stage of its investmentphase. Considering the complexities involved (establishment of new VC funds often with new management teams), the results achieved so far may be considered to be satisfactory. The EIF expects that the total remaining budgetary allocation will be committed by the beginning of 2002, taking into account commitments to further VC funds already under negotiation or in advanced stages of appraisal as well as the steady flow of new proposals from potential fund managers and sponsors. As regards to JEV, the take-up of the programme is slower than expected due to multiple reasons. It is considered that the processing time of the SME submissions is too long. In addition, the current eligibility criteria do not respond to SMEs' needs with regard to cross-border investments. For some SMEs the co-operation with a foreign partner, including the sharing of management responsibilities may be considered to be a burden. Therefore, the new MAP foresees a simplification of the procedures and an extension of the relevant eligibility criteria. Finally, the global take-up of the SME Guarantee Facility has been satisfactory and reflects an acceptance by market players as well as the necessity for this type of Community involvement. Taking account of the absorption of the three instruments, the Commission has adapted the allocation between the schemes by reallocating EUR 30.56 million from JEV to SME Guarantee Facility. Further, the Council has decided to extend the three financial instruments of the Growth and Employment

Initiative under a new legal basis, the multiannual programme for enterprises and entrepreneurship (MAP), and in particular for small and medium-sized enterprises (2001-2005).