Growth and employment initiative for small and medium enterprises SMEs

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The 2001 annual report on the Growth and Employment Initiative is drawn up in accordance with Article 7 (1) of the Council Decision (Decision 98/347/CE) adopted on 19 May 1998. This Decision requires the Commission to submit an annual report to the European Parliament and Council on the progress achieved on the implementation of three financial instruments, ETF Start-up Facility, JEV and SME Guarantee Facility. This third annual report will be followed by the overall evaluation report, to be prepared by the Commission according to Article 7(2) of the Decision. In that article, the Council requests the Commission to provide an evaluation of the programme, notably as regards its overall utilisation and its immediate and long-term employment effects. The annual 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. These statistics are based on data concerning the year 2000, submitted to the Commission in the framework of surveys conducted in 2001. Finally, the conclusion describes further developments of the instruments of the Initiative within the context of the multiannual programme for enterprise and entrepreneurship (2001-2005) (MAP) which gave them a new legal basis. As at 31 December 2001, an amount of EUR 116.58 million out of a total appropriation of EUR 443.71 million1 was still available for commitments by the EIF for ETF Start-up Facility (EUR 49.68 million) and SME Guarantee Facility (EUR 20.8 million), and by the Financial Intermediaries for JEV (EUR 46.1 million). The conclusions of the report concern: 1) the ETF Start-up and SME Guarantee Facilities : the overall utilisation appears to be quite satisfactory, even considering the current economic downturn that led to a serious decline in the investment activities by venture capitalists and increasing reluctance of banks to lend to SMEs at the end of 2001. The worsening economic climate may also have a significant impact on the expected returns of venture capital funds and potential losses for guarantee schemes. 2) JEV : the take-up by the market was far below expectations, the employment creation impact was minimum and the cost effectiveness was very low. The slowdown of the economic activity within the European Union and the reluctance of banks to finance SMEs may also be having an impact on the finance of transnational joint ventures by SMEs within the European Union. An evaluation which is currently being carried out will provide more detailed data on the impact of the Growth and Employment Initiative as regards its overall utilisation and its immediate and forecasted effects on employment. When presenting the evaluation, the Commission will, if necessary, make recommendations on the future of those three schemes and in particular of JEV. 3) Multi Annual Programme : On 20 December 2000, by decision 2000/819/EC, the Council decided to extend the financial instruments of the Growth and Employment Initiative under a new legal basis, the multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises 2001-2005 (MAP). The new MAP proposes modifications and extensions of the ETF Start-up Facility and the SME GuaranteeFacility and introduces a new action, the Seed Capital Action. All three actions are to be managed by the EIF and aim to address recognised market failures in order to improve SMEs' access to finance. Within the new 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. Three new sub-windows have been added to the SME Guarantee Facility in order to expand the range of available guarantee instruments: micro-credits; equity investments; loans to cover IT equipment, software and training in the area of internet and ecommerce. The Seed Capital Action is intended to support seed funds, incubators or similar organisations in which the EIF participates. The support is aimed at the long-term recruitment of additional investment managers to reinforce the capacity of the venture capital industry to cater for investments in seed capital.