Basic information

1998/0024(CNS) CNS - Consultation procedure Decision	Procedure completed
Small and medium-sized enterprises SMEs: job creation, financial assistance. Growth and employment initiative **Subject** 3.45.02 Small and medium-sized enterprises (SME), craft industries 4.15.02 Employment: guidelines, actions, Funds	

Key players

European Parliament

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	TILLICH Stanislaw (PPE)	19/01/1998
ECON Economic and Monetary Affairs, Industrial Policy	HARRISON Lyndon H.A. (PSE)	16/02/1998

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2083	1998-04-21
Economic and Financial Affairs ECOFIN	2095	1998-05-19

Key events

Date	Event	Reference	Summary
21/01/1998	Legislative proposal published	COM(1998)0026	Summary
09/03/1998	Committee referral announced in Parliament		
19/03/1998	Vote in committee		Summary
19/03/1998	Committee report tabled for plenary, 1st reading/single reading	A4-0114/1998	
31/03/1998	Debate in Parliament		
19/05/1998	Act adopted by Council after consultation of Parliament		
19/05/1998	End of procedure in Parliament		
29/05/1998	Final act published in Official Journal		

Technical information

Procedure reference	1998/0024(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	Rules of Procedure EP 050 EC Treaty (before Amsterdam) E 130-p3
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/4/09817

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A4-0114/1998 OJ C 138 04.05.1998, p. 0006	19/03/1998	
Text adopted by Parliament, 1st reading/single reading		T4-0195/1998 OJ C 138 04.05.1998, p. 0077-0097	01/04/1998	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(1998)0026 OJ C 108 07.04.1998, p. 0067	21/01/1998	Summary
Non-legislative basic document	COM(2001)0399	06/07/2001	Summary
Follow-up document	COM(2003)0480	05/08/2003	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0459/1998 OJ C 157 25.05.1998, p. 0071	26/03/1998	
CofR	Committee of the Regions: opinion	CDR0046/1998 OJ C 251 10.08.1998, p. 0041	13/05/1998	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Decision 1998/0347
OJ L 155 29.05.1998, p. 0043 Summary

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

1998/0024(CNS) - 21/01/1998 - Legislative proposal

OBJECTIVE: in accordance with the conclusions of Amsterdam and the extraordinary Luxembourg European Council on Employment, the Commission proposes a programme to promote employment and growth by facilitating the access of SMEs to loans or to or any type of medium- or long-term credit finance and/or equity participations. CONTENTS: the programme, which covers the period 1998-2000 (with a reference amount of ECU 420 m), provides for the establishment of 3 parallel and complementary facilities for assistance to job-creating SMEs: 1) the ETF (European Technology Facility) start-up facility managed by the European Investment Fund (EIF): this facility will promote venture capital participation in SMEs, particularly at the start up stages and/or in innovative or technology-intensive SMEs; 2) a system of financial contributions in support of the setting-up of transnational joint ventures ("Joint European Ventures"), the system to be managed by the Commission; it is intended to meet part of the cost of planning and setting up transnational joint ventures between SMEs in the Community and part of the cost of cross-border investment. The maximum contribution will be ECU 100 000, which may cover up to 50% of expenditure on planning and setting up joint ventures ("eligible expenses") and up to 10% of the total investment in fixed assets. Applications for contributions are to be submitted to the Commission via a network of financial intermediaries; 3) an SME guarantee facility, managed by the European Investment Fund (EIF): this will meet the cost of guarantees and counter-guarantees issued by the EIF to facilitate an increase in the volume of loans granted to SMEs and the risks assumed by national guarantee schemes, mutual guarantee schemes, the EIB or other appropriate financial intermediaries in connection with their relevant operations. This scheme will also assign priority to SMEs with fewer than 100 employees. EIF guarantees will be partial and will always involve sharing of the risk between the EIF and the financial intermediary concerned. These 3 schemes are intended to cover the maximum number of SMEs at the growth stage and will be implemented in cooperation with the national and regional financial intermediaries. An annex supplements the description of each of these schemes (mainly application procedures for finance and obligations of beneficiaries). It is planned to divide the appropriation as follows: 40% for the start-up facility run by the ETF, 20% for "joint ventures" and 40% for the SME guarantee scheme. The European Commission will report annually to the Budgetary Authority on the implementation of the programme and will submit a general assessment of the operation and impact of the schemes not later than 48 months after the date of adoption of the programme.

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

1998/0024(CNS) - 06/07/2001

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).

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

1998/0024(CNS) - 19/05/1998 - Final act

OBJECTIVE: In accordance with the conclusions of the extraordinary Luxembourg European Council on Employment, to establish a programme to promote employment and growth in small and medium-sized enterprises (SMEs). COMMUNITY MEASURE: Council Decision 98/347/EC on measures of financial assistance for innovative and job-creating small and medium-sized enterprises (SMEs). SUBSTANCE: the programme covers the period 1998-2000 and comprises a reference amount of ECU 450 m, following the agreement between the Council and Parliament concerning the creation of a new budget heading to this effect (line B5-50: 'labour market and technological innovation'). The programme provides for the establishment of three parallel and complementary facilities for assistance to job-creating SMEs with potential for growth: 1) the ETF (European Technology Facility) start-up facility managed by the European Investment Fund (EIF) in cooperation with national investment programmes: this facility will promote venture-capital participation in SMEs, particularly at the setting-up or start-up stages, and/or in innovative SMEs by means of investments in specialised venture capital funds, possibly in cooperation with national systems; 2) a system of financial contributions in support of the setting-up of transnational joint ventures ('Joint European Ventures'), the system to be managed by the Commission; it is intended to meet part of the cost of planning and setting up transnational joint ventures between SMEs in the Community and part of the cost of cross-border investment. The maximum contribution will be ECU 100 000, which may cover up to 50% of expenditure on setting up joint ventures ('eligible expenses') and up to 10% of the total investment in fixed assets. Under this scheme, special attention will be devoted to SMEs with a maximum of 100 employees. Applications for contributions are to be submitted to the Commission via a network of financial intermediaries; 3) a SME guarantee facility, managed by the European Investment Fund (EIF): this will meet the cost of guarantees and counter-guarantees issued by the EIF to facilitate an increase in the volume of loans granted to SMEs and the risks assumed by national guarantee schemes, mutual guarantee schemes, the EIB or other appropriate financial intermediaries in connection with their relevant operations. This scheme will also assign priority to SMEs with fewer than 100 employees. EIF guarantees will be partial and will always involve sharing of the risk between the EIF and the financial intermediary concerned. A set of annexes supplements the description of these schemes (application procedures, obligations of beneficiaries, etc.). The two schemes proposed within the framework of cooperation agreements between the Commission and the EIF will involve wide distribution. The Commission will report annually to the Budgetary Authority on the implementation of the programme and will submit a general assessment of the operation and impact of the schemes not later than 48 months after the date of adoption of the programme. The assessment is also to adjust the allocations to the various measures to take account of the absorption of the funds and the programme's impact in terms of job creation. ENTRY INTO FORCE: 29.05.1998. EXPIRY: 31.12.2000 (except for certain measures adopted in connection with the procedures for the programme, which may remain in force for longer).

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

1998/0024(CNS) - 01/04/1998 - Text adopted by Parliament, 1st reading/single reading

In adopting the report by Mr Bartho PRONK (EPP, NL) on financial assistance to SMEs Parliament approved the Commission proposal with the following amendments: - a part of the programme should be devoted to the financing of SMEs in the third system (education, public health, culture), - priority should be given to enterprises with not more than 100 workers, - the mechanisms proposed under the cooperation agreements between the Commission and the EIF should be widely disseminated, in particular to women entrepreneurs, - the Commission should submit an assessment of the programme within 2 years of its adoption and nine months before the expiry of the programme in order to make any adjustments needed and to correct the distribution of financial resources, - the implementation of the different schemes should be assessed annually, - the final assessment of the programme should be conducted by an independent body, taking into account the quality and type of job creation, the sectors concerned and future prospects. Parliament also pointed out in a recital that in its decision on the 1998 budget it created in agreement with the Council a new heading for the labour market for SMEs and technological innovation with financing of ECU 450 million from 1998-2000. It also hoped that the ETF Start-up scheme would be known as the Euro Start-up scheme and that the balances resulting from individual actions could be recycled during the life of the programme then returned to the Community budget at the latest after 15 years.

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

1998/0024(CNS) - 05/08/2003 - Follow-up document

PURPOSE : to present the 2002 Report from the Commission on the measures on financial assistance for innovative and job creating SMEs. CONTENT : in accordance with Council Decision 98/347/EC, the Commission is submitting its annual report to the European Parliament and Council on the progress achieved on the implementation of three financial instruments: - Start-up Facility (ETF); - Joint European Venture (JEV); - SME Guarantee Facility. The report states that 2002 was a difficult year for the European venture capital industry as demonstrated by the sharp decline of

49.2 % in fundraising, with EUR 19.4 billion raised, compared with EUR 38.2 billion in 2001. In this context, the progress made during the year under review in the implementation of the ETF Start up facility is satisfactory and shows that the facility worked in a complementary way to fill the gap created by the relative absence of private funding. It should be noted that the worsening economic climate may have a significant impact on the expected returns of venture capital funds. The report highlights that as at 31.12.02, an amount of EUR 59,82 million out of a total appropriation of EUR 449.56 million was still available for commitments. Under the ETF Start-up Facility, an amount of EUR 17.42 million was available subject to an extension of the reinvestment period. An amount of EUR 42.4 million was also available for JEV. The report stipulates that the activity of the EIF related to the ETF Start-up Facility and the SME Guarantee Facility developed according to plan, although it was affected by the economic situation that resulted in a downturn of risk capital in Europe and the increased reluctance of banks to lend to activities towards SMEs. In this respect, the banks also anticipated consequences, in terms of higher risk exposure, of the Basle II capital accord In 2002, the SME Guarantee Facility showed its strength in supporting SMEs. Against a worsening and unstable economic climate, participating banks and other guarantee institutions relied on it to provide them with an extra cushion of assurance to continue financing SMEs and thus to maintain job creation opportunities that might otherwise suffer from lack of finance. Compared with 2001, guarantee commitments by the EIF to participating financial intermediaries increased by 14.2%. As far as JEV was concerned, the take-up by the market was far below expectations. The employment creation impact was minimal and the cost-effectiveness was very low, as already reported last year. An evaluation of the various financial instruments has been carried out by the Commission services. The Commission will present this evaluation in a separate document that will include a proposal on the future of JEV. On 20 December 2000, 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 MAP proposes modifications and extensions of the ETF Start-up Facility and the SME Guarantee Facility and introduces a new action, the Seed Capital Action. All three actions are managed by the EIF and aim toaddress recognised market failures in order to improve SMEs' access to finance. Lastly, in May 2002, the first commitments were made for the MAP budget, ensuring a smooth transition from Growth and Employment. Formalities to allow the candidate countries to participate in the financial instruments were largely completed in 2002. The formal implementation notice for candidate countries was published on 25.02.03. Performance information on the SME Guarantee Facility, the ETF Start-up Facility and JEV will be provided in the context of the MAP.