COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Growth and Employment Initiative
Measures on financial assistance for innovative and job creating Small- and Medium Sized Enterprises (SMEs)

As at 31 December 1999

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CONTENTS

1. INTRODUCTION

Following an initiative by the European Parliament to strengthen budget allocations in favour of innovative and job-creating SMEs[1], the Growth and Employment Initiative on measures of financial assistance was adopted by the Council (Decision 98/347/CE) on 19 May 1998. Under this Decision, the Commission is required to present an annual report to the European Parliament and the Council concerning the different schemes that have been implemented. In particular, it should refer to the ways in which SMEs gain access to the various methods of financing and consequently what the prospects for employment are.

The programme follows on from the Amsterdam initiative and the Luxembourg Summit on employment. It puts emphasis on SMEs with growth potential. Such companies are often unable to raise finance because of the risk associated with their particular stage of development. This applies to SMEs in their growth phase and to SMEs establishing cross-border joint ventures.

The programme aims to foster the establishment and growth of SMEs, thus enabling them to create jobs. For this purpose, three schemes - the ETF Start-up Facility, Joint European Venture (JEV) and the SME Guarantee Facility - exist to help as many SMEs as possible throughout the different growth phases.

The total multi-annual budget allocation foreseen for the three schemes amounts to € 420 million.

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[1] According to the Commission recommendation of 3 April 1996, SMEs are defined as enterprises which have fewer than 250 employees, and have either an annual turnover not exceeding € 40 million, or an annual balance-sheet total not exceeding € 27 million, and which conform to the criterion of independence.

2. ETF START-UP FACILITY

2.1. Introduction

As has been emphasised previously at both the Luxembourg and Cardiff summits, risk capital is essential for the financing of fast growing companies, especially those in high-tech and knowledge-based industries. As has been shown by the US experience, these companies represent one of the key factors in raising productivity and supporting growth, which, in turn, leads to job creation.

In Europe, too, surveys carried out in specific countries give evidence demonstrating the above[2]. A survey conducted by a British consultancy showed that the number of people employed in venture capital-backed companies grew by 24% per year, in comparison to the national growth rate of 1.3% per year. The number of employees in venture capital-backed companies increased by three times the rate of those in FTSE 100 companies; and 60% faster than those in the FTSE Mid-250. In Germany, in venture capital-backed companies quoted on the Neuer Markt, there was an employment growth rate of 40% per year on average, which led to 21,000 new jobs being created. If one considers the situation in France, it was found that, in companies quoted on the Nouveau Marché, the growth rate for employment was 47%. In this case, 3,600 new jobs were created.

As far as European venture capital is concerned, there has been rapid growth over the past five years, but Europe still remains significantly behind the US. It is also less orientated towards assisting young and innovative[3] companies. In Europe, about € 7 billion was invested in venture capital in 1998, compared to € 12 billion in the US[4]. Only € 1.6 billion was invested in companies in their early stages, compared with € 4.5 billion in 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 Fund (EIF) and the European Investment Bank (EIB), the investment policy of the ETF Start-up Facility is orientated towards higher risk venture capital funds.

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2 Working Document of the Commission SEC (1999) 172

3 According to the Green paper on innovation of the European Commission, 20 December 1995, “innovation is the renewal and enlargement of the range of products and services and the associated markets; the establishment of new methods of production, supply and distribution; the introduction of changes in management, work organisation, and the working conditions and skills of the workforce”.

4 The figure refers to equity investments made for the launch, early development or expansion of a business, excluding MBO/MBIs.

2.2 Description

The objective of the ETF Start-up Facility is to increase the availability of risk capital to innovative SMEs during their establishment and early stage development.

The facility is operated by the EIF, which invests in specialised venture capital funds established specifically to provide equity or other forms of risk capital to SMEs. The funds considered under this facility are smaller or newly established ones, in particular those operating at regional level, those focusing on specific industries or technologies and those which finance the exploitation of R&D results.

Investments are made on equal terms with other equity investors and must represent between 10% and 25% of the total capital of the venture capital fund, up to a maximum of € 10 million.

The EIF examines the fund proposals on the basis of various criteria, such as size of the fund in question, level of involvement from the private sector, investment strategy, target market, deal flow, proposed terms, expected rate of return, management team working on the project and extent to which the ETF Start-up investment can be expected to have a catalytic effect in raising funds. Attention is also given to ensuring that the programme as a whole delivers a balanced geographical representation across the European Union.

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.

SMEs interested in such financial support may contact one of the selected venture capital organisations.

2.3. Chronology of main events

May 19, 1998: Council Decision

July 24, 1998: Signature of fiduciary and management agreement with the EIF

October 1, 1998: Publication of a notice of implementation of the facility in the Official Journal of the European Communities

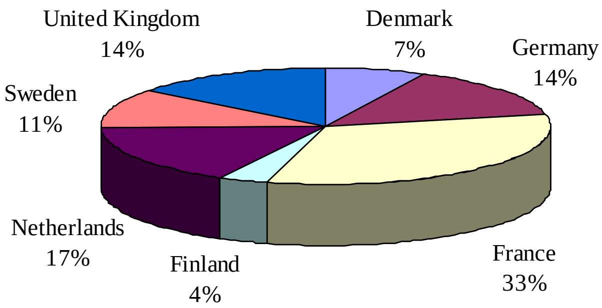
November 11, 1998: First approval of a venture capital fund

January 27, 1999: First contract signed between the EIF and a venture capital fund

2.4 First results

2.4.1. Venture capital funds

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 € 54 million. Altogether, these nine funds are expected to raise a total capital pool of € 306 million. An analysis of the approvals by country of management follows.



Legal commitments have been made to and accepted by seven of these funds for a total amount of € 38 million, corresponding to € 189 million total funds raised. A detailed list of these funds is annexed (see annex 1).

2.4.2. Beneficiary SMEs

Up until 30th September 1999, last available contractual reporting date from venture capital fund managers to the EIF as of today, the total number of EU SMEs having received an investment by funds participating in the ETF Start-up programme is 49. The total investment amounts to € 20.2 million, with an average investment per SME of around € 0.4 million.

Detailed information on beneficiary SMEs will become available in August 2000, as each beneficiary SME is required to complete and submit an annual questionnaire covering areas such as job creation and investment.

2.5. Budgetary Data

Budget line B5-510

Year	**1998**	**1999**	**2000**	**Total**
Budget commitments (€ million)	50	59	59*	168

* to be committed

2.6. Promotion

In addition to the Information Notice published in the Official Journal, the EIF has produced leaflets on ETF Start-up in each of the eleven Community languages. Moreover, the EIF has included appropriate information on the facility in its own marketing documentation and has also dedicated separate sections on the facility in its web-site (www.eif.org).

2.7. Forecast on employment creation

Detailed information on the employment creation perspectives will become available in August 2000 when the EIF has received the first completed annual questionnaires from SMEs.

2.8. Outlook

Further to the nine funds already approved, negotiations are ongoing with four other venture capital funds. In addition, current active enquiries being reviewed by the EIF total some 13 further proposals. Altogether, the EIF expects to have 25-30 venture capital funds from all 15 Member States.

3. JOINT EUROPEAN VENTURE (JEV)

3.1. Introduction

The completion of the internal market and European Monetary Union have created the economic environment for companies to co-operate with each other, ensuring sustainable growth and job creation throughout the European Union. The development of new commercial outlets in other Member States - either through exporting products or investing directly in on-site production - offers enterprises a strategic and proactive choice, allowing them to benefit from the considerable advantages of the internal market.

Although surveys show the interest of SMEs in co-operating with SMEs from another European country, they also indicate that SMEs have to overcome a certain number of obstacles before setting up a joint venture. They must face up to the problems involved in accessing a foreign market where the culture, traditions and regulatory and financial framework may be quite different. Moreover, SMEs rarely have enough staff with a good knowledge of foreign languages at the start of the internationalisation phase. And, last but not least, SMEs must find sufficient financial resources to launch their projects.

Because of these barriers, SMEs rarely succeed in realising their ambitions and the number of trans-national joint ventures created by SMEs is very low, as confirmed by the European Observatory on SMEs' 5th Report.

The JEV programme was created to address these problems and help SMEs to establish trans-national joint ventures within the European Union.

3.2 Description

The EU contribution is intended to cover some of the expenses related to setting up a joint venture. The amount (max. € 100,000 per project) and terms of this contribution are as follows:

The first part of the contribution covers up to 50% of the eligible expenses, to a maximum of € 50,000. Eligible expenses are those related to the conception and setting-up of a transnational joint venture created by European SMEs. These may include the expenses of the market survey, preparation of the legal framework and the business plan, analysis of the environmental impact, and any other expenses that are essential for the setting-up of the joint venture;

The second part of the contribution covers up to 10% of the total amount of the investment made.

Each partner of the Joint Venture should be an SME. The concept of a "joint venture" must be interpreted broadly, that is, any form of consortium, partnership or joint venture of an industrial, service, commercial or craft nature between at least two SMEs or entrepreneurs from different Member States.

It must relate to the creation of new economic activities, involving investment and employment creation within the European Union. None of the partners should own more than 75% of the capital of the joint venture.

The contributions to the preparatory work and to the investment make access to finance for joint ventures easier. This is the main reason why the JEV programme is implemented through a network of Financial Intermediaries (FIs).

The network of FIs provides the link between the European Commission and the SMEs. A SME wishing to submit an application under this scheme contacts one of the financial intermediaries in the network. This intermediary is entrusted with evaluating the application. Files, which have passed this evaluation successfully, are forwarded to the Commission, who verifies the eligibility of the application in relation to the programme's objectives, especially the viability of the project and the impact on employment.

The network, following a call for expression of interest is, as at 31 December 1999, composed of 83 financial intermediaries (banks and venture capital funds) with more than 10,000 agencies throughout all Member States. These institutions have signed a framework agreement with the Commission.

3.3 Chronology of main events

November 5, 1997: Commission Decision: Launch of JEV as a pilot action under DG XXIII's 3rd Multi-annual Programme for SMEs (B5-512). Beginning of the establishment of the Financial Intermediaries (FI) network based on the JOP FI network

December 23, 1997: Signature of the first Framework Agreements with FIs

February 28, 1998: Publication of the call for expression of interest in the Official Journal of the European Communities in order to extend the FI network

May 19, 1998: Council Decision

July 15, 1998: First steering committee meeting: approval of the first projects; the steering committee meets at least once per month

December 16, 1998: New Framework Agreement including the Promotion Facility

April 24, 1999: Publication in the Official Journal of the European Communities of the notice of information on the Promotion Facility.

3.4. First results

3.4.1. Financial Intermediaries

The table below provides a breakdown of FIs by country. The network of Financial Intermediaries remains open for new candidates. The list of the current Financial Intermediaries is annexed (Annex 2).

Austria	8
Belgium	5
Denmark	2
Finland	1
France	10
Germany	10
Greece	2
Ireland	1
Italy	21
Luxembourg	3
Netherlands	1
Norway	1
Portugal	2
Spain	12
Sweden	1
United Kingdom	3
Total	**83**

3.4.2 *Joint Venture Projects*

Up until 31 December 1999, the Commission services received 104 applications, 65 of which were approved.

Status	**31.12.1998** (cumulative data)	**30.6.1999** (cumulative data)	**31.12.1999** (cumulative data)
Projects received of which:	23	59	104
Joint Venture projects	*23*	*51*	*79*
Promotion Facility	-	*8*	*25*
Projects approved of which:	11	28	65
Joint Venture projects	*11*	*27*	*53*
Promotion Facility	-	*1*	*12*
Projects rejected	2	3	5
Projects withdrawn by FIs	2	3	9
Projects under review	8	25	25

A detailed breakdown of the 53 joint venture approved projects by activity sector, project countries, geographical location and size of the 115 SMEs involved, job creation and investments foreseen is given in annex 2, as well as a brief description of some of the approved and contracted projects.

Five projects have been rejected. The Financial Intermediaries withdrew nine other projects. As at 31 December 1999, the 25 remaining projects were either under review by the Commission services or awaiting additional information.

3.5. Budgetary Data

Budget line B5-511

Year	**1997**	**1998**	**1999**	**2000**	**Total**
Budget commitments (€ million)	5.0 (B5-512 pilot action)	20.0	30.4 1.6 (carried over) *	32.0*	89.0

* to be committed

3.6 Promotion

To inform SMEs about the programme, the Commission services have produced brochures and leaflets on JEV in each of the eleven Community languages. Moreover, appropriate information is included in the Europa web-site.

Furthermore, a Promotion Facility was included in the framework agreement between the Commission and the financial intermediaries (16/12/98 version). This allows financial intermediaries to forward proposals on JEV promotional activities organised by chambers of commerce, Euro Info Centres, professional associations and financial institutions, to be co-financed by the European Commission.

A number of seminars have been organised, mainly by financial intermediaries and Euro Info Centres. Seminars have taken place in the Belgium, France, Luxembourg, Germany, Italy, Netherlands, Spain and United Kingdom.

3.7. Forecast on employment creation

It is too early to predict figures for job creation. The first stage of the JEV support is linked to a preparatory work phase and it is only thereafter that the SMEs will decide whether, and under what conditions, the joint venture will be undertaken. Nevertheless, even in this very first phase, SMEs have been asked to estimate the number of jobs that could be created.

Based on this, for the 53 joint venture projects approved by 31 December 1999 and according to the declarations made by the applicants, the total job creation could be 788 jobs (or an average of 15 jobs per project). At this stage, it is nevertheless premature to calculate the cost for each job created.

3.8. Outlook

The level of JEV activity in 1999 indicates the growing interest of the SMEs in this programme. It is anticipated that around 250 proposals will be submitted by end 2000.

Furthermore, the implementation of the promotion facility will make the programme better known and acknowledged by EU SMEs.

4. SME GUARANTEE FACILITY

4.1. Introduction

Difficulties concerning access to finance are one of the main barriers to the development of SMEs. A key problem is that banks are reluctant to lend to companies unless they can provide collateral for the loan, which is often not possible for SMEs. The situation is particularly difficult for start-ups, which do not have a proven track record. They are often unable to raise the finance they require to allow their businesses to flourish, which can compromise their ability to grow and tackle world markets. Thus the availability of appropriate guarantees can have a major impact on their ability to access finance.

In Member States, loan guarantee schemes have proved that they have a beneficial effect on SMEs and job creation. They are generally considered to be more efficient than interest rate subsidies.

The objective of this facility is to stimulate job-creation by supporting the investment activity of innovative SMEs within the European Union, through increased availability of loan finance. This is achieved by increasing the capacity of guarantee schemes operating in the Member States and relates to both new and existing portfolios. It provides higher volumes of guarantees for the existing guarantee products of the financial intermediaries, access to financing for a larger number of small companies for a wider variety of investments and guarantees for riskier loans.

4.2 Description

The facility is operated by the European Investment Fund (EIF) on a trustee basis covering losses incurred from the guarantees. The guarantee losses are covered up to a pre-determined amount, the so-called cap. Therefore the cost of the facility to the Community budget cannot exceed the budgetary allocations made available to the EIF.

The guarantees issued by the EIF are partial guarantees. There is always a risk-sharing arrangement between the EIF and the Financial Intermediary.

Following an initial consultation by the national authorities and the EIF, the EIF receives financial intermediary proposals, makes a pre-selection and forwards these to the Commission for approval. The intermediaries are selected following consideration of: (a) the effect of the level of debt finance made available to SMEs; (b) the effect on access to debt finance by SMEs and (c) the effect on risk-taking in SME lending by the intermediary concerned. Attention is also given to ensuring that there is a balanced geographical representation across the European Union. The financial criteria governing the eligibility of SME lending for guarantees will be determined individually for each intermediary. These criteria must also adhere to the framework of the guarantee schemes in which they are already operating, the objective being to assist as many SMEs as possible.

Additionally, the SME Guarantee Facility places great importance on providing loans to finance SMEs' intangible assets. It gives priority to companies with fewer than 100 employees.

Companies can apply for guarantees from one of the selected financial intermediaries.

4.3. Chronology of main events

May 19, 1998: Council Decision

July 24, 1998: Signature of the fiduciary and management agreement with the EIF

October 1, 1998: Publication of the notice of implementation of the facility in the Official Journal of the European Communities

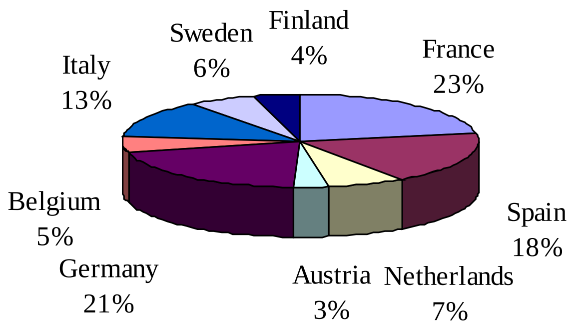
November 20, 1998: First approval of a financial intermediary

December 14, 1998: First contract signed between the EIF and a financial intermediary

4.4 First results

4.4.1. Financial Intermediaries

From 1998 to date, the Commission services have approved commitments to fifteen financial intermediaries selected by the EIF for a total of up to € 90 million. The breakdown of the approved amounts by financial intermediary, by country, is shown below.



The EIF has signed contracts with all the fifteen financial intermediaries. The corresponding EIF guarantee portfolio under the Facility amounts to € 1,238 million.

A detailed list of the financial intermediaries is annexed (Annex 3).

4.4.2. Beneficiary SMEs

Up until 30 September 1999, last available contractual reporting date from the financial intermediaries to the EIF as of today, the total number of SMEs benefiting from a guarantee under this Facility is 7,223. Start-up SMEs, which have been created from 1998 to 1999 total 3,472.

The classification in terms of number of employees in these SMEs is as follows:

SMEs with $0 \leq 10$ employees	SMEs with $11 \leq 50$ employees	SMEs with $51 \leq 100$ employees	Total
6,727	430	66	7,223

4.5 Budgetary Data

Budget line B5-510

Year	1998	1999	2000	Total
Budget commitments (€ million)	50	59	59*	168

* to be committed

4.6. Promotion

In addition to the Information Notice published in the Official Journal, the EIF has produced leaflets on SME Guarantee Facility in each of the eleven Community languages. Moreover, the EIF has included appropriate information on the facility in its own marketing documentation and has also dedicated separate sections to the facility in its web-site (www.eif.org).

4.7. Forecast on employment creation

The 7,223 SMEs benefiting from the SME Guarantee Facility so far have declared that they have 32,869 employees. Even at this early stage, the SMEs are required to estimate the number of jobs that should be created in the near future. Based on this declaration, the total expected number of jobs one year after the signing of the loan agreement is 34,319, i.e. an increase of 1,450 employees. This is expected to increase to 36,988 after another year, i.e. a further increase of 2,669 employees. This would mean an overall increase of 13% over two years.

4.8. Outlook

Since the signature of the management agreement and in accordance with the requirements set out in the Council Decision, the EIF has made contacts with the national authorities of the Member States to obtain guidance as to the choice of financial intermediaries. In addition to the fifteen intermediaries already approved, active negotiations are continuing with four intermediaries and first contacts have been made with eight others. The EIF expects to have 27 intermediaries in total from all 15 Member States.

Furthermore, based on the reports provided by the Financial Intermediaries (up until 30 September 1999), it is anticipated that more than 14.000 SMEs will have benefited from the SME Guarantee Facility by the end of 1999.

ANNEXES

ANNEX 1 – ETF START-UP

The following data relate to the seven funds to which commitments have been made in the period up to 31 December 1999.

1. Rhône-Alpes PME (France)

Rhône-Alpes PME is a fund based in Lyon, the purpose of which is to invest in early stage SMEs in the Rhône-Alpes region. The total funds raised amount to € 22.9 million, of which the maximum budget allocation committed by the EIF is € 3.8 million (17%). The fund will run for a duration of ten years, after which there is the possibility of it being extended for a further two years.

Typical targets of this fund will be two to three year old SMEs and investments will generally fall in the € 0.2 – 0.5 million range.

The management company of the fund is part of the Siparex group, which has 20 years of fund management experience behind it. The team involved in this project is new and relatively inexperienced, but it is assisted by more experienced backup from the Siparex group.

2. Quantum Healthcare Fund (United Kingdom)

Quantum Healthcare Fund is a new fund set up to finance seed and early stage biotechnology and healthcare companies in the UK and in the rest of Europe.

The fund has so far raised approximately € 19.3 million and intends to raise up to € 31.2 million, which will be invested in 10-15 companies over a period of 4-5 years, at an average of € 1.5 to 3 million per investment. The EIF has so far committed approximately € 4.8 million, with the possibility of an extension up to € 7.8 million.

Although he has not previously managed a fund himself, the promoter is a highly experienced and successful entrepreneur, with an excellent track record in the biotechnology sector. This should strengthen the support that he and the rest of the management team will provide to the investee companies in shaping their strategic development.

3. Wellington Partners (Germany)

Wellington Partners is a venture capital fund based in Munich which specialises in investing in start-up and early stage companies, primarily in the areas of healthcare, biotechnology, telecommunications, software and multimedia. It concentrates most of its investments in companies in the Southern states of Germany.

The size of this fund is € 35.8 million, of which the amount committed by the EIF is approximately € 7.8 million or 21% of the fund. The fund aims at establishing a portfolio of investments in 15-20 companies whose products are either undergoing an initial technological development phase or are at the marketing stage. The maximum amount of any single investment will not exceed 10% of the fund.

Typical investments will be minority investments ranging between € 0.1 and 3 million to be invested through several rounds.

Although the management team has had some prior experience in venture capital, this is their first fund raised. They have made several links with a number of research centres to enable the fund to generate deal flow in high technology.

4. Natexis Ventech (France)

Natexis Ventech is a fund financing companies mostly in France but also throughout Europe. The fund is managed by Natexis Ventech S.A., a subsidiary of Financière Natexis. The fund has raised € 42.7 million, of which the EIF has committed approximately € 9.7 million.

Natexis Ventech plans to put together a portfolio of 30 to 35 early stage technology investments (75% in information technology and 25% in life sciences, biotechnology and health-related applications). It does not intend to invest in companies in the seed phase, but rather to concentrate on early stage opportunities.

The management team includes some individuals with a background in venture capital funding, whilst others have industry experience.

5. Aboa Venture II (Finland)

Aboa Venture II is a regional fund based in the Turku area of Western Finland specialised in technological investments.

This fund has raised € 8.8 million, of which the EIF has committed 23 % or € 2.0 million. The fund will run for a duration of ten years, after which there is the possibility of a further extension of two years. Aboa Venture aims at investing in approximately 20 companies in their early and development stages in the electronics, biotechnological and life sciences sectors.

The management has previous experience in running regional funds and has close links with research and development centres in this area.

6. Seeft Capital (France)

This fund invests in French businesses in the software sector which are at the start-up or seed and early-stage of their development. The size of the fund is € 18.8 million and it will run for eight years, after which there is the possibility of an extension of two years. EIF has committed 22% to this, which represents € 4.1 million.

The fund aims at putting together a portfolio of between 20 and 30 companies which develop and commercialise software packages for business, personal applications and service companies, involving e-commerce, internet, intranet, educational software and games, as well as products for niche markets.

The management team, which is experienced in the software industry, plans to assist the portfolio companies in their product development and commercialisation activities.

7. InnovationsKapital 2 Partners (Sweden)

InnovationsKapital 2 is a Swedish venture capital fund of a size of € 40.9 million, to which the EIF committed 15%, i.e. € 6.1 million. The fund will run for a duration of ten years, after which there is the possibility of a further extension of two years.

The fund aims at investing in approximately 20-25 start-up and early stage companies in the Nordic region in the information technology and healthcare sectors.

The management team has previous venture capital experience and has close links to the scientific community of Chalmers, Linköping and Lund.

ANNEX 2 – JEV

This section gives a statistical overview of the JEV programme as at 31 December 1999.

List of Financial Intermediaries

AUSTRIA	**ITALY**
BANK AUSTRIA AG	BANCA COMMERCIALE ITALIANA
BÜRGES FÖRDERUNGSBANK	BANCA DI ROMA
CREDITANSTALT AG	BANCA NAZIONALE DEL LAVORO
ERSTE BANK	BANCA POPOLARE ASOLO E MONTEBELLUNA
FGG - FINANZIERUNGSGARANTIE-GESELLSCHAFT	BANCA POPOLARE DI BERGAMO - CREDITO VARESINO
INVEST KREDIT	BANCA POPOLARE DI NOVARA
ÖSTERREICHISCHE VOLKSBANKEN (ÖVAG)	BANCA POPOLARE DI VICENZA
RAIFFEISEN ZENTRALBANK ÖSTERREICH AG	BANCA POPOLARE DI VERONA - BANCO S. GEMINIANO E S. PROSPERO
	BANCO AMBROSIANO VENETO
	CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE (CARIPLO)
BELGIUM	CENTROBANCA
BANQUE BRUXELLES LAMBERT/BANK BRUSSEL LAMBERT	CONSORZIO BANCHE POPOLARI EMILIA ROMAGNA MARCHE
FORTIS BANK SA/NV	BANCA POPOLARE DI MILANO
KBC BANK N.V.	FINLOMBARDA
SBI/BMI	MEDIOCREDITO CENTRALE
SOFICATRA	MONTE DEI PASCHI DI SIENA
	SANPAOLO IMI
	FRIULIA SPA
DENMARK	UNICREDITO ITALIANO
MIDTBANK	GEPAFIN
SYDBANK A/S	SVI LOMBARDIA SPA
	LUXEMBOURG
FINLAND	BANQUE ET CAISSE D'EPARGNE DE L'ETAT
FINNVERA	BANQUE INTERNATIONALE A LUXEMBOURG
	EUREFI
FRANCE	**NETHERLANDS**
BANQUE DE BRETAGNE	FORTIS BANK NEDERLAND NV
BANQUE DU DEVELOPPEMENT DES PME	
CDC-PARTICIPATIONS	**NORWAY**
CAISSE NATIONALE DE CREDIT AGRICOLE	SND
CREDIT LYONNAIS	
BANQUE NATIONALE DE PARIS	**PORTUGAL**
G.E.I.E. EUROSUD CAPITAL	CAIXA GERAL DE DEPOSITOS
GROUPE BANQUES POPULAIRES	BANCO BPI
NATEXIS BANQUE	
UNION EUROPEENNE DE CIC	**SPAIN**
	ARGENTARIA
	BANCO COOPERATIVO ESPANOL
GERMANY	BANCO SANTANDER CENTRAL HISPANO
DEUTSCHE AUSGLEICHSBANK	CAJA DE AHORROS DEL MEDITERRANEO (C.A.M.)
INVESTIONSBANK BERLIN	COFIDES (Comp. Esp. de Fin. Desarrollo)
LANDESFÖRDERINSTITUT MECKLENBURG-VORPOMMERN	EL MONTE - CAJA DE HUELVA Y SEVILLA
NIEDERSÄCHSISCHE LANDESTREUHANDSTELLE	BANCO DE VALENCIA
DEUTSCHE BANK	BANCO SABADELL
EUROPA BANK AG	CAJA MADRID
INVESTITIONSBANK NRW (Zentralbereich der WestLB)	LA CAIXA
INVESTITIONSBANK SCHLESWIG-HOLSTEIN	CECA
KREDITANSTALT FÜR WIEDERAUFBAU	SA NOSTRA-CAIXA DE BALEARES
SÄCHSISCHE AUFBAUBANK	
	SWEDEN
	ALMI BUSINESS PARTNER
GREECE	
AGROTIKI - AGRICULTURAL BANK OF GREECE S.A.	
ETBA - HELLENIC INDUSTRIAL DEVELOPMENT BANK	**UNITED KINGDOM**
	ROYAL BANK OF SCOTLAND Plc
IRELAND	GREATER LONDON ENTERPRISE Ltd
BANK OF IRELAND	YORKSHIRE ENTERPRISE LIMITED

Sectors of Activity of the approved joint venture projects

Sector	Number of projects
Services/Business activities	24
Manufacturing	17
Transport	7
Wholesale and retail trade	5
TOTAL	53

Breakdown by country and project (where a joint venture is to be created)

Country	Number of projects
France	10
Spain	9
Belgium	7
Italy	7
Portugal	5
Denmark	3
Germany	3
Netherlands	3
United Kingdom	2
Finland	1
Ireland	1
Luxembourg	1
Sweden	1
TOTAL	53

Geographical location of the SMEs involved in the approved joint venture projects

Country	Number of SMEs
France	22
United Kingdom	16
Belgium	14
Spain	13
Germany	11
Italy	11
Portugal	8
Denmark	7
Netherlands	6
Sweden	3
Austria	1
Finland	1
Ireland	1
Luxembourg	1
TOTAL	115

Size of the SMEs involved in the approved joint venture projects

Number of employees	Number of SMEs
Fewer than 10	48
10 to 49	46
50 to 249	21
Total	115

Job creation foreseen in the approved joint venture projects (declarations made by the applicants)

Job creations foreseen (new employees)	Number of projects
Fewer than 10	26
10 to 49	25
50 to 99	1
100 and more	1
Total	53

The total job creation foreseen in the 53 approved JEV projects as at 31 December 1999 is 788, which is, on average, 15 jobs per project.

Investment foreseen in the approved joint venture projects (declarations made by applicants)

Investment foreseen	Number of projects
Less than € 100 000	8
€ 100-499 000	20
€ 500-999 000	16
€ 1 million and more	9
Total	53

According to the declarations made by the applicants, the investment foreseen in the 53 approved JEV projects as at 31 December 1999 is close to € 41.5 million, i.e. close to € 780.000 on average per project.

JEV Projects

A. Joint venture projects

In order to illustrate the JEV activity, this section gives a description of some of the approved and contracted joint venture projects.

1. Italy - United Kingdom

An Italian company wants to set up a Joint Venture with a British company in the virtual reality computer system sector. The purpose of the Joint Venture will be in the production of virtual reality driving simulators for scooters. The Italian company is in the software service business, whereas the British company is concerned with the supply of PC-based virtual reality software.

2. France - Belgium

A French company wants to set up a Joint Venture with a Belgian company in order to commercialise tools for craftsman. The French partner specialises in manufacturing and distributing tools for craftsman, whereas the Belgian company is involved in the commercial assistance aspect.

3. Germany - France

A German company wants to set up a Joint Venture with a French company in order to create a production facility for cutting tools for making self-adhesive labels. It is planned that the site of the Joint Venture will be on the French partner's premises. Both companies produce and sell self-adhesive labels. The idea to create a Joint Venture came about as the result of previous successful co-operations.

4. Spain - Austria

A Spanish company wants to set up a Joint Venture with an Austrian company to develop a roll on/roll off traffic system from Barcelona to the Middle East.

5. France - Italy

A French company wants to set up a Joint Venture with an Italian company in order to manufacture and sell hinges to companies in the building sector (dealing with windows, doors, frames and portals). The Joint Venture will be located in Italy. The French partner specialises in the manufacture of hinges, whereas the Italian partner is in the building materials trade.

6. France - Germany

A French company wants to set up a Joint Venture with a German company in order to produce bio-degradable and combustible products. The French partner specialises in the commercialisation of machines for the chemical industry. In addition, it sells bio-degradable and combustible products. The German partner is involved in engineering and consulting, relating to waste management and energy technology.

7. Denmark - Sweden

A Danish company wants to set up a Joint Venture with a Swedish company in order to provide warehousing activities and logistics services. The Danish partner is a haulage company operating in Sweden, Norway and Denmark. The Swedish company is also a haulage company mainly specialising in road transportation.

8. Finland - United Kingdom

A Finnish company wants to set up a Joint Venture with a UK company in order to develop the use of information technology in international advertising. The Finnish partner is active in advertising and marketing, whereas the UK partner is active in the design and management of marketing databases and advertising.

9. Italy - Germany

An Italian company wants to set up a Joint Venture with a German company, in Saxony, to conduct research, engineering and manufacturing of heat shrinkable film. The Italian partner focuses on the design and manufacturing of heat shrinkable films. The German partner manufactures machinery and equipment for processing plastic and the recycling of plastic waste.

10. Italy - Netherlands

An Italian company wants to set up a Joint Venture with a Dutch company in order to commercialise telecommunication equipment and provide technical support. The Italian partner produces telecommunication equipment, whereas the Dutch partner is active in data-communications and line transmission products.

11. Denmark - Italy

A Danish company wants to set up a Joint Venture with an Italian company, in the Emilia-Romagna region, to establish a logistics and forwarding service between Denmark and Italy which can administer transportation to and from Poland, the Baltic states and Russia. The Danish partner is involved in the transportation of cold storage goods across Europe, Russia and the Baltic States. The Italian partner specialises in the handling and storage of perishable food products, as well as in the distribution of such goods.

12. Belgium - France

A Belgian company and a French company want to set up a Joint Venture to provide asphalt-paving works for the public and private sectors in France. The Belgian partner operates an asphalt factory. The French partner has been active primarily in the agricultural sector, but has also diversified into road and sewage system construction.

13. Belgium - France - Denmark - Portugal

A Belgian company wants to set up a Joint Venture with partners from France, Denmark and Portugal to develop software for the horticultural industry. The Belgian partner implements generic solutions for specific horticultural production planning. The French partner specialises in the development and installation of administrative applications in the horticultural industry. The Portuguese partner runs a tree/shrub nursery. The Danish partner is a national body representing 800 Danish producers of flowers, plants, fruits and vegetables.

B. Promotion events / promotional material

This section gives a list of the first approved JEV promotion events / promotional material support. These were submitted in accordance with the Commission notice 1999/C 113/14, published in the Official Journal, regarding actions for the promotion of JEV.

1. SIAM 1999 (France)
2. Growth Plus Europe 1 (Italy, Germany, Austria)
3. Growth Plus Europe 2 (Belgium, Spain, France)
4. National Association of Spanish Business Innovation Centres (Spain)
5. SEKA (Greece)
6. Promotional material for Almi (JEV FI in Sweden)
7. Institut Catala de Tecnologia (Spain)
8. Consortium for commercial promotion of Catalonia (Spain)
9. Chamber of commerce of Nice (France)
10. Midest (France)
11. Chamber of Commerce of Liège (Belgium)
12. Promotional material for InvestitionsBank Berlin (JEV FI in Germany)

ANNEX 3 – SME GUARANTEE

The EIF has made contacts with the national authorities of the Member States to obtain guidance as to the choice of financial intermediaries. In accordance to this guidance the financial intermediaries in Italy have been selected following a restricted call for expression of interest aimed at regional guarantee funds.

The fifteen financial intermediaries that have signed the SME Guarantee Facility contract with the EIF up until 31 December 1999 are:

1. Bürges (Austria)

Bürges is a public guarantee scheme with the status of a bank providing guarantees to SMEs. It offers guarantee products to all financial institutions in Austria. Two Bürges programmes have been combined with the SME Guarantee Facility. The first one is the programme for young entrepreneurs supporting start-ups and ownership changes of small independent SMEs in all sectors. The second is the programme for structural improvement supporting innovative SMEs. Under the facility, these programmes are offered to SMEs by relaxing or even waiving the normal collateral requirements for SMEs.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 90.8 million over one year. An extension of the agreement was approved by the Commission services in December 1999.

2. Fonds de Participation - FdP (Belgium)

FdP is an autonomous public institution operating through the national banking system, in accordance with the principle of full delegation. In addition to its product range of subordinated loans to SMEs, since January 1999 it has offered residual loss guarantees to independent SMEs with up to 50 employees and with a business activity of less than 5 years. These SMEs must also have an annual turnover, which does not exceed € 7 million and total assets of maximum € 5 million. This new guarantee product is now eligible for cover under the facility.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 99.16 million over two years.

3. Finnvera (Finland)

Finnvera provides SMEs, either directly or through guarantees, with debt finance that the banking system would not readily provide, due to a lack of collateral. It is a state-owned institution working closely with all Finnish financial institutions.

Under the Facility, Finnvera offers a new guarantee product targeted at SMEs employing up to 100 employees including start-up businesses and companies in the service sector. All these SMEs have to have job creation potential and an element of innovation in the products offered. The guarantees are offered to the borrowers at a reduced cost as compared to the current risk premiums charged for similar products.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 229 million over two years and one quarter.

4. Sofaris (France)

Sofaris is a national guarantee institution managing several guarantee funds aimed at the support of SMEs. It works through a large banking network in France.

Under the Facility, Sofaris will provide guarantees for investment loans, ownership transfer loans and loans to start-up businesses. The eligible SMEs are micro enterprises with up to 10 employees. Sofaris estimates that some 20.000-25.000 micro enterprises will benefit from the Facility.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 740 million over two years.

5. Deutsche Ausgleichsbank – DtA (Germany)

DtA is a government-owned specialised development bank, which grants long-term loans with low interest rates mainly for start-up businesses and young companies seeking to expand, as well as granting loans for environmental protection programmes. DtA normally carries out its loan activity through commercial, savings and co-operative banks in Germany. It does not lend directly to SMEs.

The SME Guarantee Facility is combined with a new micro-lending programme offered by DtA which provides loans to small start-ups, with an investment amount of up to € 50,000, a loan maturity of 10 years and a reduced interest rate. It aims particularly at assisting women and the unemployed. In parallel with this, DtA offers incentives to the banks in order to encourage them to enter into this segment of the market. All loans granted under the programme will benefit from partial exemption from liability. This means that banks are also prepared to grant loans to SMEs, which they would, under normal circumstances, categorise as being high risk.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 338.4 million over three years.

6. Confidi Padova (Italy)

Confidi Padova is a mutual guarantee fund based in Padova (Veneto Region). It extends guarantees only to its members, which are 1,176 SMEs established in the region. However, the intermediary intends to expand its statutes and start acting as a counter-guarantor to other industrial guarantee funds (Confidi).

The selected guarantee portfolio consists of loans granted to support the development of enterprises. All investment loans and leasing operations with a final maturity of at least 3 years are eligible for cover. Among others, the intermediary has a product that links the guarantee amount to the number of new employees recruited by the SME in connection with an investment plan. Under the SME Guarantee Facility it will provide higher guarantee cover at reduced cost.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 68.8 million over two years.

7. Artigiancredito Toscano (Italy)

Artigiancredito Toscano is a regional mutual guarantee fund based in Firenze. The main purpose of this intermediary is to facilitate access to credit for artisan SMEs by providing counter-guarantees to its members, which are 19 local artisan guarantee funds.

These 19 funds represent some 44.000 artisan enterprises or 41% of total number of artisan enterprises established in the region. According to Unioncamere Toscana, almost 95% of all artisan enterprises of the region were micro enterprises with less than 10 employees in 1998.

Under the Facility, all guarantees for medium and long-term investment financing with a final maturity of at least 3 years will be eligible. This will include special programmes for start-ups and woman entrepreneurs.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 140 million over two years and one quarter.

8. Unionfidi Piemonte (Italy)

Unionfidi Piemonte is an industrial mutual guarantee fund based in Turin (Piedmont region). It extends guarantees only to its members, which consist of 3,606 SMEs established in the region.

The intermediary has several interesting guarantee products, such as guarantees covering loans for research and development projects and technological innovation. It also recently launched a scheme for employment creation. Under the SME Guarantee Facility it will provide higher guarantee cover at reduced costs to SMEs.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 103.3 million over two years.

9. Federfidi Lombarda (Italy)

Federfidi Lombarda is a regional mutual guarantee fund based in Milano. It provides direct guarantees to industrial SMEs and counter-guarantees to its member Confidi.

Debt finance with a minimum maturity of 3 years will be eligible for cover under the Facility in compliance with the following criteria: Investment financing (both tangible and intangible assets, R&D), employment creation and structured finance. The selected portfolio emphasises the employment creation potential of targeted SMEs having up to 100 employees. According to Inps (Istituto Nazionale della Previdenza Sociale) 99% of the SMEs in Lombardia have less than 100 employees.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 93 million over two years and one quarter.

10. Artigiancredit Emilia Romagna (Italy)

Artigiancredit Emilia Romagna is a regional mutual guarantee fund based in Bologna. The main purpose of this intermediary is to facilitate access to credit for artisan SMEs by acting as a counter-guarantor for its members, which are 23 artisan guarantee funds (Confidi) operating in the region.

The intermediary's portfolio under the Facility will consist of guarantees for investment loans and leasing transactions with a maturity of at least three years. Special focus will be put on loans for start-up businesses, job creation and investments in intangible assets, technology innovation, environment and safety.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 135 million over two years and one quarter.

11. Artigiancredit Lombardia (Italy)

Artigiancredit Lombardia is a regional mutual guarantee fund based in Milano. It extends counter-guarantees only to its members, which are 35 artisan guarantee funds operating in the Lombardia region.

It has implemented several interesting guarantee products, among which a few specifically designed to support job creation. All medium-term guarantees covering investment financing and/or employment creation with a minimum maturity of three years will be eligible under the Facility. All SMEs with up to 100 employees will be eligible for a cover under the Facility.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 112.5 million over two years and one quarter.

12. Confidi Sardegna (Italy)

Confidi Sardegna is a regional mutual guarantee fund based in Cagliari, Sardinia. It extends guarantees only to its member SMEs established in the region.

The intermediary's portfolio under the Facility will consist of guarantees for debt finance with a maturity of at least three years. This would include the following purposes: start-up businesses, job creation, investment and leasing. Taking into consideration the relatively week financial structure of micro-enterprises in Sardinia and that it is an Objective 1 region, the possibility to include loans for debt consolidation was included in the portfolio.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 100 million over two years and one quarter.

13. BBMKB (Netherlands)

The SME Credit Guarantee Scheme (BBMKB Scheme) is a public guarantee scheme, operated on a national basis and managed by the Ministry of Economic Affairs in the Netherlands. It provides financial assistance for established SMEs, with no more than 100 employees, as well as those at the start-up stage. It also offers special guarantees to innovative SMEs.

Under the Facility, BBMKB finances operations covering loan amounts between € 68,000 and € 680,000 and which have a maximum maturity of 6 years. The banks may not require any collateral for the loans guaranteed by BBMKB. This portfolio was chosen to ensure a diversified portfolio distribution.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 375 million over three years.

14. Cersa (Spain)

Cersa is a national guarantee institution that supports the mutual guarantee funds – Sociedades de Garantia Reciproca (SGRs) - in Spain in accordance with the principal of full delegated approval process. It has a special focus on supporting SMEs by guarantying their lending operations.

All SGR guarantees for new investment financing to the benefit of SMEs with up to 100 employees will be eligible for a counter-guarantee by Cersa. This represents 95% of Cersa's investment portfolio with the average SME having 13 employees. In addition, start-up financing is also eligible.

The intermediary expects to be able to grant a maximum guarantee portfolio amount of € 574 million over three years.

15. Almi Företagspartner (Sweden)

Almi is a development agency, which provides loans to SMEs with growth and job creation potential. To a limited extent it issues also guarantees to the SMEs. Normally, Almi financing involves high risk and it is therefore complementary to normal bank lending.

All loans within the product categories of amortising loans (working capital, investments in machinery, market or product development), growth loans (SMEs with clear growth potential), start-up loans and loans to female entrepreneurs will be included in the portfolio. All SMEs with up to 100 employees will be eligible.

The intermediary expects to be able to grant a maximum loan portfolio volume of € 227.5 million over three years.