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REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

on the financial instruments of the multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2006)

End report as at 31.12.2006

(including key results as at 31.12.2007)

(pursuant to Article 5(1) of Council Decision 2000/819/EC, as amended by Decisions 593/2004/EC and 1776/2005/EC of the European Parliament and of the Council)

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1. GENERAL INTRODUCTION

This is the final annual report (end report) on progress achieved in the implementation of financial instruments under MAP, the *multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises-SMEs*[1].

It is drawn up in accordance with Article 5(1) of Council Decision 2000/819/EC, as amended by Decisions 593/2004/EC and 1776/2005/EC of the European Parliament and of the Council, establishing that the Commission shall submit to the European Parliament and to the Council an annual report on the implementation of the financial instruments and a similar end report for the final year.

MAP was initially designed to cover the period 2001-2005. However, in order to ensure continuity of action until the start of the successor programme under the new Financial Perspectives, MAP was extended in September 2005 by one year, until the end of 2006.

The goal of the MAP financial instruments is to improve the financial environment for business, especially for SMEs. MAP builds on the results achieved under the 1998 *Growth and Employment Initiative*[2].

This report covers the four Community financial instruments ("measures") implemented under MAP, i.e.

- SME Guarantee Facility
- Start-up Scheme of the European Technology Facility (ETF Start-up Facility)
- Seed Capital Action
- Joint European Venture (JEV) programme

It provides an overview of **progress achieved as at 31.12.2006,** and comprises one chapter for each of the financial instruments (chapters 3, 4, 5 and 6).

Descriptions of the above mentioned financial instruments and specific conclusions for each of them are provided in **Sections III** and **IV** of the Staff Working Document accompanying this report (SEC(2008)XXX).

The first three financial instruments above are operated by the European Investment Fund (EIF), on behalf of, and under the supervision of, the European Commission (EC)[3]. In the Member States, appropriate Financial Intermediaries (FIs) have been selected. The JEV programme was included in the MAP Council Decision 2000/819/EC but without specific budget under MAP. JEV was managed by the European Commission using budgetary resources from the predecessor Growth and Employment Initiative. The approval of projects

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1 Council Decision 2000/819/EC (OJ L 333, 29.12.2000, p.84) adopted on 20.12.2000, as modified by Decisions 593/2004/EC of 21 July 2004 (OJ L 268, 16.8.2004, p. 4) and 1776/2005/EC of 28 September 2005 (OJ L 289, 3.11.2005, p. 14) of the European Parliament and of the Council.

2 OJ L 155, 29.05.1998, p. 43.

3 On 10.12.2001, the Commission adopted its Decision C(2001) 3973 on the implementation of the financial instruments of MAP. Following this, on 18.12.2001, the Commission signed with the EIF the Fiduciary and Management Agreements for the ETF Start-up Facility, SME Guarantee Facility and Seed Capital Action. These agreements were revised on 22.12.2005 in order to take into account the extension of MAP.

using budgetary funds available under MAP effectively started in mid-2002. Projects submitted prior to that date were approved under the Growth and Employment Initiative.

Please note: The commitment period for the MAP ended on the 31.12.06. However:

For most FIs under the SME Guarantee Facility, the availability period for the inclusion of guaranteed loans ended only on 30.06.2007 or on 31.12.2007.

The signature period under the ETF Start-up Facility, during which the EIF could make commitments to VC funds ended only on 30.06.2007.

These extended availability periods mean that the Facilities therefore continued after the last commitments in 2006, the aim being to allow a smooth transition to the CIP, the MAP successor programme

In order to reflect the extended availability periods, figures showing **some key results at the end of 2007** are included in an extra box at the end of the concerned chapter of this report.

2. OVERVIEW

2.1. Budgetary implementation

The financial instruments contribute mainly to the fourth objective of MAP, "*to improve the financial environment for business, especially SMEs*"[4]. They aim to address recognised market gaps and/or failures. They help to "*alleviate risk for financial intermediaries, consequently facilitating SMEs' access to finance and have a high leverage effect*"[5].

In budgetary terms, the financial instruments represent the most significant of the areas of action within MAP. The other areas are policy development and the Euro Info Centre (EIC) Network. An indicative budget of EUR 450 million for the period 2001-2005 was initially proposed for the entire MAP programme. Taking into account the extension of MAP by one year, the increases decided by the budgetary authorities, and the transfers made from other budget lines, the indicative budget for the period 2001-2006 amounted to EUR 653 million for the entire MAP. At the end of 2006, total resources allocated to MAP financial instruments amounted to EUR 519.0 million. This includes, in addition to budgetary appropriations committed, EUR 9.9 million of interest and other income.

Of the total resources allocated to MAP financial instruments, only EUR 5.0 million[6] related to the Seed Capital Action was not used. In total, EUR 466.5 million was allocated to projects.

No commitments have been made by the European Commission after 31.12.2006. After this date, all new projects will be submitted under the Competitiveness and Innovation Framework Programme (CIP), which replaces MAP. From 2007 onwards, all balances held on the MAP trust account will be paid back to the general budget of the EU. Unused budgetary commitments will be de-committed.

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4 As laid down in Council Decision 2000/819/EC, Article 2.1 (d).

5 According to a statement in: External evaluation of the multiannual programme for enterprise and entrepreneurship, and in particular for SMEs, final evaluation report, Brussels 2004, p. 52.

6 This unused amount was decommitted in 2007.

Table A: MAP financial instruments - Budgetary overview – as at 31.12.2006

(EUR million)	SME Guarantee Facility	ETF Start-up Facility	Seed Capital Action	Total
Budgetary appropriations committed	289.0	214.5	5.6	**509.1**
Revenue	4.0	5.9	0.0	**9.9**
Total resources	**293.0**	**220.4**	**5.6**	**519.0**
EC Net Commitments[7]	265.2[8]	201.1	0.2	**466.5**
Reserve for EIF management fees and other eligible expenses	27.8	19.3	0.4[9]	**47.5**
Total used	**293.0**	**220.4**	**0.6**[10]	**514.0**

Source: European Commission, EIF; data extraction: 21 June 2007

The total volumes of loans related to the amount committed were very high. For example, for approximately EUR 262 million of cap amounts signed under the SME Guarantee Facility, loans of nearly EUR 17 500 million were backed (details on this "leverage effect" can be found under chapter 3.2.3)[11].

2.2. Geographical implementation

Overall, 29 countries benefited from the MAP financial instruments, *i.e.*, all current EU Member States and Turkey and Norway. Of 31 eligible countries, only 2 (Iceland and Liechtenstein) did not use the MAP financial instruments.

In accordance with the Fiduciary and Management Agreements between the EIF and the Commission, the EIF committed to "endeavour to achieve a balanced geographic distribution of the three MAP financial instruments".

The different needs, market conditions and macro-economic circumstances in the various participating countries had an impact on the absorption capacity and the take-up of the various financial instruments. To compensate, a flexible approach was adopted, for example by shifting between the different financial instruments in different countries. The Commission considers that, overall, an **appropriate geographical distribution has been achieved** when all financial instruments are taken into account.

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7 Corresponds to projects approved by the Commission and not cancelled.

8 Includes cap amounts of EUR 261.6 million (see table 1 in the Section I of of the Staff Working Document accompanying this report (SEC(2008)XXX)).

9 Calculation of reserve was based on entire budgetary appropriations committed. In 2007 there was a decommitment, giving a reserve of EUR 0.145 million. Only EUR 15 600 had been used by the end of 2007.

10 The unused amount of EUR 5 million was decommitted in 2007.

11 Based on previous experience, the maximum amount (cap amount) may not be totally used up. Should this be the case, the cost-effectiveness of the instrument will be even better.

The three maps in **Section II** of the Staff Working Document accompanying this report (SEC(2008)XXX) show the geographical distribution of the EC net commitments, for all financial instruments together.

3. SME GUARANTEE FACILITY

3.1. Budgetary situation

3.1.1. Overview

In 2006, the demand for the SME Guarantee Facility continued at its previous elevated level, in particular under the Loan Guarantee and the Micro-credit Guarantee windows. Most agreements have therefore been extended to accommodate the needs of Financial Intermediaries.

As at 31.12.2006, the budgetary resources committed under SME Guarantee Facility amounted to EUR 293.0 million, representing about 56 % of the total budget committed for the MAP financial instruments. This includes **cumulated interest amounting to EUR 4.0 million** at the end of 2006.[12] The total budget covers the full cost of the Facility, including guarantee losses, EIF management fee and other eligible costs. The amount of budget committed to FIs over the entire programme period was **EUR 265.2 million**, inclusive of projects approved by the Commission, but still to be signed between the EIF and the Financial Intermediaries. See also:

- Table A (in section 2.1): MAP financial instruments – SME Guarantee Facility

Additional information is provided in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

- Figure 1: Cumulative evolution of EIF operations (per year)
- Figure 2: Commitments to Financial Intermediaries (per year)

3.1.2. Utilisation

Utilisation means the ratio between actual EIF guarantee volume and maximum EIF guarantee amount. At 31.12.2006 the resources had been entirely utilised[13]. The availability period for most FIs ended either on 30.06.2007 or on 31.12.2007, the aim being to allow a smooth transition to the CIP, the MAP successor programme. The CIP covers the period from 1 January 2007 until 31 December 2013.

These extended availability periods mean that the Facility will therefore continue after the last budgetary commitments in 2006. Furthermore, the bulk of the guarantees issued by the EIF under the Facility have maturity periods of up to 10 years. This means that payments with respect to defaulted loans could still be made for up to 10 years following the end of the last availability period (but in no case beyond the expiry date of the MAP on 31/12/2016) and that reporting, monitoring and control by the various actors involved will continue during this time.

There was a high demand for both the Loan Guarantee window (nearly 80 % of commitments to FIs), and to some extent, also the Micro-credit window, (about 14 %). The Equity

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12 According to the Council Decision 2000/819/EC, Annex II, point II.G, “interest earned will be added to the resources of the facility”.

13 Including those projects that have been approved and for which signature has been foreseen in the beginning of 2007.

Guarantee window has seen only limited use, (6 %), since the target population in terms of existing equity guarantee schemes is rather restricted.

3.1.3. Leverage effect

The MAP guarantee schemes in general have had a very high leverage effect (defined here as the estimated underlying loan volume supported / SME Guarantee Facility allocated budget). . This is due to two reasons:

- The EU budget covers a maximum risk exposure at portfolio level that is capped on the basis of expected losses, net of expected recoveries and risk premiums received by the Financial Intermediaries. This capped amount allows leveraging a significantly higher amount of SME loans.
- There is a chain of actors with risk-sharing arrangements, increasing further the leverage effect.

Loan guarantees, for example, have high leverage as they are often provided in the form of counter-guarantees to institutions that in turn provide guarantees to other actors, such as intermediaries and banks. Due to the risk-sharing between these various actors, the leverage in terms of volume of loans supported is very high for the SME Loan Guarantee window. For micro-loans, the situation is usually different, in that most EIF guarantees are direct guarantees to intermediaries who typically provide loans directly to the Final Beneficiaries (the SMEs). In addition there is a focus on high-risk SMEs for micro-loans, resulting in higher cap rates. Leverage is therefore generally lower than for loan guarantees.

At the end of 2006, the leverage effect was about 67 to 1 for all windows together.

Overall, ultimate leverage may even further increase , since experience shows that the amount allocated to cover losses under guarantee operations is not always fully used up, even when target loan volumes are achieved. De-commitment of unused cap amounts may therefore increase the final leverage.

Specific information about the leverage effect is provided in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

- Table 1: Leverage effect (gearing)

3.1.4. Enhanced access to finance for SMEs

The enhanced access to finance for SMEs created by the SME Guarantee Facility has been estimated based on figures provided by the EIF and using certain considerations/assumptions, as specified in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX) under Table 1:

- Estimation of enhanced access to finance for SMEs

Based upon these assumptions it can be estimated, that the SME Guarantee Facility helped to support an additional loan volume of more than 13 billion EUR.

3.1.5. State aid

Particular attention is paid to ensure that the FIs' guarantee or loan programmes are compliant with applicable State aid rules. Each FI is contractually obliged to sign a declaration as to the applicable State aid regime, and the relevant State aid rules are specifically mentioned in the agreements between the EIF and the FIs.

3.1.6. *Net called payments and loss recoveries*

Slightly more than EUR 40 million had been paid by 31.12.2006, corresponding to the EIF´s share of net losses for defaulted loans[14]. The cumulative amount of payments is still very small compared to the cumulative volume of EIF commitments, at this stage of the implementation cycle. However, the Facility period ends only at 31/12/2016, and given the duration of EU guarantees for loans, the bulk of the losses is likely to appear in the future.

A summary of net called payments and loss recoveries can be found in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

Table 2: Calls received and recoveries

From 2007 onwards possible reductions of cap amounts will result in de-commitments or to recoveries to the general budget of the EU.

3.2. Financial Intermediaries

51 contracts had been signed with 46 FIs, covering 26 of the 27 Member States (i.e. all except Luxembourg[15]) as well as Turkey and Norway, as at 31.12.2006. An overview, by window and country, can be found in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

- Table 3: Financial Intermediaries

3.3. Beneficiary SMEs

The approval of projects under MAP started in May 2002. The number of final beneficiaries increased progressively and it stood at nearly 194,000 SMEs[16] at the end of 2006, (of which almost 163,000 under the Loan Guarantee window). This compares with nearly 111,100 beneficiary SMEs at the end of 2005.

An overview on beneficiary SMEs by country is given in **Sections I and II** of the Staff Working Document accompanying this report (SEC(2008)XXX)**::**

- Table 4: Beneficiary SMEs – Breakdown by country
- Map 3: Beneficiary SMEs per country (including data from ETF Start-up)

Information on employment is available at the date the loan is granted[17]. By the end of 2006 almost 990,000 persons were employed in enterprises receiving guarantees under SMEG windows[18]. This compares with about 620,000 persons recorded as employed at the date the loan was granted in 2005 and approximately 328,000 in 2004. The increased total in employment is mainly due to the increased number of beneficiary SMEs.

Final Beneficiaries with up to 10 employees made up more than 91% (177,625) of the total number of SMEs benefiting from the SME Guarantee Facility.[19]

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[14] Net losses: guarantee calls received minus recoveries·

[15] Luxembourg has an agreement under the ETF Start-up facility.

[16] Figure represents the total number of Financial Beneficiaries who received loans/guarantees from funds operating under the SME Guarantee Facility.

[17] Some sample-based analyses show that employment at the end of the year is likely to be some 20% higher.

[18] There are no figures available about the effect of guaranteed loans on employment.

[19] By definition, all of the enterprises profiting from the Micro-credit window (30,552) have 10 or fewer employees.

It is interesting to compare the distribution of SMEs by size under the Facility with that of the EU in general. According to the most recent statistics available, 91.4 % of SMEs in the EU are micro-enterprises (0-9 employees), 7.3 % are small enterprises (10-49) and 1.1% are medium-sized enterprises (50-249)[20]. This clearly demonstrates that the SME Guarantee Facility is firmly focused on *very small enterprises and start-ups***.**

In **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX) a breakdown is given by size class:

- Table 5: Beneficiary SMEs – Breakdown by country and size class

Section I of the Staff Working Document accompanying this report (SEC(2008)XXX) also gives a breakdown by sector, according to the NACE classification, for the entire Facility and by window.

- Figure 3: Beneficiary SMEs – Breakdown by sector

The total investment supported by the SME Guarantee Facility was more than EUR 23 billion by the end of 2006, with by far the highest share under the loan guarantee window. In comparison, the volume at the end of 2005 was about EUR 16 billion. An overview can be found in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

- Table 6: Investment volume by window

2007 Update (2006 figures are included for comparison)

Cumulative figures as at	No of beneficiary SMEs	No of Persons employed at beneficiary SMEs	Estimated loan volume supported EUR million	Estimated investment volume EUR million	Net called guarantees EUR million
31.12.2006	193,790	989,773	17,449.3	23,383.6	40.0
31.12.2007	**233,345**	**1,169,389**	**17,937.6**	**27,916.1**	**70.5**

4. ETF START-UP FACILITY

4.1. Budgetary situation

There was a significant uptake in 2006, particularly due to the recovery of the venture capital market since 2005. According to a communication published by the "European Private Equity & Venture Capital Association", "2006 was *another landmark year for the European private equity industry, […] showing increased fundraising and investment activity*"[21].

Mainly driven by the improved market conditions, 2006 had the highest increase of investments approved by the Commission during the entire programme period. Indeed, the investments approved in 2006 exceeded the total of those approved since 2002.

[20] Source: Eurostat. Only 0.2 % are large enterprises. See: Eurostat: European business – Facts and figures – 2006 edition, p. 22; related to non-financial business economy, 18.8 million enterprises were registered in EU-27 in 2004, of which about 18.76 million were SMEs (fewer than 250 employees).

[21] EVCA [et al.]: European private equity: Strong 2006 performance drives increased allocation, Press release, Brussels, 13th March 2007.

As at 31.12.2006, the budgetary resources committed under ETF Start-up amounted to more than **EUR 220 million**, representing nearly 43 % of the budget for the MAP financial instruments. All funds available under ETF Start-up were used by the end of 2006.

The total budget covers the full cost of the Facility, including investments in VC funds, EIF management fees and other eligible costs. Of this total, **EUR 201.1 million** was committed to VC funds, including both projects already approved by the Commission and those due to be signed during 2007[22].

The proceeds received from VC funds (repayments and dividends) in 2006 were about EUR 1.4 million, amounting to cumulated proceeds of nearly EUR 1.6 million received from VC funds under MAP by the end of 2006, in comparison with only about EUR 154,000 by the end of 2005. This relatively low amount of proceeds, in comparison with the amount disbursed to VC funds (EUR nearly 30 million), is due to the fact that most of the funds have not yet entered the divestment period, so very few exits have been made. However, the amount of proceeds is expected to increase significantly over the coming years when VC funds enter their divestment period. In the case of ETF Start-up under the Growth and Employment initiative (1998-2000), for a total disbursement to VC funds of EUR 94 million, EUR 46 million had already been repaid as at the end of 2006.

In addition to the proceeds received from VC funds, cumulated interest and other income came to EUR 4.3 million, amounting in total to nearly **EUR 5.9 million of revenue by the end of 2006.**. See also:

- Table A (in section 2.1): MAP financial instruments – ETF Start-up Facility

Additional information is provided in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

- Figure 4: Cumulative evolution of EIF operations (per year), including the total disbursements to VC funds, amounting to almost EUR 38 million.

4.2. Financial Intermediaries

In 2006, 12 new investments into VC funds were approved (of which one was later cancelled). Overall, 21 investments in VC funds located in 10 countries have been approved under ETF Start-up.

VC funds in which the EIF has invested are mainly oriented towards early stage investments in high technology sectors, such as information and communication technologies, microelectronics, internet, healthcare and life sciences/biotechnology. This is in line with the investment policy of ETF Start-up.

A list of the VC funds in which EIF has invested can be found in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**,** showing their geographical establishment and the sector focus:

- Table 7: Venture Capital funds with contractual agreements with the EIF

4.3. Beneficiary SMEs

By December 2006, VC funds under the Facility had invested in 73 portfolio companies (end of 2005: 35). Most of the VC funds are still in the early stages of their respective investment periods, so any figures on related employment would still be provisional and would not be material in the context of the MAP financial instruments.

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22 The commitment for projects still to be signed is EUR 44.03 million.

2007 Update (2006 figures are included for comparison)

Cumulative figures as at	No of beneficiary SMEs	Commitment to VC funds EUR million	Amount disbursed to VC funds EUR million
31.12.2006	73	201.1	29.6
31.12.2007	**123**	**200.5**	**62.3**

Year	Proceeds (repayments and dividends) EUR million	Interest and other income EUR million	Total revenue EUR million	Cumulated revenue EUR million
2006	1.4*	2.1	3.5	(as of 31.12.) 5.9
2007	**2.0**	**3.5**	**5.5****	**(as of 31.12.) 11.4**

* According to the legal base, after the end of the reinvestment period "any balances on the Trust Account, other than funds committed and not yet drawn down/invested and funds reasonably required to cover eligible costs and expenses, such as EIF's management fee, will be returned to the general budget of the European Union".

** These are revenues generated after the end of the commitment period. They will be transferred to general budget of the EU, according to the legal base. Exchange rate for revenue in GBP and SEK is as of 31.12.2007.

5. SEED CAPITAL ACTION

5.1. Budgetary situation

5.1.1. Overview

As at 31.12.2006, the budgetary resources available under SCA remained at EUR 5.6 million, already committed in 2001. The total budget covers the full cost of the action, including grants paid to the beneficiaries, EIF management fees and other eligible costs.

No new projects were approved in 2006. Instead, 4 projects were cancelled at the end of 2006[23]Due to this cancellation, the EC net commitments under SCA went down to EUR 200,000 and the unused budget increased to about EUR 5 million. This unused amount was de-committed in 2007 and returned to the general budget of the EU.

See also:

- Table A (in section 2.1): MAP financial instruments – Seed Capital Action

[23] For one project the eligible criteria were not met. Three projects were withdrawn.

5.1.2. Commitments and disbursements

The cumulative evolution of the total amount of grants to VC funds was EUR 200,000 as at 31.12.2006. This is in accordance with the schedule and conditions set out in the grant agreements, which foresee grants to be paid in two instalments. The first instalment is payable at the earliest 18 months after the signature of the agreement and the second (and last) instalment is payable at the earliest 36 months after the signature of the agreement.

An overview is given in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

- Figure 5: Cumulative evolution of EIF operations (per year)

5.2. Financial Intermediaries

The VC funds approved under SCA have contractual agreements with the EIF under the ETF Start-up Facility. As at 31.12.06, two grant agreements were signed with two VC funds. More information can be found in **Section I** of the Staff Working Document accompanying this report (SEC(2008)XXX)**:**

- Table 8: Venture Capital Funds with contractual agreements with the EIF

6. JOINT EUROPEAN VENTURE (JEV) PROGRAMME

The objective of the JEV programme was to support the creation of transnational partnerships established by at least two SMEs from different states within the European Economic Area.

The conclusion of the evaluation of the Growth and Employment Initiative was that the take-up of the JEV programme by the market was low, the job creation effect limited and the administrative cost very high. Two further evaluations[24] concluded that the programme should be closed. In view of this, on 8.12.03 the Commission adopted a proposal for a Decision of the European Parliament and of the Council to close JEV[25]. This decision[26] was adopted by the European Parliament and the Council on 21.07.04. The JEV programme was closed to new applications on 29.12.04.

By the end of 2006, a cumulative total of 323 applications had been received, 230 agreements signed and EUR 19.8 million allocated to projects, with 9 projects still on-going. Further details are given in **Section V** of the Staff Working Document accompanying this report (SEC(2008)XXX)**.**

7. GENERAL CONCLUSIONS

The MAP financial instruments were, in budgetary terms, the most important element of the MAP programme. Total budget resources committed at the end of the programme for the financial instruments amounted to nearly EUR 520 million, of which only EUR 5 million allocated to the Seed Capital Action were not used.

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24 'Strategic Evaluation of EC Financial Assistance Schemes for SMEs', Deloitte and Touche, 2003; 'Final Evaluation of the Multiannual programme for enterprise and Entrepreneurship (2001-2005)', Infyde, 2004.

25 COM(2003) 758 final.

26 Decision No 593/2004/EC.

Overall, 74 operations were approved[27] since mid-2002 until the end of 2006, for a total of EUR 467 million. Nearly 194,000 SMEs benefited from the MAP financial instruments, which means around 1% of all EU SMEs.

Broad geographical coverage was achieved with 29 countries covered (all EU Member States plus Turkey and Norway) out of 31 eligible countries[28].

The SME Guarantee Facility was very well taken up by the market. The Loan Guarantee and Micro-credit windows were particularly successful, allowing participating Financial Intermediaries to increase volumes and to take on more risk. The SME Guarantee Facility closely followed market needs and was designed from the start to be easily and quickly adapted to each country's specific market conditions.

The total volumes supported by the SME Guarantee Facility were very high. For the approximately EUR 262 million of cap amounts signed, loans of nearly EUR 17 500 million were backed.

Second only to the Structural Funds, which have significantly higher budgetary resources and a different focus, the SME Guarantee Facility is the most important EU programme in terms of number of final SME beneficiaries.

The implementation of the ETF Start-up Facility faced some difficulties in the beginning of the programme period, due to the difficult fundraising situation prevailing on the EU venture capital market. The improved economic situation in 2005 and 2006 let to a significant increase in demand for the Facility.

The Seed Capital Action was less successful than anticipated due to its constraints in terms of eligibility criteria and to the difficult market conditions for seed capital.

The evaluation of EC Financial Assistance Schemes for SMEs[29] indicated that the MAP financial instruments are effective and efficient. Their management by the EIF was considered as a best practice for their proximity to the market. According to the evaluators, the instruments play a catalytic role in increasing the supply of finance to SMEs throughout the EU, including in those countries where national financial instruments are less developed**.**

A more recent external evaluation of the MAP[30] reinforces the conclusions of the Financial Assistance Schemes evaluation. This evaluation concludes that the SME Guarantee and ETF Start-up Facilities have made a major contribution to improving the financial environment for business as instruments of a public policy supporting access to finance for SMEs. The evaluators consider that the financial instruments are efficiently implemented through the "chain" consisting of DG Enterprise—DG Economic and Financial Affairs—European Investment Fund (EIF). The report confirms that the "no one-size-fits-all" approach taken is appropriate: both the venture capital and guarantee instruments can be adapted to different and evolving market conditions.

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[27] and not cancelled·

[28] Only Iceland and Liechtenstein were not covered.

[29] The Strategic Evaluation of the EC Financial Assistance Schemes for SMEs, a report from Deloitte & Touche for the European Commission (DG Budget), December 2003.

[30] The evaluation report was published as a Commission Staff Working Paper SEC(2004) 1460 of 15.11.2004 in English and French and posted on Enterprise Europe web sites:http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm.

An ex-post evaluation on MAP will be performed together with the interim evaluation of the specific "Entrepreneurship and Innovation Programme" of the successor programme CIP. This evaluation is scheduled to be completed in December 2008 and will analyse the results and impacts of MAP.

Globally, it can be concluded that the financial instruments under MAP have helped to address some gaps and failures in capital markets for start-up companies and SMEs. In general, MAP financial instruments reached the objective of improving the financial environment for European business, especially for SMEs.

The financial instruments were implemented in an appropriate and effective way, and via the high leverage effect. They leveraged a significant amount of additional money and supported a substantial number of SMEs.

The *Competitiveness and Innovation Framework Programme (2007 to 2013) (*CIP), successor programme of the MAP, is a coherent response to the objectives of the growth and jobs strategy. The legal base for the CIP entered into force on 29 November 2006[31].

A synoptic description of CIP can be found in **Section V** of the Staff Working Document accompanying this report (SEC(2008)XXX).

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[31] Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013), OJ L310/15, 9.11.2006.