


Procedure file

Basic information		
CNS - Consultation procedure Decision	1998/0024(CNS)	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		19/01/1998
		PPE TILLICH Stanislaw	
	ECON Economic and Monetary Affairs, Industrial Policy		16/02/1998
		PSE HARRISON Lyndon H.A.	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2095	19/05/1998
	Economic and Financial Affairs ECOFIN	2083	21/04/1998

Key events			
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		
01/04/1998	Decision by Parliament	T4-0195/1998	Summary
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 before Amsterdam E 130-p3
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/4/09817

Documentation gateway

Legislative proposal	COM(1998)0026 OJ C 108 07.04.1998, p. 0067	21/01/1998	EC	Summary
Committee report tabled for plenary, 1st reading/single reading	A4-0114/1998 OJ C 138 04.05.1998, p. 0006	19/03/1998	EP	
Economic and Social Committee: opinion, report	CES0459/1998 OJ C 157 25.05.1998, p. 0071	26/03/1998	ESC	
Text adopted by Parliament, 1st reading/single reading	T4-0195/1998 OJ C 138 04.05.1998, p. 0077-0097	01/04/1998	EP	Summary
Committee of the Regions: opinion	CDR0046/1998 OJ C 251 10.08.1998, p. 0041	13/05/1998	CofR	
Non-legislative basic document	COM(2001)0399	06/07/2001	EC	Summary
Follow-up document	COM(2003)0480	05/08/2003	EC	Summary

Additional information

European Commission	EUR-Lex
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Final act

[Decision 1998/347](#)
[OJ L 155 29.05.1998, p. 0043](#) Summary

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

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

The Committee adopted a report by Bartho PRONK (EPP, NL) on the measures of financial assistance for innovative and job-creative SMEs. The Commission proposal for a Council decision provides a legal base to actions which were proposed in Parliament's employment initiative last autumn and which were allocated 450 mecu over three years in the 1998 budget. The proposal consists of a risk-capital scheme managed by the European Investment Fund (EIF), a scheme for financial contributions supporting the creation of transnational SME joint-ventures managed by the Commission and a SME guarantee facility operated by the EIF. Contrary to the Parliament's original proposal, the Commission intends to allocate 420 mecu to these measures but leave out innovative actions and projects in the labour market, to which the Parliament was willing to allocate one fifth of the total funding, i.e. 30 mecu per year. The Committee adopted a number of amendments to the Commission proposal. It stressed that a part of the programme should be devoted to the financing of SMEs in non-profit making activities. Priority should be given to enterprises with less than 100 employees. The Commission should provide an evaluation on the programme within two years from its adoption and nine months before its expiry. This would help the possible adjustments to be made to the schemes and the distribution of resources among them. In addition, the implementation of the different schemes should be evaluated annually. The final assessment of the programme should be conducted by an independent body which should take into account the quality and type of job created, the sectors concerned and future prospects. ?

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

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

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

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 to address 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.?