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COMMISSION STAFF WORKING PAPER

Report on a multiannual programme for enterprise and entrepreneurship and in particular for small and medium-sized enterprises (SMEs) (2001-2005)

(pursuant to Article 5(1) of Council Decision 2000/819/EC of 20.12.2000)

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Article 5(1) of Council Decision 2000/819/EC of 20.12.2000 establishes that the Commission shall submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions an external evaluation report by the end of December 2004.

INFYDE, S.L. was contracted to carry out the external evaluation subsequent to an open call for tender. Their report is attached.

**EUROPEAN COMMISSION
DIRECTORATE-GENERAL ENTERPRISE**

**EXTERNAL EVALUATION
OF THE MULTIANNUAL PROGRAMME
FOR ENTERPRISE AND
ENTREPRENEURSHIP, AND IN
PARTICULAR FOR SMALL AND MEDIUM-
SIZED ENTERPRISES (SMES) 2001-2005**

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FINAL REPORT

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LIST OF ACRONYMS

ADIE	Association pour le Droit à l'Initiative Economique (Financial Expert Organisation in France)
AECM	Association Européene du Cautionnement Mutuel
BA	Business Angel
Basel II	Revised International Capital Framework, which will regulate internationally capital measurement and will affect risk management policies and practices by the banking industry
Best	Framework for projects supporting Member States' efforts to identify and exchange best practices through benchmarking or other methods.
BGR	Benchmarking Group
BIC	Business Innovation Centre
CC	Candidate Countries
CCI	Chambers of Commerce and Industry
CEEC	Central and Eastern European Countries
CIRCA	Communication and Information Resource Centre Allocation
COOPECO/	European network of institutions supporting industrial co-operation and investment promotion in
EUROCENTRE	Latin America
CREA	Capital-Risque pour les Entreprises en phase d'Amorçage (scheme comparable to SCA)
DG	Directorate General
DG ECFIN	Directorate General Economic and Financial Affairs, European Commission
DG ENTR	Directorate General Enterprise, European Commission
DTI	Department of Trade and Industry
EBAN	European Business Angels Network
ECB	European Investment Bank
ECIP	European Community Investment Partners
EEA	European Economic Area
EFTA	European Free Trade Association
EIC	Euro Info Centre
EICC	Euro Info Correspondence Centre
EIF	European Investment Fund
EPG (II)	Enterprise Policy Group (second chamber)
EPMC	Enterprise Programme Management Committee
ETF-SU	Start-up Scheme of the European Technology Facility (MAP financial instrument)
EURADA	European Association of Development Agencies
EURES	European Employment Services (European Job mobility network)
EUROSTAT	Statistical Office of the European Communities
EVCA	European Private Equity and Venture Capital Association
EP	European Parliament
FCPR	Fonds Commun de Placement à Risques
FCPI	Fonds Commun de Placement pour l'Innovation

FIP	Fonds d'Investissement de Proximité
G&E	Growth and Employment Initiative
ICT	Information and Communication Technology
IPM	Interactive Policy Making
IPO	Initial Public Offering
IRC	Innovation Relay Centre
ICT	Information and Communication Technologies
IT	Information Technologies
JEV	Joint European Venture (MAP financial instrument)
JOPP	Joint venture Phare Programme
KfW	Kreditanstalt für Wiederaufbau
MAP	Multiannual Programme for Enterprise and Entrepreneurship, and in particular for small and medium-sized enterprises (SMEs)
MC	Micro Credit
MGS	Mutual Guarantee Schemes
MNT	Micro and Nano Technologies
MS	Member States
NMS	New Member States
OECD	Organisation for Economic Co-operation and Development
OPET	Organisation for the Promotion of Energy Technologies
pari passu	At an equal rate, without preference; indicating that one series of equity will have the same rights, privileges, and risk as another series of equity
R&D	Research & Development
RDA	Regional Development Agency
RTDI	Research, Technological Development and Innovation
S&T	Science and Technology
SBIC	Small Business Investment Companies Program (USA, Small Business Administration)
SCA	Seed Capital Action (MAP financial instrument)
SME	Small and Medium-Sized Enterprise
SMEG	SME Guarantee Facility (MAP financial instrument)
SMIE	Support Measures and Initiatives for Enterprise Database (MAP policy action)
SOFARIS	Financial Intermediary specialised in SME finance (creation, transfer and development of companies), France
TAO	Technical Assistance Office
UNECE	United Nations Economic Commissions For Europe
UNIDO	United Nations Industrial Development Organization
VC	Venture Capital
WGE	Working Group of Experts
WP	Working Paper
6FP	Sixth EU Framework Programme for Research and Development

EXECUTIVE SUMMARY

1. BACKGROUND AND AIM OF THE STUDY

The **Multiannual Programme for Enterprise and Entrepreneurship, and in particular for Small and Medium-sized Enterprises (SMEs) (2001-2005)**, MAP for short, is a framework programme composed of a set of activities which are designed to improving the overall business environment in Europe. The Programme activities are grouped within three pillars:

- 1) Policy Development, where the Commission and Member States study and disseminate policy recommendations designed to ameliorate the overall business environment,
- 2) Euro Info Centre (EIC) Network, which supports local information centres all over Europe that inform, advise and assist SMEs in EU-related areas,
- 3) Financial Instruments, which are specifically targeted towards improving the financial environment for businesses, especially SMEs.

The aim of this external evaluation of the Programme is to provide information and recommendations in order to improve the current MAP and to contribute to the development of a potential successor programme. It has been prepared as a final evaluation, although, as the programme is still running, it has often not been possible to identify or examine final results and impacts. The evaluation is in conformity with the provision under Article 5 of Council Decision 2000/819/EC of 20 December 2000, which calls on the Commission to submit the final report to the European Parliament, the Council, the Economic and Social Committee and Committee of Regions by 31 December 2004.

2. EVALUATION METHODOLOGY

The evaluation addressed the following core concepts: relevance and coherence, efficiency, overall costs and benefits, effectiveness, utility and sustainability of the programme. Given the diversity of MAP activities, evaluation was based on a qualitative, meta-analysis approach which included a combination of desk research, personal interviews, and policy benchmarking.

<u>Desk research:</u> Background literature, annual programme reports, other evaluation studies, programme implementation and audit reports.	<u>Interviews (face-to-face, phone, email):</u> 17 interviews with project managers at European Commission, European Investment Fund, EIC Technical Assistance Office (TAO), etc. 284 interviews with national policy makers and experts, Euro Info Centres (EICs), EIC Host Structures, Business Organisations, Financial Intermediaries, etc. In total interviews were carried out in 27 European countries.	<u>Policy Benchmarking:</u> Analysis of four specific policy areas in order to track the current situation, policy and any regulatory changes and impacts of MAP projects at national level.
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Due to the limited visibility and the indirect character of MAP activities for businesses and due the lack of final results in some areas of the programme, it was difficult and sometimes impossible to integrate the perspectives of the final beneficiaries in the analysis to the same extent as the points of view of MAP intermediaries.

3. STRUCTURE OF THE REPORT

The report is structured around detailed evaluation questions that were included in the initial terms of reference and which guided the evaluation process. The report begins with a short introduction and then explains the evaluation methodology. It continues with a specific chapter on the overall programme. Chapters 4-6 include conclusions and recommendations for each of the three specific MAP pillars: policy development, EIC network, and financial instruments. Finally, an overall synthesis of recommendations is included.

Additional working documents, such as the overall evaluation framework, the complete list of conducted interviews, the questionnaires used, 8 country evaluation reports, data analysis, etc. were presented to the Commission Services as separate documentation.

4. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

4.1 OVERALL MULTIANNUAL PROGRAMME

Conclusions

The Multiannual Programme (MAP) addresses a wide range of issues hampering business creation and development in Europe. While it contains activities in many policy areas, it was found that innovation and business co-operation/internal market are inadequately supported by the current programme. Current activities respond to the needs in EU-15, but less developed SME support in the new Member States may require wider and more flexible attention in the future.

The strategy of MAP and its range of measures are suitable given the width of the issues it is designed to address; it thus supports and complements existing national policies from a European perspective. However, the sometimes broad definition of objectives, and the lack of direct correspondence with other key initiatives such as the European Charter for Small Enterprises, the R&D Framework Programme and the Structural Funds, make it difficult to see the strategic mission behind what can seem a patchwork-like array of actions. A major constraint to the whole programme (of many activities and/or of its umbrella structure) is its poor visibility even to relevant stakeholders such as policy makers (particularly if they are not directly involved in any MAP action), business organisations, and Business Support Providers.

The programme shows an advanced level of implementation and clear direct outcomes (as of 31/03/2004 171 policy development outcomes could be identified, the MAP had provided support to 276 EICs and other centres, 41 deals had been made with financial intermediaries). Therefore it is expected to achieve its global objectives. Effectiveness is generally high, and the overall relation of costs and benefits (efficiency) seems adequate. However, certain policy development measures (databases, portals) are less efficient than other activities (Best projects, benchmarking studies), while some specific financial instruments (Joint European Venture, SME Guarantee-ICT loan window) have proved inefficient in their actual form and in the current business context.

The programme and its elements have so far been useful to directly involved actors (national policy makers, EICs, financial intermediaries) who have benefited from new and

complementary resources (information, knowledge, methods, dissemination material, events, products, additional funding). Through these intermediaries, general support for enterprises has been enhanced and/or increased in many European countries, and thus the overall business environment has been improved. The exact impact of the overall MAP on businesses proved impossible to measure, but in addition to some direct effects on SMEs (e.g. more than 170,000 SMEs have got access to loans through MAP financial instruments), a vast majority of the stakeholders interviewed indicated an indirect, though significant role in improving the life of enterprise and in enhancing SME policies, in informing and advising business on European issues, and in bridging the financial gap that companies face at start up or expansion phases.

Recommendations

For the current programme, strategic links between the European Charter and MAP should be strengthened, e.g. using the Charter Implementation Reports as a means of feeding back information on the effects of MAP policy development actions into the MAP Implementation Reports. Dissemination of MAP as an overall programme, emphasising its activities and results, should be widened in order to enhance visibility, and thereby raise awareness and understanding of the MAP, strengthening its take-up. Further recommendations are included under the specific MAP element headings.

The diversity of measures and areas to be covered in any successor programme should be maintained, while building on a common strategic framework (with an enhanced and better integrated system of goals, objectives, and expected results). Links to other initiatives such as the Structural Funds and the R&D Framework Programme should be strengthened. Innovation and the support of business co-operation in the internal market should be integrated/strengthened as activity fields. Linkages between different programme elements (e.g. active information and advice on financial instruments through EICs) should be enhanced.

4.2 POLICY DEVELOPMENT

Conclusions

Policy development actions include Best and benchmarking projects, conferences, expert groups and studies, usually designed to identify and facilitate the exchange of best practices in a given enterprise-related area. The projects tackle very diverse areas, but were found to be highly relevant to national policy contexts. MAP Policy actions demonstrate added value while they fulfil complementary horizontal functions (exchange of best practice, guidelines, awareness-raising, development of indicators and tools, etc.), by adding a European dimension to national SME policies. Projects in which active exchanges are promoted (Best, benchmarking, expert groups, meetings, and conferences), are effective and demonstrate a high degree of utility for intermediaries (policy makers). Statistical research, databases, tools and one-off publications are sometimes ineffective, as they are not widely known or used. On the whole the effectiveness of MAP Policy actions is mainly limited by a lack of knowledge of projects and/or outcomes (policy recommendations), this is aggravated by poor dissemination to parties other than the stakeholders directly involved in each project.

MAP policy development activities have led indirectly to some policy and regulatory changes in the participating countries. Most impacts have been on new or adapted legislation, or within framework programmes, but there has also been an impact on publications and awareness-raising activities. The impact on the overall business environment in Europe was limited or could not be measured by this evaluation. In general MAP policy actions seemed to generate

patchy effects, varying from country to country. In most of the cases, the work of national intermediaries was improved and the development or amendment of national laws and framework conditions for enterprises and SMEs seemed at least inspired by the MAP policy recommendations.

Recommendations

The principal recommendation for policy actions under the current MAP 2001-2005 is to strengthen dissemination activities directly (at European level, e.g. publications in all official languages, linking publications to events) and indirectly (fostering dissemination at national level, towards regional authorities and entities, and to businesses). Sufficient time should be allowed for projects to come to fruition and for the thorough elaboration of recommendations. Where appropriate different points of views (academic, policy-maker, business/private sector) should be reflected in the composition of expert and working groups.

A follow-up programme should concentrate on benchmarking and exchange-of-best-practice projects (in line with related studies, events, publications) and less emphasis should be given to single support activities such as databases, tools, or one-off publications. New actions such as capacity building, training, follow-up and long-term projects should be developed to complete the policy pillar. A recommendation is made on improving joint decision-making procedure in the programme management committee and adapting implementation and performance assessment procedures/tools (indicators) to enhance the monitoring and evaluation of the overall programme and its specific activities (this last recommendation could be applied to all the pillars).

4.3 EIC NETWORK

Conclusions

The EIC network comprises more than 270 EICs, about 30 Associated Members and 13 Correspondence Centres all over Europe and in some third countries. The added value of the EIC network in relation to other business support providers and networks is: the active European-wide co-operation between EICs, coordinated by the European Commission and two technical assistance facilities, and the European dimension of the EICs which function as an interface and feedback channel between local businesses and the Commission Services.

The potential of the EIC network, both as an information and advice network for businesses and as an interface and communication channel used by the European Commission, has not yet been fully exploited. The level of awareness of EICs at SMEs and among Commission Services outside DG Enterprise could be significantly improved. The basic service offer – included in the contract with the Commission – does not correspond to changed SME needs. The EICs lack adequate instruments for the promotion of business co-operation in the internal market. The evolution of SME needs and of the EICs themselves since the network was set-up in 1987 requires administrative arrangements to support the EICs to be adapted. The support and coordination of the network by the Commission (DG Enterprise) and by the Technical Assistance Offices has been highly praised by network members. However the overall structure of the network and its support bodies has become increasingly complex and therefore less efficient. The EIC network is one of several Community Support Networks, though it is the only one orientated towards businesses in general. Actual overlapping of network services is low, but multiplication of Community networks without an apparent overall strategy was found to influence negatively visibility and acceptance at final addresses.

Recommendations

Within the current programme a recommendation is made to improve the promotion of the EIC network and its potential, both to enterprises and in the European Commission, through awareness-raising measures. The role of EICs as a feedback mechanism to Commission Services and as a tool to reach Europe's 24 million or so SMEs (as in the campaigns covering the EURO and enlargement) should be significantly strengthened. Amendments regarding the EIC audit procedures, EIC support to weaker EICs through training and staff exchanges, the publication of EIC promotional material in all official languages and the support of networking between EICs at national level are also recommended.

In a future multiannual programme, EIC basic services, contractual procedures and financing, should be adapted to the current circumstances. Additional tools for promoting business co-operation should be offered; the network's stability enhanced through longer contracts (if this is compatible with Community Financial rules); the level of financial support should reflect real EIC activities and differences between more basic and advanced EICs. In the future, the support and coordination structure should also be made less complicated and more efficient. Finally, enhanced coordination and rationalisation with other Community Support Networks should also improve the EIC's efficiency and make them more visible and more accessible for final clients.

4.4 FINANCIAL INSTRUMENTS

Conclusions

The Financial Instruments are by far the most important MAP Pillar in terms of money committed (representing 72% of the total cumulative budget by the end of 2003). The SME Guarantee Facility (SMEG) is the largest of the Financial Instruments (90% of the 2003 Financial Instruments budget), followed by the ETF-Start Up Facility (slightly less than 10%), while the Seed Capital Action (SCA) and the Joint European Venture (JEV) are minor instruments in terms of fund use.

SMEG and ETF-SU have made a major contribution to improving the financial environment for business as instruments of a public policy supporting access to finance for SMEs. Both are implemented efficiently through the "chain" consisting of DG Enterprise—DG Economic and Financial Affairs—European Investment Fund (EIF). A key advantage is that they do not follow a "one-size-fits-all" approach: they can be easily adapted to different and evolving market conditions and are in general coherent with national and regional schemes. Both instruments demonstrate clear European added value which is both quantitative: they have allowed financial intermediaries to take more risk through investing (ETF-SU) and guaranteeing (SMEG) larger volumes; and qualitative: MAP support and EIF signature have given "legitimacy" to funds supported and to some extent to SME final beneficiaries (ETF-SU), and helped micro-enterprises to become "bankable" (SMEG Micro-credit). Disadvantages have been identified with the low levels of knowledge of MAP Financial Instruments at potential financial intermediaries and the sometimes complex administrative framework which accompanies the Financial Instruments.

While ETF-SU has had a limited impact so far due to the Venture Capital market downturn after the internet bubble burst, it is having a strong strategic impact because the market gap in seed capital in Europe is not expected to disappear in the near future. SMEG has a rather large

quantitative impact (178,000 final beneficiaries in only 4-5 years, including the MAP and the first operations under the Growth & Employment initiative) with a high leverage effect¹ and an important strategic impact as it helps to overcome the “barrier” hindering SME access to finance. The level of satisfaction of financial intermediaries with both ETF-SU and SMEG is generally high, with only a few exceptions and relatively minor criticisms. The Seed Capital Action (SCA) on the other hand is relatively unknown and has so far been of limited use. Needs expressed by potential users indicate however a potential demand, meaning that an improved market situation could increase its level of effectiveness in the future. All 3 of these Financial Instruments are globally suitable in the context of EU-25.

JEV has been demonstrably ineffective and inefficient and will be closed by Dec. 29, 2004.

Recommendations

Recommendations concerning the present MAP involve major promotion of the “MAP brand” (alongside that of the EIF) with financial intermediaries, national financial and business organisations in order to enhance the visibility of Community Financial Instruments. Better and wider disseminated information as well as support for networking/exchange of experience between financial intermediaries should be provided for. A recommendation is made on increasing the budget in proportion to the EU enlargement (SMEG in particular) – this step was partially realised in 2004.

Moreover, there should be an effort to ensure wider co-operation with DG REGIO through a clear distribution of tasks: MAP focusing on the improvement of the financial fabric and access to finance for SMEs (market-oriented and best practices approach); DG Regio providing initial equity to funds or guarantee schemes.

For a future programme a recommendation is made for the ETF-SU Business Incubators window to be closed: it has not been effective and is not expected to be in the short/mid-term. The SMEG ICT-Loan window should also be closed: it has not been effective (largely due to the bursting of the internet bubble) and is in fact covered by the general SME Guarantee Loan window. SCA should be opened to funds without regard to prior EIF investment. Finally, ETF-SU eligibility criteria should be more flexible – consideration should be given to accepting as partners in funds universities and other public bodies as “private”, provided they can demonstrate that they are market-driven and have their own legal personality, board, budget and financial resources (i.e. not limited to public funding).

¹ Capacity of MAP Financial Instrument to induce additional spending among financial intermediaries.

1 INTRODUCTION

This **Final Report** of the **External Evaluation** of the **Multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) MAP (2001-2005)** covers the results of the evaluation research conducted by a team of independent evaluators over a 9-month period (November 2003 – July 2004). The evaluation process and this report were carried out under the direction of Información y Desarrollo (INFYDE), S.L. and Lacave Allemand & Associés. The core team of evaluators was supported by valuable contributions (fieldwork and country reports) from CM International (Cardiff), ISMERI Europa (Rome), MCON Dieter Meyer Consulting (Oldenburg), NORRUM OY (Helsinki), and PEMENCO Project Management Consulting (Luleå).

The evaluation was produced in line with provisions under Article 5 of Council Decision 2000/819/EC of 20 December 2000, and DG Enterprise's Evaluation Programme. This final report is due to be submitted to the European Parliament, the Council, the Economic and Social Committee and Committee of the Regions by 31 December 2004.

The evaluation is designed to enable the Commission to draw on it to both improve the current MAP and also with a view to the development of any successor. Responding to the Terms of Reference, the evaluation covered the MAP as a whole, including activities that fall under each of its specific elements: the MAP policy development, the Euro Info Centre Network, and the Financial Instruments.

The report was produced in line with the purposes, objectives, and issues described in the terms of reference. Therefore, this report is structured around the detailed evaluation questions posed by the Commission, which are used as heading under which the key findings, conclusions, and specific recommendations are stated. The report starts with a specific chapter on cross-cutting issues and is then organised around the three specific MAP pillars. The report also contains a summary of the evaluation methodology used, demonstrating how relevant data was collected and analysed, and which constraints and difficulties hampered the evaluation process. In addition, an overall synthesis of recommendations is included.

The evaluation research was accelerated in the first five months (November 2003 to March 2004) so as to present as many valid conclusions and recommendations as possible in an Interim Report, which was presented in March 2004. Fieldwork and analysis was completed between April and July 2004. Additional working documents, such as the overall evaluation framework, the complete list of conducted interviews, the questionnaires used in the survey, 8 country evaluation reports, data analysis, etc. were presented to the Commission Services as annexes.

2 EVALUATION METHODOLOGY

The evaluation focused on the MAP at an overall level, while studying the specific MAP elements: policy development, EIC network and financial instruments at the same time. The evaluation examined the relevance and coherence, efficiency, overall costs and benefits, effectiveness, utility and sustainability of the programme. Geographically, the evaluation covered all the countries participating in the MAP², according to their degree of involvement in the programme.

An overall methodological framework for the evaluation research was developed and included in a document presented to the Commission in February 2004. The evaluation methodology was based, firstly, on **desk research and a review of relevant literature**, including background reports (from the European Commission, OECD, UNECE, UNIDO, ECB, EVCA, etc.), implementation reports, audit and monitoring data of bodies such as the EPMC, the EIC Audit Team or the EIF, previous evaluations of the MAP 2001-2005 or of specific elements of the programme (Intermediate Evaluation of the MAP 2001-2005, Strategic Evaluation of Financial Assistance Schemes to SMEs, Growth & Employment Initiative Reports, etc.). The literature review and meta-analysis of implementation and evaluation reports provided important information on existing SME needs, and on the overall relevance and coherence of MAP, as well as on initial objectives, outcomes and results, costs, and assessments of specific MAP elements.

Another methodological tool used were **interviews** (either face-to-face, or by telephone or e-mail) **with key actors**. The interview questionnaires were adapted to the particular stakeholder groups involved in this programme, so that in total 16 different questionnaire models were used. A **first round** of unstructured interviews served as input for preparing the questionnaires and the first tentative conclusions. The interviews took place with key people responsible for MAP pillars and coordination in the Commission. A **second round** of structured interviews addressed actors involved in MAP implementation (DG ENTR and DG ECFIN at the Commission, EIF), as well as other indirectly involved actors (auditors, technical assistance, other Commission services). At this level, **17 interviews** were conducted. These interviews were used to gather information on project management, outcomes and results, implementation and qualitative impacts of delivery methods, possible problems, etc.

Interviews at European and Supranational Level

EC MAP MANAGERS (DG ENTR + DG ECFIN), EIC TAO/ EIC AUDIT	EIF PROJECT MANAGERS	EC (OTHER DG ENTR AND OTHER DG)
12 + various meetings	3 (various meetings)	2

Although Members of the European Parliament were contacted for an interview, this proved to be impossible to arrange as this was scheduled during the preparatory period for the elections to the European Parliament).

² EU member states, including new member states, EFTA/EEA countries, associated central and eastern European countries, Turkey. (Art. 6, Council Decision on the MAP 2001-2005).

A **third round** of interviews addressed other involved stakeholders such as SME representatives, Business Organisations, policy makers, SME experts, EICs, Business Support Providers, and other intermediaries. These interviews were conducted in 27 European countries, as well as in Brussels (with European Organisations). **284 interviews** with these stakeholders took place in spring 2004. The overall level of return to interview requests was very high (80-90% according to country), thanks to the support of the Commission, the chosen interview approach (e-mail + telephone/personal visits), and persistent follow-up.

Interviews at National Level (including European Business and Financial Organisations)

	NATIONAL POLICY MAKERS AND EXPERTS	EIC	HOST STRUCTURES AND BUSINESS SUPPORT PROVIDERS	BUSINESS ORGANISATIONS AND SME REPRESENTATIVES (EPG II CHAMBER)	FINANCIAL INTERMEDIARIES, FINANCIAL ORGANISATIONS	TOTAL
TOTAL	76	83	30	28	67	284

Interviews at national level with intermediaries and final beneficiaries, focused on information gathering regarding knowledge, visibility and perception of MAP actions, suitability of implementation processes and outcomes, the existence of and satisfaction with effects and impacts, and possible problems to be resolved.

Given the wide variety of stakeholder groups and the difference of information needs and questions according to the three MAP elements, a qualitative interview approach was required. The interviews were based mainly on scaled-response questions (using the six point scale below) with an option for “no opinion/no basis for judgement”. This quasi-quantitative approach facilitated the conversion of qualitative opinions into relatively comparable data and allowed to aggregate scorings per country, target group, and MAP pillar.

1	2	3	4	5	6	NoO
Very low value or level, very negative	Low value or level, negative	Moderate value or level, in some way negative	Significant added value or level, in some way positive	High added value or level, positive	Very high value or level, very positive	No opinion, or no base for judgment

The results of the national interviews were summarized and pre-analysed in **8 country reports**³, reflecting the countries where MAP actions had been implemented so far. The findings of the country reports were then integrated into a general analysis per MAP pillar and of the whole programme.

Other analytical tools such as a **policy benchmarking** of four specific policy fields and an **explanatory analysis** of MAP implementation and effects completed the research.

Some **constraints** hampered the process of data collection and analysis:

1. The very tight timeframe of the evaluation impacted on the evaluation approach and the selection of data collection methodologies. Although it was not possible to conduct face-to-face interviews in all cases, the solution phone contact →

³ Based on the evaluation approach, the European countries were grouped together for evaluation research. The featured country reports are: UK-Ireland, Sweden-Denmark-Norway-Iceland, Finland-Estonia-Latvia-Lithuania, France-Belgium-Luxembourg-The Netherlands, Germany-Austria, Italy-Greece, Spain-Portugal, Other Countries (especially Central and East European, Malta, Cyprus, Turkey).

personalised e-mail questionnaire → phone interview and follow-up turned out to be satisfactory, eventually exceeding the initial number of interviews.

2. The multiannual programme has a wide variety of actors involved and a very large group of real or potential final beneficiaries (European enterprises, especially SMEs). Given the very limited competence for direct-to-enterprise/SME Community action in this area, effects and impacts on the final beneficiaries occur in most cases indirectly and through intermediaries (national legislation, EICs, Venture Capital Funds, etc.), which means that enterprises are often not aware of MAP or the involvement of the European Commission in a specific action. Therefore, a large scale survey of SMEs would have brought very limited results. Correspondingly it was clear from the outset that a more qualitative evaluation framework was required.
3. This limited visibility of MAP activities and results for businesses and their representatives (business organisations) led to final beneficiaries being under-represented among interviewees with the subsequent risk of SMEs' perspectives not being taken sufficiently into consideration in the analysis (an in-built bias towards MAP intermediaries). This constraint is probably most noticeable with regard to the MAP pillar of the EIC network.
4. The complexity of MAP and the diversity of its elements and instruments (regarding involved actors, implementation method, timeframe, financial dedication) made it difficult to assess the programme as a whole. Some general conclusions and recommendations could however be made.

3 CONCLUSIONS AND RECOMMENDATIONS: OVERALL MULTIANNUAL PROGRAMME

The overall assessment of MAP regards specific cross-cutting issues such as relevance and coherence of the programme, effectiveness, efficiency, cost and benefits, as well as the general utility and sustainability of MAP. The assessment, however, has in some cases to be differentiated according to the three MAP elements, since they follow different approaches and implementation schemes. The in-depth analysis and evaluation for each of the MAP pillars is presented in the following chapters of this report.

RELEVANCE AND COHERENCE

To what extent have the needs of target populations evolved since the inception of this MAP, particularly in terms of the current economic situation? Has this led to a need to re-orient the intervention strategy of MAP?

Findings and Conclusions

With regard to this question, several studies and surveys relating the evolution of SME and business needs (Observatory of European SMEs, UN-ECE, OECD, etc.) were analysed. The review of general and specific needs and their evolution in recent years revealed that SMEs' business performance is first and foremost limited by (a) lack of skilled labour, (b) limited access to capital, and (c) administrative regulations. Specific needs have been identified for particular groups such as women, ethnic minorities and migrant entrepreneurs. Their needs are not very different but sometimes require specific attention and public support, since they are not satisfied by private services. The analysis confirmed the general situation at the starting

point of the MAP (2000/2001). No major changes were detected with regard to SME needs since then. That means that the general MAP intervention strategy is still valid. The scope of general MAP objectives and various MAP activities covers most of the relevant SME and business needs (skills, access to finance, regulation and administrative burdens, standardisation, ICT use, information and networking) and also tries to cover the demands of specific disadvantaged groups such as women and ethnic minorities. The issue of internationalisation and business cooperation in the internal market is, however, only indirectly dealt with (through the EIC network and the JEV, proposed for phasing out), and the need to support innovation is not covered by MAP 2001-2005.

Within the context of the current economic situation, relevant changes in needs and demands particularly affected MAP financial instruments. Because of the downturn in the Venture Capital market, following the bursting of the Internet bubble, the needs of innovative and high-tech start-ups for pre-seed and seed capital have become more difficult to satisfy, increasing the need for specific Financial Instruments (seed capital) as included in MAP, but also making it harder to find matching private investments (need for co-investment tools, mezzanine funds). The needs of the target populations will be affected by the Basel II orientations, and the utility of the MAP Financial Instruments, SMEG in particular, will be reinforced accordingly even if MAP may be considered to have anticipated the expected effects of Basel II.

Recommendation

There is **no need to re-orient** the underlying intervention strategy of MAP since it clearly addresses the evolving needs of SMEs. A wider coverage of business cooperation/internal market-related support measures, a broader inclusion of measures to foster innovation, as well as new specific financial instruments should, however, be considered in a future multiannual programme.

How far is the present MAP adapted to the enlargement of EU and the needs of SMEs in the New Member States?

Findings and Conclusions

Although most SME needs in new member states are similar to SME needs in other countries, some problems are experienced much more seriously in some EU-10 than in EU-15 countries⁴. One problem is the lack of a common definition of SMEs in some of the eastern European countries. In addition, national and regional support infrastructure, services, instruments and resources are not sufficiently implemented in some new member states, because of the lack of additional funding, of weak business networks and support services, of the lack of skills to implement best practices, of the non-existence of key actors who could implement best practices, or a very weak debt finance sector. Interviews with policy makers, experts and EICs in the new member states confirmed this assessment. Equity and venture capital markets are also not really developed in several new member states; there is a lack of both demand and good quality projects. MAP Financial Instruments should, therefore, be more flexible (with regard to sectors, matching investments, and timeliness) and be supported through accompanying measures designed to adapt them to actual needs.

⁴ see also the conclusions of the “Strategic Evaluation of Financial Assistance Schemes to SMEs” (2003) Deloitte & Touche for DG BUDGET

The analysis of current problems and needs indicates that MAP policy development actions and the support of EICs (already well represented in those countries, with 69 centres at the beginning of 2004) could have a significant positive impact in many of the new member states, if they respect the different conditions in those countries and when they are effectively disseminated. The present MAP Financial Instruments respond to actual needs of SMEs in the new member states, providing that some new member states specificities are taken into account to ensure greater flexibility.

In general, MAP strategy and projects are **globally adapted** to the enlargement of EU and SMEs needs in the new member states.

Recommendation

- In order to adapt the present MAP better to the enlargement and SME needs, **more resources** should be made available for action and for effective dissemination (in the different languages) of information and best practice. Strong “**introductory campaigns**” are needed.
- **Other working methods** such as capacity-building and the support of cross-border cooperation could also enhance adaptation. Capacity building, co-operation with EU-15 financial intermediaries, and training activities should be supported through MAP and especially for the financial instruments.
- The variety of administrative traditions, size, financial market structures (debt and equity finance) in new member states may require measures (especially financial instruments) to be **differentiated** and more **flexible** in a future multiannual programme.

Is the current MAP coherent, in terms of the objectives specified and the means and instruments put in place to attain them?

Findings and Conclusions

The general objectives of the current Multiannual Programme for Enterprise and Entrepreneurship, in particular for SMEs 2001-2005 are:

1. to enhance the growth and competitiveness of business in a knowledge-based internationalised economy;
2. to promote entrepreneurship;
3. to simplify and improve the administrative and regulatory framework for business so that research, innovation and business creation in particular can flourish;
4. to improve the financial environment for business, especially SMEs;
5. to give business easier access to Community support services, programmes and networks and to improve the coordination of these facilities.

A detailed analysis of the coherence between general and specific objectives of the overall programme, as well as between means/instruments and objectives of MAP activities was conducted during this evaluation. It showed that the five general objectives complement each other and, if realised, they would help to improve the overall business environment in Europe. It seems, however, that the general Objectives are not all on the same level. The existence of some very broad objectives (Objective 1 and 2) and other more specific ones (Objective 3, 4 and 5) makes the overall framework of objectives less clear and hampers the definition of useful intermediate objectives and results indicators which are needed for effective monitoring and evaluation.

Specific MAP action objectives are coherent with the general objectives of the overall Programme. However, the level of coherence varies. This has more to do with the fact that the general objectives are very broad and general than with a failure in the definition of specific MAP actions or their specific objectives.

Coherence is generally solid between the specific objectives and the means and instruments put in place to attain them. However, to assess the level of coherence in greater detail, each action has to be seen in the framework of former activities and projects planned for the future, since, for example, it may be necessary to have certain actions (external or internal studies) BEFORE a Best project can be implemented, or to have other actions (such as a dissemination conference) AFTER a Best Project has worked out recommendations on a particular issue. The correct implementation of the action line 'preparation – expert group/benchmarking – dissemination - possible follow-up' is not always clear.

Recommendation

The definition of a **balanced system** of general and intermediate Objectives would facilitate the structure of a future multiannual Programme.

Are the current MAP objectives and activities relevant to and coherent with the principles and guidelines defined within the European Charter for Small Enterprises?

Findings and Conclusions

In this context, current MAP objectives and activities were compared to the principles and action lines of the European Charter for Small Enterprises in order to identify levels of relevance and coherence. To create the best possible environment for small business and entrepreneurship, the **European Charter for Small Enterprises** is based on the specific guidelines. The Charter calls upon Member States and the Commission to take action to support and encourage small enterprises in ten key areas or **action lines**:

- Education and training for entrepreneurship
- Cheaper and faster start-up
- Better legislation and regulation
- Availability of skills
- Improving online access
- Getting more out of the Single Market
- Taxation and financial matters
- Strengthening the technological capacity of small enterprises
- Making use of successful e-business models and developing top-class small business support
- Developing stronger, more effective representation of small enterprises' interests at Union and national level

The analysis of working documents showed that integration is increasing between MAP and the Charter. While integration between MAP activities and Charter guidelines was not explicitly explained in the first two MAP annual work programmes (2001 and 2002) – although the Charter itself has always been mentioned in the MAP itself –, MAP work programmes 2003 and 2004 contain clear references for each project about corresponding Charter action lines. In the last two work programmes, the five MAP Objectives and all MAP projects show clear and explicit coherence with and relevance to the Charter.

However, during the evaluation it became clear that a considerable number of relevant actors, mainly Business Organisations, Business Support Providers, as well as some policy makers and SME policy experts, lacked a deep understanding of the relation between the European Charter for Small Enterprises and the MAP. Their lack of knowledge about the different character of the documents (one a Commission's document, one guiding the member states) and the different forms of thematic structuring (5 Objectives, 10 Action Lines) in particular caused confusion. So, although the current MAP objectives and activities are now relevant to and coherent with the principles and guidelines of the European Charter for Small Enterprises, strategic integration between the Charter and MAP is not very well developed, limiting the potential relevance and impact of both documents.

Although internal coordination between Commission Services takes place, the MAP is not linked to other key initiatives of the European Commission relevant for business development in Europe, such as the Sixth Framework Programme for R&D or the Structural Funds. Thus, possible synergies are not exploited and support to enterprises is only coordinated superficially.

Recommendation

The establishment of a **stronger strategic integration** between the MAP and the Charter is proposed. Besides being organized according to MAP objectives, MAP activities could also be structured along Charter action lines. This would enhance visibility and understanding and also allow a more detailed monitoring of effects, impacts and progress (of MAP activities) at Member State level in the framework of the Charter implementation reports.

In the future, links to other initiatives such as the Structural funds and the R&D Framework Programmes should be strengthened.

EFFECTIVENESS, EFFICIENCY, COSTS AND BENEFITS

To what extent has or can the MAP be expected to achieve its global objectives as defined in the Decision and the specific objectives defined in Annex I of the Decision and within annual work programmes on the basis of implementation to date?

Findings and Conclusions

A differentiated assessment of the achievement of objectives is presented below for each MAP element. Naturally, the situation of effectiveness varies according to the MAP elements and the type of instruments. For example, the EIC network – introduced as a network in 1987 – largely continued established activities, whereas some new financial instruments implemented by MAP 2001-2005 required a certain phase for preparation, promotion and implementation and were additionally affected by the overall economic situation.

Policy Pillar

Between 2001 and 2003, 101 different MAP actions were carried out (30 in 2001, 37 in 2002, 34 in 2003). The analysis of implemented activities shows that MAP policy development actions in 2001-2003 had registered 171 direct outcomes to date⁵, including 39 meetings, 34

⁵ One action may have several outcomes. When various meetings have been held, only 1 meeting has been counted. Likewise, when interim, progress and final reports have been produced, 1 report has been included. When various studies have explicitly been produced within one action, then each study has been considered. One brochure counts as 1 Dissemination material, although various language versions have been produced.

conferences and seminars, 62 studies and reports, 9 databases and tools (portals), as well as 27 dissemination materials (brochures, CD-ROM, leaflets). Given the fact that there had been 101 MAP policy development projects and 27 projects had to date not presented any outcome, each of the other 74 projects had on average 2.31 outcomes. No action had been implemented or money spent without presenting a single outcome so far (assuming that the 14 on-going projects will present outcomes when they end). 13 projects had no outcome and finally no budget has been committed, which gives a relatively low failure rate of 12.8%. Normally projects have been cancelled after the lack of suitable bids for open tenders or after the reconsideration of priorities. 14 projects without outcome are still underway and will finish mostly in 2004.

Policy development actions have been implemented in all fields of the six general MAP objectives and they therefore contributed directly or indirectly to all MAP goals. In general, according to their type of activity, policy development actions largely achieved their specific objectives and were therefore effective (with regard to their outcomes). With regard to any other level of effects and results, it is practically impossible to relate directly these quantified outcomes to medium and long-term impacts at national and regional levels in the participating countries. A qualitative assessment, included in chapter 4 of this report, however, indicates considerable improving policy and regulatory changes in participating countries, which were influenced by MAP actions. The policy development pillar actions are, therefore, supposed to achieve the global objectives of MAP.

Euro Info Centre network

The EICs work directly with SMEs and businesses all over Europe and help them by providing general information, answering specific questions, offering specialised advice, organising events and providing feedback to the Commission. At the beginning of 2004, the EIC network in the EU involved 276 EICs. 69 of these EICs were operational in Candidate Countries. In addition, 30 Associate Members offered specific information and advice services to the members of the network and 13 Correspondence Centres (EICC) established in some third countries helped to enlarge the network's contacts in those countries. As confirmed by the in-depth analysis of the EIC network, presented in chapter 5 of this report, EIC networking activities, products and services had positive qualitative impacts on SMEs and on the overall business environment. EIC activities include the provision of information on European-related issues in the form of brochures, leaflets, publications, web sites, on-line support, tender alerts, events, conferences, as well as direct and personalised advice to enterprises. The increasing participation of the network in the Interactive Policy Making (IPM) feedback mechanism in the last years must also be stressed.

Given these outcomes and effects, the EIC network contributes directly to the achievement of Objective 5, as well as indirectly to the achievement of other general MAP objectives such as “to promote entrepreneurship” and “to simplify and improve the administrative and regulatory framework for business”. Hence, the EIC network as part of the MAP is achieving its specific and general objectives and can therefore be assessed as effective.

Financial Instruments

Outcomes achieved by the particular MAP financial instruments as of 31/03/2004 are as follows. ETF-Start Up facility: 3 deals signed, SME Guarantees loan window: 19 deals signed, SMEG micro-credit window: 6 deals signed, SMEG equity window: 1 deal signed, Seed Capital Action (SCA): 2 deals signed, and Joint European Venture (JEV): 198 projects supported since it began.

In general, according to MAP Implementation Report 2003, the EIF Board had approved 41 deals by the end of 2003, but there were subsequent cancellations.

ETF-SU and SMEG are the most effective instruments, they demonstrate significant leverage effects⁶ (4:1 for ETF-SU; 50:1 for SMEG), and a large impact on the SME community (166,000 estimated final beneficiaries for SMEG). ETF-SU has been particularly effective in the context of a generally difficult market situation. The complete list of investments through ETF-SU (Growth & Employment and MAP) includes 21 beneficiaries. SMEG was considered as flexible and easily adaptable to different market conditions. Several deals were signed in both the Loan guarantee window and in the micro credit window, making both schemes effective. Although the equity guarantee scheme has so far not been effective, the window is considered by financial experts and intermediaries as having a large potential leverage effect. The ICT Loan Guarantee Window produced no results so far and must be assessed as ineffective at this moment. SCA has not been very effective so far, since it is tied to ETF-SU and has suffered due to the VC market downturn, as has ETF-SU. 276 projects have been submitted to the JEV programme since its creation (under MAP and prior to MAP), of which 198 have been supported. 16.4 Million € has been committed to JEV since 1998. In 2003, only 11 new projects were submitted. In relation to potential beneficiaries, these outcomes are very low. Financial intermediaries and beneficiaries found JEV to be a highly bureaucratic instrument. It proved ineffective despite several attempts to improve the way it functions.

Despite those drawbacks, overall MAP financial instruments contribute significantly to the achievement of Objective four (to improve the financial environment for business, especially SMEs), and given the outcomes and results achieved so far, the effectiveness of these instruments is generally high.

Recommendation

While MAP policy development pillar, EIC network and financial instruments are expected to achieve MAP's global objectives with regard to effectiveness to date, there are some ineffective financial instruments or schemes (JEV, SMEG-ICT loan window, SCA) that should be looked at in more detail in order to detect the reasons for their ineffectiveness (see chapter on Financial Instruments).

What would have been the likely situation for target populations if MAP 2001-2005 had not been implemented?

Findings and Conclusions

Target populations for the overall MAP are all European enterprises and, in particular, SMEs. According to the specific MAP element, other detailed target populations are addressed: MAP policy pillar – National policy makers and policy experts, MAP Financial Instruments – Financial Intermediaries.

Policy Pillar

The review of policy and regulatory changes in the participating countries and interviews with target group representatives led to the following conclusions.

⁶ Capacity of MAP Financial Instrument to induce additional spending among financial intermediaries, measured as “Estimated underlying volume of funds or loans supported / ETF-SU or SMEG allocated budget (signed)” ratio.

- The MAP policy development actions have had a direct impact on national policy makers and experts, more than on European SMEs and businesses, a group on whom the impact of these projects is extremely difficult to identify and measure.
- The impact on national policy makers and experts in numerous policy fields has, however, influenced indirectly the current situation of SMEs.
- The consideration and implementation of MAP policy recommendations influenced various legislative initiatives, Action Plans and other national programmes and schemes in countries all over Europe.

Therefore, considering that MAP actions offered a wider knowledge on and access to best practices, the definition of new indicators and methodologies, recommendations for improved legislations, and general guidance for the development of SME policy (in the new member states, in particular), the likely situation if MAP 2001-2005 had not been implemented would have been a poorer, slower and more fragmented development of national SME policies in many European countries.

Euro Info Centre network

The evaluation confirmed the added value of the EIC network and pointed out the positive effects on SMEs, the principal target group of this MAP element. Although the differences are not quantifiable, EIC services and network activities have definitely added value to general business support at national and local level, which results in effects on target populations (SMEs and businesses). SME's awareness of the opportunities and challenges arising from the evolving situation of the European Union would be less clear without the services offered by the network. Asymmetrical information would favour large enterprises or businesses with more local support resources, and the divide between SMEs in rich and poor regions would be increased. However, the EIC network has existed since 1987, and MAP 2001-2005, rather than creating the network, has "only" contributed to its maintenance, growth (in size and quality), co-ordination and support. In a counterfactual situation, other networks or some of the Host Structures may have filled the gap left by the EICs. It is however unlikely that they would have had the same overall quality, scope and depth of networking activities all over Europe, including the new member states.

Financial Instruments

Without MAP Financial Instruments, the investment capacity and readiness of financial intermediaries would have been affected. Many financial intermediaries interviewed confirmed that without MAP support (or Growth & Employment in some cases), their support of young companies and SMEs in general would have not been possible at all or only very reduced. Start-ups would have probably suffered more from a lack of early stage, pre-seed and seed-capital had ETF-SU not been available, especially as some financial intermediaries consider that early stage VC market would have disappeared in some countries if this were the case. Without SMEG lower amounts of debt finance would have been available to small and medium-sized companies with growth potential and micro-enterprises. SMEG Micro-credit has enabled a number of micro-enterprises to become "bankable" through getting a credit track record.

Recommendation

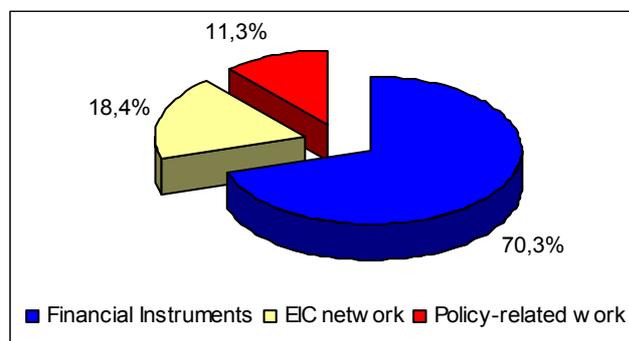
No further recommendation is proposed in this area. Target populations generally benefited from MAP actions, directly and indirectly.

Which MAP activities have been particularly efficient and which have been inefficient both in terms of financial intervention and other resources used? What lessons can be learnt from these examples that could be applied to other cases?

Findings and Conclusions

The current MAP 2001-2005 had an initial estimated budget of about 450 Million EUR. Between 2001 and 2003, 312,060,340 EUR were allocated. 95.1% of the MAP budget was committed (296,696,373 EUR). The overall distribution of MAP budget allocation on the particular pillars is as follows:

MAP 2001-2005: Allocated Budget Distribution per MAP element 2001-2003 in %



Source: Implementation Reports 2001, 2002, 2003

The question of efficiency had to be analysed separately for each MAP pillar.

Policy Pillar

The analysis of costs and benefits for policy development actions offers the following results. The overall cost for the policy development pillar for 2001-2003 was: 22,851,828 EUR (committed budget). In all, 171 outcomes have been counted to date, including less costly outcomes such as brochures and expert meetings and more costly outcomes such as new databases, portals and tools. The **average cost per outcome is about 135,000 EUR**. In general, little additional financing is required. With regard to other resources used, human, material and time resources are relatively low, since most actions do not require the kind of permanent or intensive dedication needed for projects or direct financial support to enterprises. Regarding the overall MAP budget, the efficiency (cost per outcome) in the MAP policy pillar is high.

It is practically impossible to relate the quantified outcomes to medium and long-term impacts in the participating countries, making it impossible to assess impact-efficiency at this stage.

The quantitative efficiency of different types of activities or delivery methods is also difficult to determine. In general Best projects, best practice and benchmarking studies as well as other studies require less financial resources than the development of databases and tools (portals) or the large-scale organisation of awareness-raising campaigns or dissemination material. At the same time, policy makers praised these Best projects and studies as having an important impact (more than databases or tools), which makes them the most efficient action types.

Euro Info Centre network

For this MAP pillar, a more detailed cost-benefit analysis was conducted, which examined – as far as possible – the costs and direct quantifiable benefits of the network for one year (2002). The direct contribution to EICs for 2002 amounted to 8,960,000 EUR. Support for specific

networking activities and facilities (Technical Assistance Offices) provided came to 10,736,000 EUR.

In order to establish a cost-benefit relation we based our calculation on the EC contribution and on general outcomes of the network (as reported by the EICs themselves). According to this calculation, the efficiency of network staff and of some EIC services is as follows:

EFFICIENCY INDICATORS FOR THE EIC NETWORK 2002*		
OUTPUTS	COST	INDIVIDUAL COST **
About 1,200 people working in EICs at local level	8,960,000 EUR	7,466.67 EUR
5,682,391 clients received EIC information documents	8,960,000 EUR	1.58 EUR
248,454 specialised advice services provided by EICs	8,960,000 EUR	36.06 EUR
3,483 events organised	8,960,000 EUR	2,572.49 EUR
222,371 participants at events organised by EICs	8,960,000 EUR	40.29 EUR
361,053 total questions handled by EIC network	8,960,000 EUR	24.82 EUR

* Cost as planned in MAP WP 2002, efficiency based on budget allocation 2002.

**The reading of the last indicators has to be: *if the whole EC contribution to EICs had been used to finance ... [mailing of documents, advice services, etc.], then the cost per outcome would have been ... [cost per service].*

Evidently, the efficiency indicators are only an initial approximation to the real efficiency of the EIC network. No adequate indicators could be defined for describing the efficiency of the support activities (material and technical cost), or the additional support from Unit B.2 of DG Enterprise, which also has an influence, consuming time, material and human resources.

From the point of view of the EC contribution (within MAP) to the EIC network, the network is highly efficient. At a relatively low cost to the European Commission, a large number of clients is reached and many SME- and enterprise-oriented services and products are supported. An area where efficiency could be improved is the TAO and Audit team support. An increased coordination of external support services with the Commission services could improve the efficiency reducing the financial expenses for the Commission in this area.

Financial Instruments

A cost-benefit analysis of MAP financial instruments is particularly difficult, since current expenditure corresponds generally to medium to long-term investments and not to real expenditure. By the same token, benefits may become visible only after a certain time lag. We refer therefore to leverage figures as an indicator of efficiency in leveraging additional investments.

ETF-SU has been efficient. Financial intermediaries themselves describe the leverage effect as highly significant (4:1). The same sources say that ETF-SU also has a “qualitative” leverage effect: EIF support gives “legitimacy” to funds supported in the view of other investors. **SCA** had so far very few results, so that real efficiency cannot be defined at this stage. **SMEG** has a very high leverage effect, about 50:1 on average, according to EIF and DG ECFIN calculations, based on the “estimated underlying volume of loans supported / SMEG allocated budget (signed)” ratio. Leverage effect is highest for the Loan Guarantee window: 72.9. It is 8.5 for the Micro-credit window and 13.8 for the Equity Guarantee window. The financial intermediaries to whom it was addressed did not use the SMEG ICT Loan window. The degree of real efficiency cannot be defined. SMEG has a large quantitative impact on SMEs, the number of SME final beneficiaries under G&E and MAP being estimated at 166,000. **JEV** has not been used very often, since efforts related to administrative and application procedures

were burdensome and out of sync with final benefits. The scheme itself brought very few results, decreasing over the years, so that it must be assessed as inefficient.

Recommendation

- Some projects of the MAP policy development pillar require considerably more resources than others, without causing more results or impact. These projects, namely databases, and internet portals, show low levels of efficiency and should not be included in further programmes.
- Efficiency of the EIC network is high. The least efficient area is support through TAO and audit team. Efficiency levels should be levelled out through increasing the contribution to EICs or through reducing costs for general support (TAO and audit team).
- Inefficient financial instruments (JEV) should be revised or closed, instruments with doubtful efficiency levels SCA and SMEG ICT window could be analysed again, if and when presenting more outcomes.

In terms of cost/benefit who appears to have gained most and who appears to have gained least from the MAP, and why?

Findings and Conclusions

As for the former questions, this issue has to be analysed separately for each MAP element.

Policy Pillar

MAP policy development actions had to date more direct influence on national policy makers and experts who participated in specific MAP actions. Central national policymaking levels tended to benefit rather more from MAP policy actions than regional levels. A second group benefiting from MAP policy actions are Business Support Providers, Business Associations, Financial Intermediaries, SMEs, enterprises and entrepreneurs that participated in or used directly one of the MAP actions or sub-actions, such as the participants in the Bankers' Round Table, the e-business support network, the e-skills summit, the "Go Digital" awareness campaigns and seminars, etc. In general, many European SMEs will gain indirectly from MAP policy actions, but only in the medium and long-term, when MAP recommendations will be implemented at national level and when new legislations begin to take effect.

Euro Info Centre network

The most important beneficiary of the support provided by the EIC network are the EICs themselves. Benefits have come, however, more through networking and are more qualitative than financial.

The final beneficiaries, European SMEs, also gained from MAP. The EIC network proved to be of crucial importance for a certain group of SMEs and businesses that were previously involved in developing commercial relations at European level, or were looking for specific information. Enterprises in general also benefited, as their concerns and specific problems have been listened to and considered in European-level general policy making. The IPM project, where EICs are deeply involved in, and its feedback function helped to create this additional benefit. Finally, EIC Host Structures benefited from additional information and new and complementary services.

Obviously, the European Commission has also obtained benefits from the EIC network, since it has gained in diffusion of policies and initiatives, and at the same time is receiving an

increasing feedback from European enterprises on its activities, specially through the IPM initiative.

Financial Instruments

Stakeholders and beneficiaries that gained most were early-stage VC Funds; guarantee (SMEG) financial intermediaries (Banks and microfinance institutions), as well as SMEs, which benefited indirectly from MAP support, receiving guarantees from banks or seed capital from a VC Fund.

The stakeholders gaining least were Business Incubators, which were supposed to be beneficiaries of ETF-SU (and SCA). There were two reasons for this: (a) the bursting of the Internet bubble which stopped the flourishing of incubators created and managed by VC funds, (b) the need for public support for most business incubators, even for their basic services.

Recommendation

In general, improved and widened dissemination of MAP activities would increase the number of the programme's potential and real beneficiaries.

USEFULNESS

To what extent have MAP results and impacts corresponded to, or are expected to continue to correspond to the needs of the target populations? Did any unexpected effects occur and if so to what extent did they correspond with the needs of target populations?

Findings and Conclusions

The analysis of utility is based on the identification of intended and unintended results and impacts of specific MAP actions and elements as well as on their comparison with the needs of target populations. This analysis proved very difficult, because of the lack of identified results and impacts of such measures, other than the direct outcomes of MAP actions.

Policy Pillar

Analysis showed that policy recommendations as results of MAP policy actions proved particularly useful to policy makers as one of the target groups. They were generally assisted in their efforts to develop further national enterprise /SME policies.

With regard to the usefulness of MAP impacts to final target groups (European businesses and SMEs), several factors seriously hampered a consistent analysis of the impacts of MAP policy development actions. These factors included the short interval between the end of MAP actions and possible recent policy changes and the problem of attributing positive impacts on the overall business environment to MAP policy development actions. Within this limited context, the analysis showed that MAP policy development actions had a patchy impact on the overall environment in which European enterprises (especially SMEs) operate. In cases where impacts could be observed, they were found to have had a positive influence, to date, on the simplification of administrative procedures (creating or transferring a company), access to finance, knowledge and development of skills and training, the technological capacity of firms, knowledge of European standardisation and norms, etc.

Regarding the occurrence of any unexpected results and impacts, specific MAP actions that included expert or monitoring groups led to the creation of networks of experts and interested

stakeholders (public and private) that may prove self-sustainable in the long run. To date, no negative unintended effects have been observed.

Euro Info Centre network

Similarly and as identified in the analysis of the EIC network presented in the corresponding chapter of this report, impacts on the European business environment caused by the work of the EIC network, include:

- Better and more symmetrical information on European issues, in particular on important topics like enlargement, Euro, e-business.
- Internationalisations of enterprises and business activities (joint ventures, cooperation contracts with suppliers and distributors, initiating projects in other countries, etc.).
- Introduction of Quality Management, certificates and standards acknowledged in other European countries.
- Participation in European Partnerships and Projects.
- Specific advice that helps to maintain or expand business activities, thus assuring and creating employment.

These impacts correspond to the general and specific needs of enterprises and SMEs in the areas of internationalisation, generic information and advice as well as innovation and quality management.

Unexpected effects generally affected other groups than the primary target population, European enterprises. For instance, the Commission services have improved its knowledge on the enterprise environment and opinion, thanks to the feedback received through the network. At local level, the search for additional funds and the *Local Cooperation Initiative* provoked the start of common activities with other support networks, public and private actors, which led to EU-funded projects and the development of common activities (events, products). Eventually, the local SMEs and businesses also benefited from these additional activities through being provided with better-coordinated and improved services .

Financial Instruments

ETF-SU has addressed a market gap in the field of access to early stage, pre-seed and seed capital with positive results and impacts on the needs of start-up businesses, in particular in high-technology fields. Due to the present situation of the VC market and to the fact that ETF-SU appears as both pro- and counter-cyclical, it can be expected to continue to correspond to the needs of start-ups. Its impact will be strengthened if it is made more flexible, in particular if its benefits are extended to businesses over 5 years (this is necessary in high-technology areas such as the biotech sector, probably also in the new member states). SMEG is a highly flexible instrument that has adapted easily to different markets and to the needs of target SMEs. As there seems to be a need for guaranteeing loans with shorter terms than accepted by the present eligibility criteria, especially in the field of Micro-credit, SMEG results and impacts could be increased through more flexibility.

ETF-SU Business Incubators window, SMEG ICT Loan Guarantee window and JEV did not prove useful to final beneficiaries. SCA is generally expected to correspond to the needs of regional or specialised early stage VC funds. Its results and impacts would probably be greater if it were not tied to ETF-SU.

The financial instruments can be considered as having had an unexpected effect on Member States policies, national and regional schemes through a process of cross-fertilization. They have in some cases acted as “accelerators” for national and regional policy-shaping in the field of early stage financing. They have also contributed to improving management standards of some financial intermediaries, because of monitoring and reporting requirements.

Recommendation

The usefulness of MAP impacts on target group needs could possibly be enhanced by improving and widening visibility, implementation, and dissemination of MAP elements (EIC network, Financial Instruments) and particular results of MAP actions (policy recommendations). Specific recommendations are included in relation to other evaluation questions.

SUSTAINABILITY

Are any changes brought about by MAP activities self-sustaining, or are any likely to be so, for example by being integrated at EU and Member State policy level, and/or is continued intervention from a European level required?

Findings and Conclusions

Once again, conclusions about the real or possible sustainability of changes brought about by MAP activities require a differentiated analysis.

Policy Pillar

Changes brought about by MAP Best and benchmarking projects are likely to be self-sustaining, since most changes refer to policy or regulatory improvements. A precondition for sustainability is, however, the implementation of MAP recommendations at national level. Policy and Regulatory changes influenced by particular MAP actions, such as new or adapted legislation, national or regional Action Plans or schemes, have already become self-sustaining by being integrated at member state policy level. The degree of sustainability, however, varies between countries and policy fields, so it is not possible to say that MAP policy recommendations regularly led to self-sustaining changes.

Changes that were or are direct outcomes of MAP activities and that have to be promoted, organised or updated on a permanent basis to be effective and useful, such as Round Tables, Internet Portals, Databases and networks are only likely to be self-sustaining, when the interest of participants or users is high enough to raise additional funding (especially private) to maintain the activities. For some of the more cost-intensive tools developed in MAP (e.g. SMIE database, Observatory for SMEs) activities are highly unlikely to become self-sustaining.

Euro Info Centre network

The question of sustainability has to be discussed in terms of the performance of particular EICs and of the EIC network. The contribution to the performance of individual EICs already presents an advanced degree of self-sustainability, given the fact that on average the EC contribution within MAP only accounts for 12.2% of the income of an EIC (45.4% in the CEEC, figures for 2002). At the same time, closer integration of the bulk of EIC clients in the broader European Market raises new demands that could be channelled toward regional/national or European support policies. In order to cope with new demands, EICs are increasingly supported by national or regional agents (including the Host Structures) or develop more and more services for which they charge. High levels of invoicing raise, however, the question of equal access to services for all SMEs. Furthermore, supporting increasingly commercial or semi-private EICs cannot become a MAP objective. Therefore, more self-sustainability will only lead to negative consequences for the overall quality and

coherence of the network. The Commission should increase the contribution to EICs or regulate other forms of funding to face the new demands for EICs in the future.

Support and coordination activities for the EIC network run and financed as part of MAP 2001-2005 entail, however, a performance that contributes additional value to the EIC network. These activities are not likely to become self-sustaining in the future and require support by interventions from the European level to remain effective.

Financial Instruments

For the financial intermediaries, the real issue is not sustainability, but the continuity of the schemes (expectations are high). Going beyond this point of view coming from beneficiaries and stakeholders as well, sustainability can be expected due to strong complementarities in some countries with national schemes and cross-fertilization with policy-shaping, programmes and schemes at national and regional level.

However, continued intervention from EIF/MAP is required, and all the more in the new member states, since early stage VC market is relatively un-developed (with the exception of the UK, and The Netherlands where, however, there are recognized needs); guarantee schemes are not developed in all EU-25 countries, and, where there is a wide range of them, SMEG facilitates a significant increase in the number of final beneficiaries and the total volume of loans; SCA is unique and can be expected to play a very useful role for regional funds.

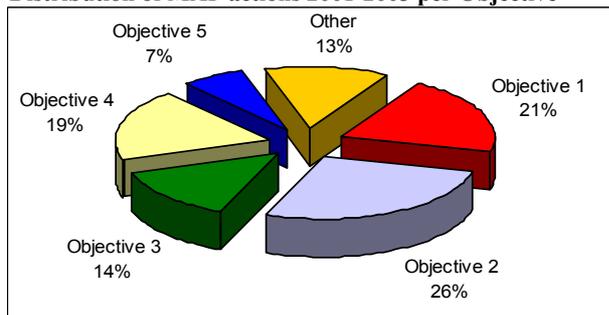
Recommendation

In general, **continued intervention from a European level** is required to keep on initiating benchmarking and the exchange of best practices, to support and coordinate the EIC network, and to improve business access to finance where markets (debt and equity) fail to provide support in most cases.

4 CONCLUSIONS AND RECOMMENDATIONS: POLICY DEVELOPMENT

Policy development activities were developed under all 5 general MAP objectives and under the heading of Other Objectives.

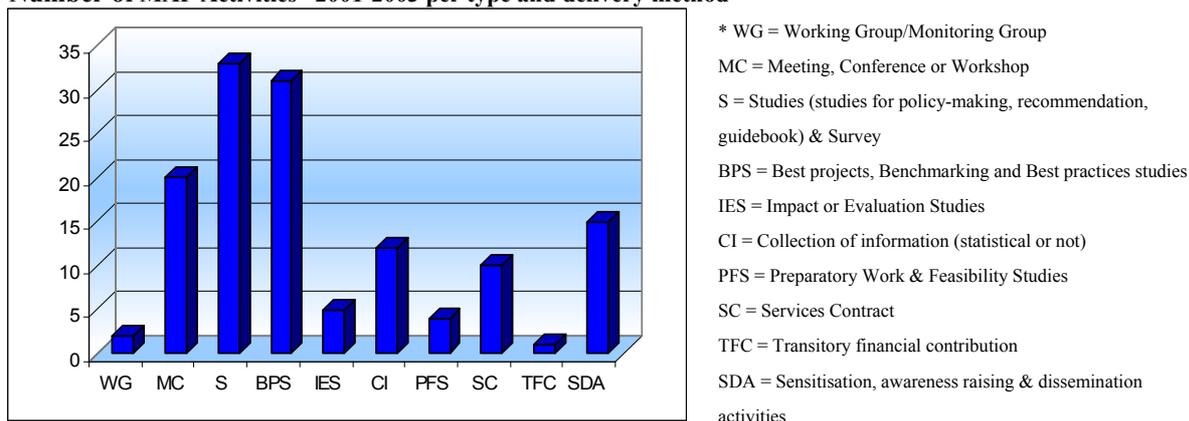
Distribution of MAP actions 2001-2003 per Objective



Source: Own Elaboration, MAP Work Programmes 2001, 2002, 2003

The policy development pillar is mainly represented by Best projects and the exchange of best practice through benchmarking, studies, expert working groups, conferences and publications. The Best procedure⁷ responds to the European Council's call for an Open Method of Co-ordination. In the first three years of the MAP 2001-2005, 18 Best projects were carried out, although a total of 31 MAP actions presented the characteristics of best practice projects. The Best and benchmarking projects have been supported by other actions such as internal and external studies, meetings/conferences, the development of reports, databases and tools, etc.

Number of MAP Activities* 2001-2003 per type and delivery method



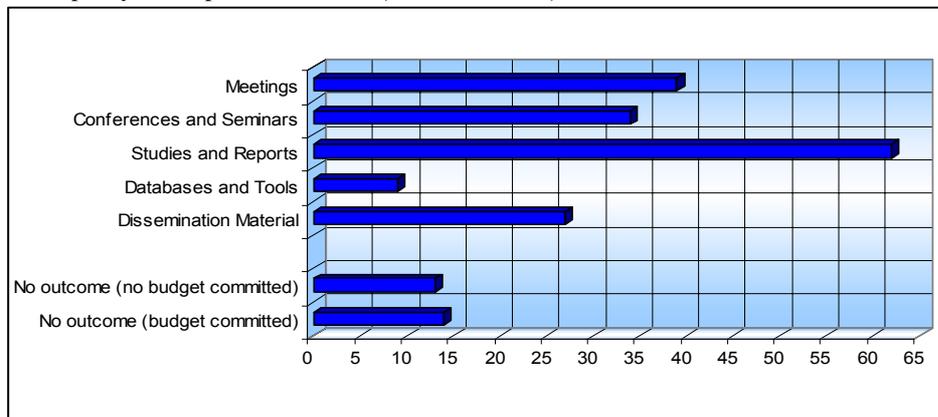
Source: Own Elaboration, MAP Work Programmes 2001, 2002, 2003

MAP policy development actions in 2001-2003 registered 171 outcomes, most of them being studies and reports, meetings and conferences. 13 projects had no outcome and finally no budget has been committed, resulting in a failure rate of 12.8%. 14 projects are still underway and without outcome but will finish presumably during 2004 or in 2005. Out of 74 projects with 171 registered outcomes, each had an average of 2.31 outcomes (frequent combinations of

⁷ See COM(2000) 256 final of 26.4.2000, see also http://europa.eu.int/comm/enterprise/enterprise_policy/best/best_procedure.htm

outcomes are meetings and reports, studies and dissemination material, reports-conferences-dissemination material).

MAP policy development outcomes (as of 01/07/2004)



Source: MAP Implementation Reports 2001, 2002, 2003

During the evaluation of this MAP pillar, EC project managers, participants and intermediaries (national policy makers, experts, etc.), as well as – to a lesser extent – representatives of final beneficiaries (Business Organisations, EPMC members as SME representatives) were interviewed.

To what extent have the recommendations on Policy Development made by the final evaluation of the previous MAP been successfully integrated into the current MAP, and, where they have been integrated, to what extent have they proved effective?

Findings and Conclusions

The evaluation of the 3rd Multiannual Programme for SMEs (1997-2000) in the European Union made a number of recommendations with a view to achieving increased efficiency and cost-effectiveness. General recommendations concerned the **policy development pillar** and maintained that this pillar “*was underresourced and should be integrated with priority themes*”. More specific recommendations were related to the use of effective delivery types of actions, to the establishment of performance indicators for MAP actions, to the importance of consultation with SME representatives, to the on-going need for research in the field of promoting entrepreneurship, etc.

A first response to most of these considerations was given in the Report from the Commission on the 3rd Multiannual Programme for SMEs in the European Union (1997-2000)⁸. Practically **all recommendations** from the final evaluation of the last multiannual programme 1997-2000 **were integrated** into the current Multiannual Programme 2001-2005. The policy development pillar was strengthened and integrated with priority lines of enterprise policy. Other changes were introduced as well in the MAP 2001-2005, which to a great extent fulfilled the recommendation of the previous programme’s evaluation. Integration showed a high degree of effectiveness, in the assessment of overall current programme coherence and the consideration of the opinion of involved stakeholders and beneficiaries.

⁸ Communication from the Commission COM(99) 319, of 29.06.1999.

However, there are **some recommendations** where changes require a long-term process to **become fully effective**, as is the case with the definition and use of proper performance indicators. The following points need still **further or prolonged action** in order to become completely effective:

- *Establishing proper performance indicators to assure actions taken under the MAP are evaluated on a more scientific basis in the future:* The definition and use of the indicators have not yet been fully developed to be useful instruments for evaluation.
- *Reducing publication-type actions, which do not directly relate to policy development or to tangible benefits for SMEs or which are inadequately disseminated to have major effects:* Dissemination of existing publication-type actions could be still improved and would be more efficient when including publication in all official languages.
- *Continuing to consult with SME representative organisations on issues of major importance (Business Policy-related) (...):* SME representative organisations are not involved in the design of MAP work programmes or other specific MAP working groups.
- *Continuing with the work of producing statistics and research (EUROSTAT and SME Observatory), (...) and integrating the research more with other research undertaken in DG ENTR:* To be more effective, there is still room for more integration and the relation between the SME Observatory, other MAP actions and studies.

Recommendation

Action should be continued in these areas as far as they are still relevant for the current and any future programme.

To what extent has the implementation of the Policy Development been in conformity with the working methods indicated in the Council decision relevant to the current MAP, and how effective are those methods?

Findings and Conclusions

The Council decision relevant to the current MAP⁹ indicates that the “*Commission shall be assisted by the Enterprise Programme Management Committee (EPMC)*” while implementing this programme. According to the Annual Implementation Reports and interviews with key actors, implementation of Policy Development within the MAP 2001-2005 complied with those working methods indicated in the Council decision, in the sense that the EPMC was consulted and assisted the Commission, in particular, while defining (a) the annual working programmes for 2001, 2002 and 2003; (b) the criteria and content of invitations to tender exceeding EUR 100,000; (c) the performance indicators for evaluating actions needed to achieve the general objectives. The annual work programmes and all projects with the corresponding budget allocations, as well as invitations to tender are submitted to the EPMC for opinion. In order to give a basis for opinion, the EPMC is provided with short descriptions of all projects and calls, with annual implementation reports and this External Evaluation of MAP.

Both EPMC members and the Commission are satisfied with this general approach on joint decision-making (Commission and Member States/participating countries) in the multiannual programme, applying the *Open Method Of Coordination*. Some policy makers, however,

⁹ Council Decision (2000/810/EC) of 20 December 2000 on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium sized enterprises (SMEs) (2001-2005).

considered that this procedure is increasingly cumbersome (more reports, more information, more participants, more time required for meetings) and will presumably become more complex with the active participation of the new member states from May 2004 on. Moreover, several MAP project managers mentioned that the level of EUR 100,000 for **EPMC decisions** on tender criteria and content was far too low and hampered the implementation of many MAP projects. The evaluators agree that this is an obstacle to implementation, since the overall MAP guidelines and the annual work programmes are already decided on and do not need further approval.

Other general conclusions about the effectiveness of methods can be summarized as follows:

- The evaluation process of single MAP elements and instruments, due to the complex structure of MAP, is fragmented and therefore hampers the overall assessment of the programme. Within the framework of the **current evaluation procedure**, the external evaluation of MAP 2001-2005 is not able to give valuable information on long-term programme impacts and utility.
- Given the type of action in the policy development pillar, the use of **performance indicators** to describe the whole ‘implementation-effect’ chain is very difficult. It must be asked whether the definition of indicators that seek to measure more than implementation-related issues, such as the relation of inputs and results (effectiveness indicator), can be meaningfully defined and anticipated from the project managers’ point of view.
- The lack of a single format of the **Implementation Reports** and the non-use of performance indicators for describing progress make it difficult to see and use the Implementation Report as a real monitoring tool or in the evaluation process.

Recommendation

- The evaluators recommend, that the **level for specific approval should be increased** to a higher amount excluding smaller projects (e.g. EUR 250,000-300,000) in order to facilitate more effective implementation of MAP projects.
- Regarding the complex **decision procedure**, if observed problems persist, the preparation of biannual instead of annual work programmes could possibly give more room for effective co-decision. The fact, that many policy development projects last between 18 and 24 months, would support this frequency.
- To become more effective as a tool for learning and programme amendment, the **evaluation process** of the multiannual programme should be linked more (use of common indicators, timely relation) to other monitoring and evaluation processes (EIC audit, MAP Annual Implementation reports, Implementation of Charter for Small Enterprises).
- **Performance Indicators** should be further improved and adapted to the monitoring capacity of MAP project managers (e.g. only referring to implementation not to final effects and effectiveness). In the work programmes relevant indicators AND expected results should, if possible, be included. Indicators should then be monitored periodically and used in Implementation Reports as a tool for detecting progress or implementation problems. Monitoring of induced effects should be linked to the implementation review process of the Charter for Small Enterprises.
- **Future implementation reports** should give a more expressive review of the whole programme and an overview of all completed actions. Furthermore, the Implementation report should present outcomes by means of performance indicators (participants, deliverables, implementation) and use quantitative indicators where possible (number of meetings, number of participants and Member States represented, number of reports, means of distribution and edition, etc.).

To what extent are these Policy Development initiatives justified at Community level – what is the added value of Community involvement in this area?

Findings and Conclusions

First of all, it must be said that the possibilities of policy development in the context of the MAP, i.e. in the field of SME and enterprise policy, are limited by the principle of subsidiarity, which limits the European Commission's powers and possible action. Within this framework, the final goal of MAP actions is the development or refinement of national policies with the general objective of encouraging an environment favourable to entrepreneurship and the growth of enterprises, particularly SMEs, and encouraging an environment favourable to cooperation between enterprises, as per Article 157 of the EU Treaty concerning EU enterprise and industry policy objectives. Specific policy development actions of MAP 2001-2005 seek to complement national policies through:

- the identification and exchange of best practices,
- the development of high quality guidelines and general recommendations,
- the harmonisation and collection of relevant European-wide statistical information,
- the dissemination of information and publications regarding EU-related issues,
- the development of new and better tools, databases and techniques, etc.

(Source: Type of actions and objectives of MAP actions as presented in Work Programmes 2001-2004)

To assess the added value of Community involvement in this area, we first defined the term “added value” and then analysed the suitability of MAP policy development actions.

The analysis showed that all MAP policy development interventions are designed to provide added value for national SME policy. MAP interventions generally become active in fields where they **respond to shortcomings in the private sector and at other public administration levels** or where they can **better achieve the objectives and/or are more effective than interventions at the level of member states** taken alone.

Very few actions do not support added value themselves but help implement the general programme more effectively (e.g. the External evaluation of MAP).

In addition to this formal fulfilment of having added value, the opinion of national policy makers in the participating countries was considered. Policy makers, as first direct beneficiaries of MAP projects, confirmed in interviews a significant to high added value of MAP policy development actions and their outcomes (recommendations, reports). On a scale from 1 (very low) to 6 (very high), the added value of MAP in the policy field was identified all over Europe as between 4 and 5 (average: 4.4). In general, added value is higher in policy areas where national policy makers have direct power and can influence policy making in the short and medium term (not so much in federal states, in devolved policy areas, or in fields such as taxation, where change require legal modifications and more time). The specific added value elements of MAP policy development were described by national policy makers as follows (listed according to most frequent answers):

- **raising awareness** on an important policy issue and supporting new orientations of policy debate.
- showing examples and **transferring best practices**, contributing to policy learning, “*Best groups can be viewed as an example of interactive learning in practice*” as highlighted by one policy maker.

- increasing **transparency in enterprise and SME policies**, and offering alternative approaches to common problems. This point was also important for policy makers in the New Member States: “*MAP has been a valuable source of inspiring ideas*”.
- **giving legitimacy** to a specific policy issue (presenting it “back home” to high-level national policy makers showing that the issue or policy field is important at European level and in other countries).
- **getting to know other people** who work in the same areas in other countries, other experts, which facilitate the creation of networks and further actions.

SME representatives and Business Organisations, representing the final beneficiaries of the programme, generally supported the positive view of MAP policy development. Although slightly lower than the votes of policy makers, average scoring at interviews described the MAP value as positive (3.5 on a scale from 1 to 6). In this context, it seems to be clear that SME representatives and Business Organisations usually knew of very few MAP actions and had sometimes no knowledge of the overall structure of the programme and its elements, before the interview.

In general, it is important to keep in mind the **complementary character of MAP activities**. Clearly, specific policies can be developed more effectively at member state level due to the proximity of the actors and the better consideration of basic conditions and policy frameworks. MAP policy development actions do have, however, an important **horizontal function**, which adds a European dimension to national SME policy.

To what extent do the actions succeed in identifying and encouraging exchange of best practices? Which delivery methods do this the most effectively, and which are the least effective?

Findings and Conclusions

Most MAP actions in the policy development pillar were intended to identify and/or exchange best practices (73.7%¹⁰). The degree of success in the identification and encouragement of exchange of best practices depends mainly on two factors, (a) that the **policy fields** and issues analysed are **relevant** in the national context and (b) that the **delivery method and procedure** are **suitable**.

With regard to point (a) “Relevance”:

In order to verify that MAP policy fields and issues analysed are **relevant to national contexts**, national policy makers and policy experts were asked about the most relevant policy fields in national SME and enterprise policy. The analysis showed that there are high similarities among European countries, as regards the most important policy fields. In particular, some policy areas in which MAP is active are highly relevant in national policy frameworks, such as ‘Enterprise friendly legislation and regulation’, ‘Access to Finance’, ‘Availability of Skills’ and ‘Education and Training for Entrepreneurship’. Some areas, however, show higher levels of relevance in some countries than in others. ‘Information and Advice networks’ are currently more important in less developed areas (Spain, Portugal, Eastern European Countries), whereas ‘Cross-border cooperation’ becomes more relevant in

¹⁰ Including working groups, studies, benchmarking projects, meetings/conferences, collection of data and information.

northern countries (e.g. Sweden, UK, Ireland, Germany). This analysis showed the existence of some core policy fields, but also differences in other fields and a certain diversity between countries with regard to SME policy. Policy makers and experts interviewed praised unanimously the wide variety of themes in MAP, allowing each country to find relevant issues in which to participate.

With regard to point (b) “Suitability of delivery methods”:

In relation to the **suitability of delivery methods**, MAP actions where best practices have been identified by national experts (in *Best projects, Benchmarking Studies, Working or Expert Groups, Internal or External studies*) have generally been valued as useful by national experts and policy makers. All these delivery methods proved, in their opinion, adequate for the identification of best practices. MAP actions made specific contributions to policy development at national level, according to them, in:

- Education and Training for Entrepreneurship,
- Enterprise-friendly legislation (including projects: Transfer of Business, Recruiting the first employee, Restructuring and Bankruptcy),
- Cheaper and faster Start-ups/ Administration of Incubators,
- Availability of Skills/ICT skills.

Since each participating country finds some MAP policy areas relevant for its context and since the used delivery methods and types of actions are generally seen as useful, this means that the basic conditions are given within MAP policy development pillar for a successful identification and exchange of best practices. Nevertheless, some problems could be identified that affect the effectiveness of an exchange of best practices (as confirmed by a majority of policy makers and experts):

- Analysis and examples are sometimes too general to be implemented (not matching the particular requirements of the specific countries, given the variety of basic legal, fiscal and administrative conditions among participating countries).
- The amount of information and studies produced is too high to be dealt with effectively.

Other less frequent problems were detected only by some experts:

- The best practice examples may provide no new or useful information for some advanced countries. It might be interesting to open best practices to extra-European examples, prepared and presented by an external consultant or the Commission services.
- Analysis is sometimes too academic. Although academic experts usually bring important expertise in scientific work and report writing, they have a different focus from policy makers.

To determine the detailed **effectiveness of particular delivery methods**, the opinion of national policy makers and experts was taken into account. In addition, an analysis of the outcomes of MAP policy development actions was carried out. From the perspective of national policy makers and experts, the *Best procedure* is clearly appreciated as the most adequate and effective activity for the development of valuable policy recommendations, together with the exchange of best practices between member states (average value was: 5 on a scale from 1 [---] to 6 [+++]). Also the analysis of outcomes of MAP actions per delivery method showed that Best projects produce more outcomes than other activities, covering at the same time almost the whole range of possible MAP outcomes (Meetings, Studies, Dissemination Material, Conferences).

Furthermore, *Events (conferences, seminars)* were also evaluated positively by policy makers and experts, as well as *Studies/Reports* (average value is 4-4.5). *Studies*, however, provoked some criticism amongst policy makers, as being “*poorly advertised*”, “*too varied*” and “*overlapping with several annual work programmes*”, all of which makes it difficult to follow

their results. Similarly, *events* received a diverse judgement, sometimes perceived as disappointing, sometimes as very useful, depending on each event.

Statistical actions and databases are appreciated by interviewed experts, but are in the opinion of several interviewees also poorly advertised and their final results often ignored. *Regular* and *one-off publications* received patchy assessments (low value, intermediate, high value) and are probably not widely known, the assessment depending on the interviewee's knowledge.

Business Organisations and SME representatives, which are normally not directly involved in MAP policy development actions, confirmed in interviews that they see projects which imply direct contact with enterprises as most useful for them (e.g. events such as the Go Digital Campaigns). In this context, former initiatives EUROPARTENARIAT and INTERPRISE were highlighted as useful delivery methods, which were included in the framework of the previous multiannual programme.

The **specific assessment of the SMIE database** showed that the database is mainly known only to people who have been involved in its development or to key policy makers at central national level. Interviews confirmed that the tool is widely unknown to experts in particular SME policy areas and at the SME and business level. When experts or business representatives did actually know about it, it was not seen as a user-friendly ("*difficult handling*") database. Limited knowledge and specific persistent problems, as presented below, indicate that effectiveness of the SMIE database is rather low:

- High costs in time and money are a major problem for some countries as regards updating, particularly when no specific resources would be made available from the EC.
- Although regular updates are planned, long-term support (technical, financial) of the database would be necessary to maintain the measures updated and to keep on improving user-friendliness of SMIE.
- The existence and emergence of similar databases in some member states (Germany, UK, Netherlands, although sometimes more business-oriented), redirected attention in those countries to national databases and reduced SMIE's utility.

Especially in the new member states /candidate countries, but also in many old member states, a **need for new delivery methods** with a long-term, development-oriented perspective, such as capacity building, long-term initiatives (more than 1 year), educational tools and guidelines for the whole multiannual programme was detected. In the same way, an intensive follow-up and the introduction of long-term projects would guarantee sustainable success of some actions.

Recommendation

- **Best projects and similar actions**, where experts from many different countries are integrated and where dissemination of project results takes place, should be maintained and strengthened, without increasing the total number of MAP actions. **Events and dissemination activities** should be organised around them and built on their results. Effectiveness of best practice exchange could be improved by defining from the beginning whether the goal of the expert group is largely "academic or theoretical" (to identify new methodologies, new indicators,) or preferentially "action-oriented" (to identify practical examples, curricula, etc.), to **ensure the 'right' experts are chosen**.
- The effectiveness of **Statistical research** could be improved by linking them more to other actions (studies, events), disseminating its results.
- **Databases and tool development** require long-term support and particular dissemination to be effective. This type of action should be excluded from future programmes.
- **New delivery methods**, such as capacity building and long-term initiatives (more than 1 year or follow-ups of current projects), should be developed in some areas to support

national policy development efforts and to guarantee more sustainability in relevant action lines.

- Linking the **SMIE database** to similar updates in the field of SME and turning it into a monitoring tool for enterprise policy development (European Charter for Small Enterprises) could enhance its utility and give it a practical relevance.

(A) To what extent do the Policy Development actions generate useful policy recommendations and have these been effectively disseminated?

(B) If so, have they led to policy or regulatory changes in the participating countries? Which changes have been made, and how profoundly have these changes modified the relevant regulatory framework?

Findings and Conclusions

With regard to question (A):

In Best projects and other Benchmarking studies, final reports and policy recommendations are a crucial outcome of the action. In the opinion of the majority of national policy makers and experts, **policy recommendations** and other information are generally **useful, especially** for (most frequent answers):

- raising awareness on specific issues and accessing best practices,
- catalysing projects, support schemes and/or legislation in the home country,
- enhancing knowledge on the policy issue.

However, interviews showed that **specific obstacles** sometimes constrain the **usefulness of policy recommendations**, such as:

- “Little knowledge of MAP activities among responsible experts and decision makers” was seen as the main obstacle in almost all countries.
- “Lack of resources” was seen in many countries as an obstacle for later implementation of policy recommendations.
- Other occasionally named difficulties are: “Lack of relevance to national context”, “change of staff in administration”, “duration of projects”, “harmonisation of regulations with EU practices” (in new member states).

Dissemination of policy recommendations concerns three different levels. After analysing the level of knowledge in the particular countries and existing dissemination activities at European and national levels, the situation has been assessed as follows:

- European dissemination in the form of final reports, events, promotional material, etc. This level, which is directed to policy makers, experts in certain policy fields and other stakeholders, is effective, since such stakeholders and experts are generally aware of them and of the final reports.
- National horizontal dissemination with regard to dissemination to other sector ministries or services which may be important for further implementation of recommendations. At present, dissemination at this level might be improved in most participating countries.
- National vertical dissemination with regard to dissemination to regions and regional actors. This level of dissemination is deficient. Knowledge of MAP and of specific MAP reports/recommendations in regional authorities and SME promotion agencies (including Regional Development Agencies) is extremely low.

With regard to question (B):

The review of latest developments in SME policy (Implementation of the European Charter for Small Enterprises, Country Reports) and interviews with policy makers showed that many **policy and regulatory changes** which have taken place over the last few years can be related to MAP actions and policy recommendations. **Examples** include the following experiences (*source: Interviews and Country Reports*):

In **Belgium**, policy recommendations had a specific impact on SME registration, education for entrepreneurship (all regions), a “Transfer of Business” website and round tables (Walloon Region) as well as on information and support services (Brussels-Capital). In **France** and the **Netherlands**, MAP policy recommendations have been used in drafting national SME-oriented programmes (e.g. *Loi sur l’initiative Economique* 2003, Action Plan for Entrepreneurship 2003). In the **Netherlands**, the recommendations of the “Transfer of Business” Project were all rapidly implemented. In **Spain**, the MAP recommendations influenced the development of a guide for “Family Business”, the creation of a new law for speeding up company registration, the consideration of entrepreneurial attitude in new laws on primary, secondary and professional education and training as well as the preparation of pedagogical guides. In **Italy**, the “Transfer of Business” project indirectly supported new regional legislation (in Veneto). In **Ireland**, both the “Management of incubators” study and the “Administration of Start-ups” Study were felt to be highly relevant to specific Irish programmes and influenced their design. In **Sweden**, MAP contributions helped to develop the Swedish business angels network and an action plan for education in entrepreneurship. New legislation regarding bankruptcy is in place; the registration process for new companies has been simplified. In **Poland, Malta, Slovakia, Czech Republic, Slovenia and Romania**, MAP contributions were used in the preparation of specific government programmes or national plans on entrepreneurship and SMEs.

Analysis and fieldwork confirmed tangible changes induced in Spain, Ireland, Austria, France, Belgium, the Netherlands and the candidate countries. In countries such as Italy, Portugal, and Greece, MAP recommendations influenced general policy debate and development but led to fewer specific changes. In countries such as Germany, Belgium, France, the Netherlands and Finland, although many recommendations were found interesting they mostly confirmed the legal and regulatory changes already under way before the corresponding MAP action. Fewer changes were inspired in the UK, Ireland and Finland, partly because of advanced national policies and partly because such changes were irrelevant to the specific national context and situation. In general, MAP policy development projects and recommendations **led indirectly to many policy and regulatory changes in the participating countries**. Most changes correspond to new or adapted legislation, new or adapted framework programmes and support schemes, but also to national-level publications, dissemination and awareness raising activities. New member states benefited from MAP recommendations specifically when preparing new development plans and policy frameworks.

At least **five factors** influenced the **implementation of recommendations** and changes in member countries: (1) knowledge and usefulness of recommendations (as stated above), (2) the policy field where the action took place (e.g. on tax issues changes are not easy to implement and need more time), (3) the state-of-the-art of the policy field (e.g. if the country had already implemented the actions recommended, no further change was possible), (4) the priority the policy field has in the country (e.g. when the issue was in political debate before the MAP action, then the MAP action could easier influence or “catalyse” further changes), (5) other factors such as the change of government (i.e. of staff and/or priorities) in the MAP action-implementation process.

In general, it must be stressed that two years after the first MAP 2001-2005 policy recommendations, it is still too early to see profound policy or legal changes in many places. In some areas (e.g. taxation, impact assessment, education, etc.) decisions for changes require more time for reflection and development.

Recommendation

The evaluator is well aware that the **dissemination** at national level is the responsibility of the member states and that publications in English, French and German are sufficient for use at central decision-making level. However, through

- linking the publication of reports to major events,
- through the publication of material and reports in many official languages (especially those from new member states),
- through the development of guidelines for improved national dissemination,

the EC could **stimulate more effective dissemination**.

To what extent have the Policy Development actions in the current MAP improved the overall environment in which European enterprises (especially SMEs) operate?

Findings and Conclusions

The analysis and consistent assessment of final effects and impacts on the overall environment in which European enterprises (especially SMEs) operate, was hampered by the following factors:

- The short time since the MAP actions finished and possible recent policy and regulatory changes. Figures in the latest reports on business environment reflect developments until 2002, whereas the first results of the MAP 2001-2005 policy pillar were only published in 2001/2002. More data on this topic will presumably be available in the future with the ongoing development and monitoring of quantitative targets in Enterprise Policy¹¹.
- The lack of comparable and quantified data in many areas affected by MAP policy development actions.
- The intangible and qualitative character of some aspects of the overall environment makes it extremely difficult to define comparable and relevant indicators.
- Attributing impacts to MAP policy development actions on policy and regulatory changes or on the overall business environment. Effects of these actions are indirect and a variety of other factors influence policy and regulatory changes in enterprise policy.

Some general observations on the development of the European business environment can be made. Data compiled within the frameworks of implementation monitoring of the European Charter for Small Enterprises¹² and the enterprise policy scoreboard¹³ indicates that:

- Positive development in all member states with regard to simplifying the administrative and regulatory framework to make it more supportive of risk-taking and enterprise

¹¹ Commission Staff Working Paper “Quantitative Targets in Enterprise Policy – Steps Towards the Lisbon Objectives” COM(2002)610 final of 7.11.2002

¹² Commission Report on the Implementation of the European Charter for Small Enterprises. COM(2004)64 final of 11.02.2004

¹³ Commission Staff Working Document “Benchmarking Enterprise Policy. Results from the 2002 Scoreboard” SEC(2002) 1213, November 2002

development, especially regarding company registration, applying impact assessment measures, e-government.

- Progress has been made in facilitating business transfers to third parties.
- Stagnation of female entrepreneurship levels in Europe since 1995,
- The number of business angel networks has risen from 63 in 1999 to 158 in 2002.
- Access to Internet has grown substantially in recent years. In 2001, although close to 90% of EU enterprises had Internet access, only a few could accept orders and conduct commercial transactions online.
- In 2002, across all member states between 7% and 13% of demand for ICT skills could not be satisfied, and estimations for 2005 predict the shortage will increase.

The attribution of these changes to MAP is limited and no detailed assessment is possible at this stage.

Another approach to determining the impact of MAP actions links policy and regulatory changes caused or influenced by MAP actions with possible positive consequences for businesses. When we assume that MAP policy development actions **improved** the business environment more in countries, where MAP **led to more important policy and regulatory changes**, then improvements of the business environment as a consequence of MAP occurred most in **Sweden, France, Belgium, the Netherlands; less in the new members states, Italy, Spain, Portugal, Greece**; and very little in **Germany, Austria, UK, Ireland**. For the other countries no specific assessment can be made.

In general, it was found that MAP policy development actions had a **patchy impact** on the overall environment in which European enterprises (especially SMEs) operate. Since very few MAP actions involved businesses and business organisations directly (as direct beneficiaries or intermediaries), the impact on the overall business environment is **only indirect** and depends on the impact of MAP policy actions on legislation and other tangible changes. MAP actions had an important qualitative effect while helping to raise awareness on new issues – “*covering an empty space*” as one interviewed policy maker stated – as well as supporting, accelerating, and complementing already existing efforts.

Recommendation

Since the assessment was limited and could only offer superficial results so far, no further recommendations have been formulated.

Which lessons from the more effective Policy Development actions could be usefully integrated into the other ones?

Findings and Conclusions

The most effective policy development actions include the Best and benchmarking projects. The first lesson from the most effective policy development actions, the Best projects, is the need to employ an adequate timeframe (more than 12 months) for actions, in order to produce useful recommendations. In particular, projects that worked with expert and monitoring groups (Best, benchmarking) required some time to overcome initial problems.

Other lessons and best practices identified with the help of project managers during the evaluation:

- The **organisation of follow-up projects** in the cases of “Education and Training for Entrepreneurship” and “Transfer of Business” proved very useful. Especially when the first Best project has been used to collect basic data and elaborating background analysis, a second more action-oriented project has been useful.
- Low visibility is one of the principal barriers for the possible exchange of information and implementation of policy recommendations. As stated by one expert “*information reaches the central top level of national enterprise policy and stays there*”. The best-known MAP projects seemed to be the ones where most **dissemination and follow-up action** has taken place at national level. In order to enhance visibility among stakeholders, dissemination activities must be included from the beginning in project planning.
- Another lesson to be drawn from the current MAP 2001-2005 refers to **implementation and effectiveness at national and regional level**. To enhance visibility, authorities in Spain and Germany organised common events (annual seminars) at national level for all MAP experts and converted them into multipliers for the overall multiannual programme and other non-policy-related elements.
- The use of at-a-glance situation **summary and checking tables** in order to see the situation (green=good, orange=intermediate, red=less developed) in a member state regarding one policy field or the implementation of policy recommendations was a positive example found in the final reports of the action “Transfer of Business”.
- Mixed **expert groups** contributed to positive project implementation and the elaboration of useful recommendations, for example, in the ICT skills Best project. Experts from different spheres (policy makers, academics, researchers, consultants, entrepreneurs) add new perspectives on a certain topic and offer different useful experiences. An interesting idea for overcoming difficulties in this sense is the procedure presented in project 3.1/2004, where the creation of two groups is proposed: one with policy makers and another one with experts and “*representatives of industry, SMEs associations, academia and vocational training organisations*” (MAP Work Programme).

Recommendation

- **Sufficient time** should be dedicated to projects, in certain “very new” areas, follow-up projects should be set-up.
- **Extended publication and dissemination** of activities has already been recommended. In addition, recommendations and **Best Practice examples** (e.g. annual seminars for all MAP experts in a country) could be given on how to improve dissemination, and hence visibility of MAP results at national level.
- **Summarising and checking tables** should be used as a monitoring tool to see at a glance the situation in different member state regarding one policy field or regarding the implementation of policy recommendations.
- The **composition of expert groups** should contain different points of view and experiences. The evaluator is aware that experts are chosen by the participating countries and not by the Commission. The Commission could, however, transmit to the participating countries their preferences regarding expert types, invite independent (academic, private sector) experts, or create two sub-groups (at policy-making and at expert level).

5 CONCLUSIONS AND RECOMMENDATIONS: EIC NETWORK

The EIC network is an European-wide business support network supported by the European Commission. Since its foundation in 1987, the network has acted as an interface between the European Commission and local business actors. It has grown steadily and now covers practically all European Countries (including the new Member states, the candidate countries, Norway, Iceland, the Balkans, the Mediterranean Countries). At the beginning of 2004, the EIC network in the EU involved 276 EICs. 69 of them being operational in Candidate Countries. In addition, 30 Associate Members offered specific information and advice services to the members of the network and 13 Correspondence Centres (EICC) established in some third countries help the network to enlarge its contacts in those countries. EIC network activities are managed and supported by Unit B.2 of DG Enterprise, by the EIC Technical Assistance Office (TAO), the Audit Technical Assistance Office, and partially by the network (Steering Group) itself.

The EIC network evaluation is based on the analysis and assessment of background documents (Annual Reports, EIC Audit Reports, promotional material) as well as on interviews with EIC network managers (in Unit B.2, TAO, Audit team), interviews with intermediaries and implementing bodies (EICs, Host Structures), and final beneficiaries (SME representatives and Business Organisations). The assessment has been constrained by the lack of time and other resources, impeding a large-scale survey of European enterprises as final beneficiaries of EIC information and advice services. Difficulties were encountered in gathering relevant opinions from SMEs and business organisations in the interviews. Therefore, the overall picture painted here might be biased, reflecting the perspective of intermediaries and other direct stakeholders rather than the views of final beneficiaries. The differences that exist between individual EICs (Host Structure, service offer, experience, quality) also made it difficult for the evaluators to elaborate general statements and conclusions.

ROLE OF THE EICS

(A) To what extent are SMEs aware of EICs and their role? (B) Do EICs work as one stop shops on Europe related issues for SMEs? Do they direct SMEs to other relevant European support networks in relation to specific needs that do not fall under EICs' direct competencies?

Findings and Conclusions

With regard to question (A):

The analysis of EIC activities and clients showed that the potential market for EICs includes about 24 million enterprises (EU, EEA and candidate countries in 2002), of which 20% (4.8 million) have performed some kind of export operation and 3% (720,000) have stable relationships with foreign companies. In 2002, according to EIC information, a total of 5,682,391 enterprises received EIC information documents (28.4% of the potential market). Assuming that even more SMEs are aware of the EICs through other activities and services, the actual **level of awareness** must be assessed as relatively high, although still improvable.

In the opinion of EICs and Host Structures, SMEs in general are well aware of EICs and their role (average value 5 on a scale from 1 [---] to 6 [+++]). According to interviews with EICs and EIC Host Structures, SME awareness and interest in EICs is growing strongly in the new member states and in the candidate countries. In the opinion of **Business Organisations**, SMEs

are widely, although not fully, aware of EICs in their region (average score 3.5 on a scale from 1 [---] to 6 [+++]), depending on the type of SME and the type of EIC and its Host Structure. Awareness of the EICs reaches generally **intermediate-high levels**, but is rather **uneven** distributed among regions and enterprises, depending on specific characteristics of EICs and regional milieus. General awareness also depends on the **host structures of the EICs** – awareness is more intensive when the Host Structure is in itself a well-known organisation for SMEs (Chamber of Commerce, Regional Development Agency) – and on the **size and sector of enterprises**.

The **role the EICs** play in the eyes of the businesses seems to depend on the role their Host Structure has in its region. This dependency is confirmed by the fact that EICs normally work with the client databases of their Host Structures and have to rely on the budget assigned by the Host Structure for possible additional promotion or specialisation activities. In the opinion of EICs and Host Structures, SMEs are less aware of the specific role of the EIC or the EIC network. They might be aware, however, of the general support of the European Commission for the individual EIC, which in their eyes adds legitimacy to the services offered. The “EIC brand” is recognised by SMEs all over Europe, according to Business Organisations and EICs.

With regard to question (B):

In the opinion of EICs and Host Structures, EICs work in some countries and regions as a genuine “one-stop-shop”, in other more as a “first-stop-shop” for European-related information on business issues. The analysis per countries or regions shows that the “one-stop-shop” function is more developed in regions where the density of business support agencies and networks, working on Community-related issues, is lower, e.g. Spain, Portugal, South Italy, England. Also in the new member states, the function of an EIC as a “one-stop shop” is highly developed, since other business support services and networks are so far not well developed or known to local SMEs. In general, EICs cover a relevant space in the market of services providing a “window to Europe”, as it was put by an Italian interviewee. One German EIC mentioned that “*some SMEs come to the EIC even when looking for regional and national grant schemes*”.

Recommendation

The **level of awareness** of EICs and especially of the specific EIC network at SMEs could be **still improved**, especially at SMEs which are not already EIC clients. Although the evaluator is aware that promotion and general awareness depend on external factors, such as size of enterprises and Host Structures, specific awareness-raising instruments such as European wide campaigns, EIC network publications (in different languages), and “visible” European-wide services (IPM, Partner search database) should be maintained and strengthened.

What is the added value of EICs for European SMEs?

Findings and Conclusions

An in-depth analysis of EIC network activities indicated some features that point to a positive value for the EIC network: the network structure, its European Dimension, as well as local links. These aspects, also mentioned in interviews with EICs, Host Structures and Business Organisations, were then analysed by comparing EICs with other business support agencies.

First, **networking** between EIC and with the **network support structure** must be seen as an important value. Cooperation between EICs facilitates the development of rapid, personal and trust-based relationships with specific EICs and persons not only at European level, but at

national and local level as well. In addition, the EIC network can rely on an important support structure which animates common activities, organises communication, and assures a common quality of EIC and networking. Other business support agencies, although some are integrated in national and European umbrella organisations, have a much more passive cooperation approach.

Secondly, the EIC network has a clear **European dimension** and a specific **proximity to the European Commission**. EC participation in the EIC network and the ‘EIC’ brand in general stand for high quality. However, proximity to the European Commission and to local business communities also provides a unique “feedback channel” for transmitting the opinion and needs of SMEs to the European Commission Services (IPM). This feedback function of the EICs is increasingly important as an EIC activity. More and more EICs participate in public consultations and the number of feedbacks to the Commission is growing.

Thirdly, EICs have a strong **local link** and are deeply embedded in the local economic and institutional context, thanks to their Host Structures. The knowledge of local particularities and physical proximity to the enterprises are important values. In this sense, the EICs are the most visible part of the MAP and play a significant role in promoting other EU policies to grassroots users. But other business support agencies, such as Business Organisations and Chambers of Commerce, are also intensely linked to local business and SME circles, so that local links do not represent an added value in comparison to other business support agencies.

The EIC network therefore has **high added value** based on **two factors**: 1) **networking between EIC at different levels** with all its advantages (easy accessible contacts all over Europe, relationships with other EICs built on trust, guaranteed quality levels of EICs, real-time communication and other tools, wide access to information and publications, etc.). 2) the **European dimension of the network** and the function of EICs as an interface – working both ways – between the European Commission and European businesses.

Recommendation

The Commission should continue to focus their support on aspects that highlight the added value of EIC network:

- **Networking**, at local, national and European level should be promoted, supported and appreciated in the framework of EIC performance audit.
- The “**European dimension**” should be strengthened, intensifying the contacts and the information exchange between EICs and the Commission (Unit B.2, TAO and Audit team) – in both directions. **IPM** should be strengthened. More EICs should promote it more to local SMEs and should themselves use it more often; IPM procedures should be better adapted to the situation and made easier for businesses and EICs to use (in all EU25 languages, non-technical language, specific questions in consultations pointed out).

To what extent does the advice offered by EICs meet the needs of their clients?

Findings and Conclusions

To analyse this question, EICs, Host Structures, and Business Organisations were interviewed. In addition, quality mechanisms in place in EICs and the EIC network were studied. In the **opinion of EICs and also Host Structures**, EICs meet the needs of their clients to a great extent (average value: 5-6 on a scale from 1 [---] to 6 [+++] in all countries). For the EICs, SME satisfaction is proved by the fact that SMEs and entrepreneurs usually return regularly for information and advice, giving them positive feedback. As one German EIC put it, “*our EIC*

and the EIC network has been assessed on several occasions as being more effective and quicker than the institutionalised Chambers of Commerce's network of foreign contact points". In the view of **Business Organisations**, EIC appropriateness, regarding the needs of their clients, is slightly lower, but still high (average value: 4 on a scale from 1 to 6). It was indicated, however, that detailed performance depends on each specific EIC.

The analysis of **quality mechanisms**, which are put in place in the overall network and in specific EICs, showed that all EICs have introduced one or more measures in order to improve performance and offer services of high quality to SMEs:

- The EIC network has an EIC audit team and regular performance audits, which set certain quality standards for EICs.
- In 2002, 235 EICs (92%) carried out client satisfaction studies and used the results to improve their services. Many EICs (122 EICs or 47%) implemented in 2002 a response-time policy and now respond to client questions in a given time (normally 48 hours).
- To gradually improve their services and products, EIC staff members participate regularly in training sessions organised by the Commission or other EICs.
- In some cases, the EIC itself or its Host Structure achieved an internationally acknowledged quality certificate.

Overall analysis indicated that advice and information services offered by the EICs **meet the needs of their clients** to a great extent. Services seem to be highly adapted to the needs of clients, because the EICs normally have to follow the mechanisms of the market to survive. Consequently they have to satisfy customer demands, otherwise the SMEs would not come back. In addition, diverse mechanisms are in place to maintain and steadily improve the quality of EIC services.

Recommendation

Implementation of **feedback mechanisms** regarding satisfaction of clients (annual surveys, questionnaires surveys in events) as well as quality tools (response-time policy, certificates) should be extended to all EICs.

How effectively do EICs help SMEs internationalise their activities and promote their activities across the European Market? How effective are EICs in providing economic, regulatory and technological information to their clients?

Findings and Conclusions

To answer this question, the general activity fields of EICs were reviewed. Moreover, Host Structures and Business organisations were asked at interviews to name fields where EICs are effective.

Since activities vary from EIC to EIC, it has not been possible to give a detailed analysis per EIC. Nevertheless, some examples, identified by Host Structures and Business Organisations, show that very **wide-spread activities** are seen as effective. EICs contribute in different ways to the specific task of inserting SMEs in the broader European Market, depending on the capacity and degree of specialisation of the EIC (and its Host Structure). General areas are, however, the same for all EICs. The most frequently consulted issues on which EICs give information and advice to companies are: Business Co-operation, Programmes and Sources of Funding, EU Legislation, and Market Information. (In 2001, the EURO was also an important

issue). European Business Organisations see public procurement, informing and supporting EU grant financing, and transnational trade and e-business as effective EIC activity fields.

The **analysis of specific EIC services** (identified in Interviews, web pages, annual reports and other documents) took a deeper look at specific areas of EIC support:

The contribution to the internationalisation of business activities is mainly achieved by two EIC action lines: the first is the provision of information on public procurement and the distribution of tender alerts at European level; the second line is the support of business cooperation through (1) information on cooperation possibilities and conditions, (2) the search for possible partners and (3) through the organisation of matching events. All these activities are effective according to success rates of EICs and the opinion of business organisations.

Providing economic, regulatory and technological information to clients depends on the capacity and background of each EIC. No general assessment of effectiveness can be given. For instance, EICs hosted by Chambers of Commerce offer economic and regulatory information effectively, whereas technological information is offered in an effective way by EICs hosted by Technology Centres.

In general, EICs provide **information on demand**, in a very wide range of EU-related fields and diffusion services on general and specific European issues, offer training and raise opportunities of local SME cooperation in European projects. The **effectiveness** of services is generally high, as indicated by Host Structures, Business Organisations, client satisfaction surveys and high rates of client fidelity.

Many added value **tools and specific instruments** (databases, contacts, specialised EICs) are in place to assure high levels of effectiveness in internationalisation, especially Europeanisation, in business activities and providing economic, regulatory and technological information. The evaluator noted a **lack** of active support on **business cooperation**, especially for companies in the new member states (e.g. financial support schemes and European-wide events to match businesses, like the ones supported by former INTERPRISE and EUROPARTENARIAT programmes).

Recommendation

The Commission should support **additional tools or schemes** that promote **business cooperation**, joint ventures, and/or international investments across EU25, EEA and the candidate countries (e.g. support of organisation of matchmaking events, fairs, etc.), in order to increase effectiveness of current EIC services in this field.

How successful are EICs in adapting to market changes?
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Findings and Conclusions

The number of European issues and business opportunities in the internal market is growing rapidly and has certainly changed profoundly since the start of the EIC network in 1987. The main reasons for the changing needs of SMEs (as EIC clients) concern the creation of the internal market, the existence of the EURO, a better comprehension of EU issues by enterprises, an increasingly complex regulatory framework, and the wide availability of basic information in internet, as pointed out in EIC network reports and interviews with EIC network managers. Various EICs and Host Structures, as well as EIC network management, point out that *“the growing complexity of issues faced by businesses has had strong impact on the core activities of EICs and helped them to develop more strategic, pro-active services”*. (EIC

Annual Report 2002:5). With regard to the **development of the market and business needs**, the growing differences between the needs of SMEs as potential EIC clients should be stressed. As stated by Business Organisations and SME experts, micro and small companies in trade, tourism and service sectors have a predominantly domestic market and have less opportunities to get in touch with European policies. They are largely interested in national legislation, in new regulations regarding the environment influenced by European directives, and in opportunities of financing supported by EU grants. Medium-sized enterprises are much more interested in international business cooperation, EU-wide opportunities (public procurement), European certificates, as well as EU funding of technological innovation.

There is a general **trend towards more complex questions and enquiries** made by SMEs, as confirmed by the majority of EICs. Although information about general European issues and news is still required, there is a growing demand for personalised assessment in various specific areas (business cooperation, financing, R&D, public procurement). The EICs' role shifted from disseminating the information to gathering all the information needed (accurate, up-to-date and relevant) and (re-) organizing it so as to make it more accessible to SMEs.

The analysis confirmed our assessment that many EICs are **adapting well to market changes** and to new and diversified SME information and advice needs. Many, but not all EICs found **ways** (specialisation, new products, charging for services, project development and management, etc.) to adapt to market changes, increasing the gap between standard EICs (offering basic services) and advanced EICs. The general struggle for resources and the high requirements of the EIC network (followed-up by the EIC audit) introduced a **certain market mechanism** into the life of EICs. This helps to maintain quality levels and the effectiveness of the overall network, but also distracts EICs from their main task and leads them to spend more time on fund-raising than is desirable.

Recommendation

To reflect better the real offer of an EIC – and to support it correspondingly – **financing** should be adapted. EICs should be able to choose different service packages (“à la carte”) and then be paid according to their selection. Services could include a basic package for information and advice, an additional package for personalised services, packages for thematic areas (business cooperation, public procurement, environment, etc.) and packages for coordination work (local, national, EU). Charging for added value business support services should be allowed but not made compulsory. A differentiated approach is necessary when identifying additional sources of finance, since the current EIC revenue structure differs widely from one country to another (other public funding, private sponsorship, invoicing for EIC services). **Advanced EICs** could be **rewarded** in one form or another for their advanced service offer (special EIC condition or label, “Annual EIC contest”, etc.).

How could the performance of EICs and the EIC network be improved, if at all?

Findings and Conclusions

In interviews with EICs, Host Structures and EIC network managers (in TAO, audit team and Unit B.2 of the Commission) problems and deficiencies have been identified at different levels: regarding, first, the performance of specific EICs, and second, the European EIC network.

The **performance of individual EICs** is monitored and assessed regularly by the EIC Audit team. The EICs receive detailed information about their performance and specific assistance from the Audit team with regard to sources of problems and areas that need to be improved. Given the existing audit information, this evaluation of the MAP will not assess the performance of individual EICs or give individual recommendations. However, some general aspects indicate room for improvement at individual EIC level:

- Although existing **measures to support weaker EICs** (tutorship) are appreciated as very useful by EICs and Host Structures, there is still a need for more intensive support to EICs with low levels of experience or resources. Some EICs have already carried out staff exchanges between EICs on their own, describing it as a valuable experience.
- Various EICs, especially in Germany and in the new member states, appreciate European promotional material, but indicated that **this material** (and also administrative papers and forms) **needs to be translated** into their national languages when working with the SMEs, requiring important resources (time, financial).

With regard to support and organisation of the **network**, some problems became obvious in the analysis:

- The **current contractual procedure** (annual contracts) increases administrative work for EICs and inhibits the long-term planning of staff requirements and multiannual projects. The yearly procedure of contract signing could cause insecurity at EIC and Host Structure and prevent them from providing effective services to SMEs.
- Although necessary for network management and audit performance, **reporting requirements** can be described as very comprehensive and demanding increasing time and effort from EICs.
- The European Commission does not yet fully exploit the opportunities the **EIC network offers as a feedback channel and interface** between the Commission and European SMEs. Knowledge of EIC network potential and use is limited even in DG ENTR (excluding Unit B.2), and active cooperation between the network and other Commission services is not very intensive.
- Interviews and reviews of EIC activities at national level revealed that **national networking and coordination of EICs**, which exceeds the formal obligations to have a national Steering Committee and a national coordinator, is increasingly implemented in some participating countries. In the context of growing information and advice demands from SMEs and increased EIC specialisation, national networking and coordination currently represents an instrument for organising the work with partner EICs under easier conditions than at European level or with the support of TAO alone (using a common language). The emergence of national networks can be seen as the next qualitative step in network growth.

Recommendation

EIC performance could possibly be improved by implementing the following recommendations:

- Publication of **promotional material** in all official languages could increase effectiveness of those material and avoid time-consuming translation activities for particular EICs.
- Regarding the reporting requirements, the new on-line **reporting tool OSKAR** is expected to reduce the administrative burdens of EICs. The current contractual procedure (annual contracts) should be changed to allow **longer contracts** (e.g. multiannual programme period) with the option to cancel contracts if EICs do not fulfil reporting requirements or quality standards.

- More **intensive promotion** of the EIC network would probably enhance its effectiveness. Measures should include two actions: 1. the EIC network should be promoted more to the **Commission** (not only within DG ENTR, but also to other business-related DGs, e.g. Regional Policy, Agriculture, Environment, Employment, Internal Market) as an adequate communication and information channel, 2. the Commission should make greater use of the **EIC feedback function** for consultations and opinion gathering.
- The European Commission should promote **national networking** best practices and actively support networking activities (e.g. through contracts with an elected national coordinator who organises co-financed events or who would be able to reimburse travel expenses). In certain areas with smaller countries and fewer national EICs (e.g. Scandinavia), cross-border networking should be promoted.

ANALYSIS OF THE NETWORK

How effectively do EICs co-operate?

Findings and Conclusions

Co-operation between EICs is one of the main added value activities of the network. Specific networking activities that foster co-operation include: the Annual conference of the EIC network; Private EIC web site and Intranet, including online services such as Information on new EU legislation or new funding sources, Communication tool (First Class), and other specific databases (Partner Search, Network Directory); 10 European Working Groups (Thematic) with 79 active members; Training Sessions in Brussels, Publication and Dissemination of News, Best practices, Brochures and other material on EIC network and European issues; etc.

Interviews with EICs and with network management bodies EIC audit team, Technical Assistance Office (TAO) and Unit B.2 of DG Enterprise, confirmed that cooperation between EICs, is seen as intensive, smooth and a positive value for the EIC network. On average, EICs (full members) assessed the European **networking as significantly positive** (value 5, scores reaching from 4-6, on a scale from 1[---] to 6 [+++]). Most EICs mentioned that there was a “*real network spirit*” and a “*feeling of belonging to a European network*” that facilitated effective cooperation. EICs felt quite unanimously that cooperation with other EICs was adding value to their activities: “*It’s the cooperation between the EICs that makes the EIC network unique*” (Danish Interviewee). As interviews with EICs showed, the vast majority of them are in regular direct contact with other EICs. The **frequency of contacts** goes from “daily” or “weekly” to “a few times a year”, although most EICs interviewed had regular, daily–weekly contacts. Contacting other EICs on specific questions and concerns, including business partner searches, is the main area of cooperation. In general, networking in the EIC network, i.e. cooperation between EICs, is **effective** and must be seen as a real **added value element** of the network.

With regard to **networking tools**, the Intranet, especially the “First Class” communication system, is a useful source of highly comprehensive information and also a tool for identifying suitable EICs for specific enquiries. The Partner Search Database is a useful and effective tool for promoting business co-operations. **Face-to-face meetings** at European level are seen by EICs as extremely important for networking. The working groups and the annual conference serve as a forum where new relationships can be set up and existing ones cemented. Many

EICs missed the cancelled decentralised training sessions, which obviously provided a good opportunity to visit other regions and EICs and to enhance personal contacts and the exchange of best practices.

In the analysis it turned out that some, very few EICs seem to be **less cooperative** or difficult to work with, because (a) they are not cooperative, they do not answer inquiries or do so only very late or (b) they do not have the necessary financial resources to cooperate on projects (the latter mostly in the candidate countries and/or depending on the Host Structure).

Cooperation within **national or transnational networks** is not always well developed. Only in some cases EIC work is organised more extensively at national level, with meetings on a regular basis, common information procedures and working groups on specific issues. In these cases, national networks contribute greatly to EIC information and operational requirements. National networking can be described as well organised, for example, in the UK, Ireland, Germany and Italy. Cooperation between neighbouring EICs exists in Benelux. In some countries, however, national networking is still not well developed, although particular EICs show interest in cooperating with other EICs at this level. Lack of resources is cited as the main difficulty in developing more activities at national level, but lack of leadership, of initiative or of consensus among national EICs also seem to be important .

Recommendation

Networking could be strengthened further. Particular attention should be given to **passive EICs**, identifying the reasons for their passiveness and finding feasible solutions for them – as is already done to some degree by the EIC audit team and TAO.

To what extent do the various support and coordination activities and facilities keep the EIC network active?

Findings and Conclusions

Support and coordination activities that keep the EIC network active are implemented and facilitated by the **Technical Assistance Office (TAO)**, the **EIC audit team** and **DG Enterprise (Unit B.2)** of the European Commission.

The in-depth analysis of the **role and activities** of EIC network support and coordination included interviews with project managers and evaluators, revision of implementation and audit reports, as well as the review of EIC coordination tools such as the intranet. Support and co-ordination activities are appreciated as **very useful and valuable** by EICs and host structures alike. All three management facilities receive medium to very positive scores in the assessment process (average value: 4, ranging from 3 to 6 on a scale from 1 [---] to 6 [+++]).

TAO's support comprises technical, administrative and substantial activities (EIC intranet and communication tools, training sessions, working groups, annual conference, marketing and promotion support, information, answering to specific questions, etc.) TAO's work is comprehensive and generally functions smoothly, according to EICs. Resources seem to be adequately assigned to TAO with regard to its current tasks. Nevertheless, for the future a balance should be found between growing demands from EICs (e.g. new and more advanced in new member states, national networks) and the physical limits of an effective support body.

The **EIC audit** procedure is an on-going rolling programme that includes activity reports, reviews of specific EIC products, verification of the reporting database (“ActiNet”), and audit visits to individual EICs. The auditors give written feedback to EICs, and classify each EIC into one of three categories (stated in terms of colour codes [blue, violet or red, meaning performing well, adequately, or not well enough] according to results).

The audit procedure appears to work well overall and is appreciated by both the EICs and their Host Structures, and gives essential input to the Commission; in fact bad audit results can actually lead to some bodies losing their EIC status. A small number of EICs complained that the audit methodology used by the auditor is orientated towards quantitative indicators and results, so qualitative aspects are seldom taken into account during the audit even though these audits are more “performance audits” than “financial” ones. Despite this caveat the work of the audit team is seen as effective by both EICs and the Commission and the system therefore guarantees high quality levels for each EIC and therefore for the whole network.

The overall policy and strategic orientation of **DG Enterprise’s Unit B.2** is complementing the support activities of TAO and audit team. The general support of **DG Enterprise** was also seen by EICs as very useful for the overall network. The DG Enterprise Unit’s response times, since they have to follow the necessary bureaucratic procedure, are sometimes considered by EICs as out of sync with EIC operation requirements and the business world in general. The active participation of Unit B.2 can be assessed as positive, since it links the EICs directly with the Commission (with DG Enterprise and also indirectly with other DGs).

EIC network **support and coordination facilities** (TAO, EIC audit, DG Enterprise/Unit B.2) can be assessed as **valuable and essential** to the network. All activities are making a positive contribution to network effectiveness and operation. However, a network efficiency analysis indicated that the support through TAO and Audit team is currently the part of the EIC network demanding the highest relative cost.

The central support is crucial for the network, bearing in mind that the financial support offered by the EC accounts for only a small percentage of EIC budgets, at least in EU15 member states (on average 12% of the overall EIC budget in EU15 and EEA and 45% in the year 2002, because of overall lower budget levels in those countries). The issue of **low financial support** for EICs in view of growing demands and activities and the consequences of financial pressures on visibility, performance and effectiveness is an important problem for the future evolution of the network, already mentioned above and known to the EIC network coordinators (as presented in the EIC 2002 Audit report).

Some **drawbacks**, which affect the general performance of the network, have been encountered during the analysis:

- The **management and support structure** with three facilities becomes increasingly complex and sometimes makes it difficult to assign clear responsibilities to each of the support bodies. Network support requirements increase in line with the growing number of tasks for EICs, making coordination even more complicated. Complications arise regarding the distribution of tasks between network facilities, making it more and more difficult for EICs to have a clear and direct contact to network support facilities.
- **Training activities and assistance to weaker EICs** is seen as very helpful, yet improvable in the future. Co-funded decentralised training activities or staff exchanges, organised by strong EICs, could foster exchange of experiences and reduce travel expenses of weaker EICs.

- **Indicators for the audit** are focused mainly on quantitative performance and do not yet reflect adequately the shift in EIC work towards more personalised and in-depth services (more qualitative treatment over quantity). The targets currently used are inflexible and do not allow for differences in the make up of different EICs.

Recommendation

Some recommendations for improving support and coordination:

- Improving the understanding between the Unit B.2, TAO and the EICs would avoid possible misunderstandings and the risk of badly designed support activities. Support activities could also become more efficient. Therefore, for the new multiannual programme, a **rationalisation of support and coordination of the network** is recommended. Network coordination through one single facility could be an alternative that would reduce costs and facilitate better links between strategic coordination, on-going support and performance audit.
- **Decentralised training activities** and **exchange of staff** between EICs should be promoted more actively and supported, for instance, by co-funding, by guidelines, a best practices manual or reports, in order to promote the exchange of experience and strengthen instruments for the improvement of weaker EICs.
- **Administrative procedures** should be speeded up as much as possible since there are projects that need to be implemented much earlier.
- The audit team should process the evaluation reports and feedback to EICs as early as possible to be effective for improvement of EIC performance. In any case, **highly differentiated feedback** should be given.

Do SMEs find difficulties in identifying other relevant European business networks (apart from EICs) that can provide help in a given moment?

Findings and Conclusions

EICs and Host Structures were interviewed about their cooperation with and possible re-direction of clients to other business networks. Furthermore, existing cooperation initiatives at local, national and European level were reviewed and analysed. Interviews with Business Organisations and SME representatives offered few results, since many interviewees acknowledged that these issues depend on the specific conditions in each region and on each SME.

As confirmed by interviews with EICs, Host Structures and Business Organisations, type and visibility of the **host structure is a crucial factor** influencing the identification of relevant European business networks. Networks or agencies representing relevant business support providers in a country, such as Chambers of Commerce, Business Federations or Specific Services (e.g. Business Link), are therefore the most visible agencies or networks.

According to interviews, particular EICs are **cooperating considerably with other agencies and Community business networks**. Relationships and cooperation are assessed in general as positive to very positive (average value: 4-5, on a scale from 1 [---] to 6 [+++]). But strength of contacts and type of cooperation depends in many cases on local situations and on personal relationships, as confirmed by EICs and Host Structures.

In general, EIC cooperation **with other networks and agencies** in the regions or at national level seems to be widespread and positive, leading to a flexible service and the re-direction of

SMEs looking for support on European issues. The strength of these contacts often depends on personal relationships and local situations. Effective cooperation occurs normally with other **Community Support networks**, especially with **IRC**, less (according to the country or regional context) with **Contact Points for R&D, BIC, and Carrefour** (where these were in existence), **EURES** network and **OPET** or **COOPECO/EUROCENTRE**. Re-direction of clients and cooperation also exists with other local agencies, such as business support providers or European-related information services, less with Banks, Universities or private consultants.

Cooperation can take a **number of forms**: (1) through redirecting clients or the search for information on specific questions (R&D, legal, energy and environment, etc.), (2) through the implementation of common activities (publications, internet-based database, events), (3) active cooperation in projects, where the EIC in many cases is the responsible unit for the bid and the organisation.

Nevertheless, cooperation can still be improved in many regions. The **“Local Cooperation” initiative** supporting cooperation and coordination between all actors in one region involved in EU information and advice proved highly important in improving local coordination of activities. In the framework of this pilot initiative presented by the Commission, 29 Local Cooperation projects were completed in 2001, 16 in 2002, whereas new call for proposals were presented by EICs in 2003. This initiative led in many cases to a more sharply defined services offer, common activities and personal contacts between Community Support Networks and local agencies. 32 web sites (as of end 2003) have been set up in the framework of the Local Cooperation Initiative.

Recommendation

Recommendations on these conclusions are:

- The support in the framework of the **Local cooperation initiative** should be maintained and extended to other European regions. Regional cooperation initiatives in general, including cross-border cooperation, should be promoted among EICs and Host Structures through best practice examples, cooperation manuals, etc.

Do other European support networks overlap with EICs? Would there be any added value in rationalising the various networks?

Findings and Conclusions

With regard to this question, the functions and overall activities of **existing Community Support Networks** with a **specific focus** on enterprises and entrepreneurs were analysed. This analysis suggested that the EIC network is the most comprehensive network, since it is the only network which has no specific focus

- on a particular type of businesses or entrepreneurs (e.g. BIC = new or existing innovative firms, future entrepreneurs, IRC = businesses with R&D or innovative activities, COOPECO/EUROCENTRES = companies with an interest to invest or cooperate overseas)
- on a particular thematic field (e.g. National Contact Point for 6FP = R&D, OPET = energy technologies, EURES = recruitment of Labour)
- on a particular geographic area (e.g. Carrefour = rural areas).

In this context, the interests of the different support networks are different, thus avoiding a priori major duplication of services. In order to contrast this assumption with reality, EICs and Host Structures, as well as Business Organisations were asked in interviews about specific publication of services or information at local level. The results of the interviews indicate that duplication of services is not perceived as a problem. The unanimous opinion among EICs and Host Structures was that the level of actual overlapping and **duplication is low** (on a scale from 1 [---] to 6 [+++], average value 1-2, hardly exceeding value 3).

A recent Evaluation of Financial Assistance Schemes (FAS) for SMEs¹⁴ assessed existing Community Business Support networks and detected that “*SMEs and experts have a **blurred perception of the global picture of SME networks**”, “*that existing information and business centres are **perceived as competing rather than cooperation**, [...] and are not known by SMEs*” and that the problem is not the lack of information or services, but rather the approach of those services which should be more proactive. Although cooperation between Networks and Centres is in specific cases better than described here, it is already a major problem that they give this impression to their potential clients, the SMEs. We therefore agree with the evaluators of FAS, that there is a need for more consistency between networks and an important **reorganisation of the Community network system**.*

Overall, the networks can be considered as **complementary**. EICs are seen as the only general network offering general information to businesses. Other networks deal with more specific information (R&D, start-up, employment and jobs, etc.) The Carrefour network in particular is complementary in view of the fact that very few EICs appear to have a specific in-depth knowledge of agricultural or rural issues, a niche where the Carrefour centres operate.

Single duplications occur in certain local or national environments which hinder effective coordination and collaboration, as mentioned by some EICs and Host Structures. In some countries, national initiatives had already or were actively looking to set up agencies similar to the EICs which definitely overlap with the EIC network and other community networks (e.g. Business Links in England, networks in Greece and Cyprus). Likewise, relations with other generic information services, i.e. Local Authority European Liaison offices, European divisions of RDA, European Documentation Centres, regional Commission offices, Info-Points Europe, **might** on occasions **be difficult**, when the latter especially seek to deal with SME and business information needs.

Considering the activities and similar structures of Community Business Networks, in particular of IRC, BIC and EIC, there will definitely be added value in rationalising the various networks. Especially regarding the **management of the networks**, such restructuring should lead to more efficiency. Analysis showed that the EIC network is well suited to working in the future as a coordinator of the various community support networks which have direct relations with SMEs and businesses. The EIC network is the largest and the only general network for businesses supported by the Commission. EICs are now natural “*first points of entry*” for enterprises when looking for EU-related information and a priori not specialised in certain geographic (metropolitan, rural) or thematic areas like other networks.

¹⁴ “Strategic Evaluation of Financial Assistance Schemes (FAS) to SMEs”. Final Report by Deloitte and Touche for DG Budget. October 2003.

Recommendation

In the light of the conclusions we recommend:

- Enhanced coordination between
 - (a) **DG ENTR and other DGs** would avoid overlapping between EICs and networks such as European Documentation Centres and Info-Points Europe.
 - (b) the **Commission and national authorities** should be improved to avoid network duplication (EICs and similar national support agencies and networks).
- **Rationalisation of Community Business Support Networks** could make the overall network landscape more efficient and interconnected. More cooperation should take place through e.g. joint actions (working groups), cooperation agreements, common IT platforms, a common Intranet, common management structures and procedures, common monitoring and audit procedures and services. Best practices from one network could be transferred to others.

6 CONCLUSIONS AND RECOMMENDATIONS: FINANCIAL INSTRUMENTS

In budgetary terms, the Financial Instruments represent by far the most important of the 3 MAP Pillars: in 2003, they amounted to 67% of the MAP allocated budget and 72% of money committed to MAP implementation. SMEG comes first by far with almost 90% of signatures in terms of money committed¹⁵; ETF-SU comes second with slightly less than 10%.

As tools of a public policy supporting SMEs access to finance, SMEG and ETF-SU are clearly the 2 major Financial Instruments. Both are operated by the EIF, but have a very different weight within EIF portfolios: while ETF-SU amounts to only 4-5% of EIF Venture Capital portfolio, SMEG accounts for almost 60% (operations signed in 2002) and 74% (operations signed in 2003) of EIF Guarantees portfolio¹⁶. EC money plays as a consequence a key role in EIF Guarantees operations.

ETF-SU and SMEG were already instruments of the G&E Initiative (1998-2000). Under MAP 2001-2005, the objective is “*to improve the financial environment for business, especially SMEs*”, the objective regarding jobs having disappeared.

SCA and JEV are minor instruments. SCA, operated by EIF, is a new instrument (current MAP) and takes over from the former CREA pilot action in supporting seed- and early stage VC funds, while being more focused than CREA. JEV, approved in 1997 and directly operated by the Commission, has a quite different rationale, since it is designed to support the internationalisation of SMEs in the European Union.

To what extent are the Financial Instruments of the MAP contributing towards improving the financial environment for business, especially SMEs ? Which instruments are the most effective and efficient to date in this respect ?

According to a large majority of financial intermediaries, financial entities, policy-makers and experts, **SMEG and ETF-SU have made a strong contribution to improving the financial environment for business, especially SMEs** (the only dissenting opinion comes from some UK policy-makers and financial experts).

Recent Reports of the Observatory of European SMEs confirm the importance of facilitating access to finance for SMEs¹⁷: SMEG and ETF-SU have tackled this problem, through addressing well identified market gaps and/or failures. Both help to alleviate risk for financial intermediaries, consequently facilitating SME access to finance, and have a high leverage effect. They have anticipated Basel II impact. They operate on a commercial basis and, so do not entail market distortions.

Considered globally under G&E and MAP, they have been effective in terms of geographic coverage.

Both are **efficiently implemented** by the “**DG Enterprise-DG ECFIN-EIF chain**” and this is recognized by all direct beneficiaries.

¹⁵ MAP Implementation Report 2003.

¹⁶ EIF Annual Reports 2002 and 2003: these figures all EIF Trust Activity (EC Mandate) under G&E (1998-2000) as well as under MAP 4.

¹⁷ http://europa.eu.int/comm/enterprise/enterprise_policy/analysis/observatory.htm: “SMEs and Access to Finance” (2003/2); “Highlights from 2003” (2003/8).

ETF-SU, besides its leverage effect, gives “legitimacy” to funds supported, and, to some extent, to SMEs in which supported funds have invested. It has encouraged some Member States and regional authorities to develop policies and schemes favouring VC, a fact that has to be related to the Policy Development Pillar. It has been all the more relevant in a context of the worsening market gap following the bursting of the internet bubble. In coherence with the Lisbon and Barcelona objectives, it has addressed the needs of a small but strategic market (seed, early stage VC): **limited quantitative impact, but strong strategic impact.**

SMEG has had a large impact on SMEs: about 178,000, including SMEG under G&E¹⁸. It has a high leverage effect. It has allowed financial intermediaries to increase significantly the volume of loans to targeted categories of SMEs: **rather large quantitative impact and important strategic impact.**

SCA is expected to be effective (by a large number of financial intermediaries), but has been of limited use so far because of the market downturn and the resulting lack of recruitment in the VC industry and its linkage to EIF investment (only EIF supported funds are eligible). Its effectiveness and efficiency cannot be assessed for the time being.

Since its beginning, **JEV** has been considered as too bureaucratic and has generated only poor demand, leading to low efficiency and effectiveness. Although the Commission took measures to improve implementation mechanisms, the effort proved ineffective. JEV did not contribute to the goal of improving the financial environment for business.

Recommendations

Concerning a future programme, the following recommendations should be integrated:

Continuity is surely needed for ETF-SU, since it is likely that the market gap affecting early stage VC and seed capital will not disappear in the near future in Europe. Continuity is also surely needed for SMEG, since it significantly improves SME access to finance.

Although SCA has had a slow take-up, it has to be maintained since it undoubtedly addresses a potential demand from VC funds (in particular early stage and regional).

Contrariwise, JEV is an ineffective instrument and will be closed by Dec. 29, 2004¹⁹.

What is the value added of Community intervention in national capital markets for SMEs and businesses in general ? To what extent is Community involvement through the MAP in national capital markets visible at the level of beneficiary businesses ? How do beneficiaries, financial intermediaries and other actors perceive the schemes and guidelines ?

Added value:

Quantitative added value: The general opinion among financial intermediaries is that **ETF-SU and SMEG have allowed financial intermediaries to take more risks than they would otherwise have taken. More risk means that beneficiary financial intermediaries have invested (ETF-SU) and guaranteed (SMEG) larger volumes.** But, very soundly, risk profiles have not been changed: beneficiaries have not invested in or provided guarantees to

¹⁸ EIF Quarterly Report, First Quarter 2004.

¹⁹ Decision N°593/2004/EC of the European Parliament and of the Council of 21 July 2004 amending Council Decision 2000/819/EC.

“more risky” companies, except probably for financial intermediaries that benefit from SMEG Micro-credit (disadvantaged target groups).

Qualitative added value: a) financial intermediaries have often stressed the “legitimacy” provided by the EIF “signature”; for VC funds, this **added value** is particularly high, and some of them consider that it has been extended to final beneficiaries; b) ETF-SU has in some cases played the role of an “accelerator”, **with impact on national/regional markets and policies**, as illustrated in countries like Spain where VC was practically inexistent, or in regions like the Walloons (Belgium) which have intended to create regional schemes; c) in countries **where EIF has worked with powerful national financial intermediaries** (France, Germany, The Netherlands), there have been **strong complementarities leading to particularly high added value** (according to the same intermediaries) and cross-fertilization.

Visibility of Community involvement, Perception of the schemes and guidelines:

In line with the rating by financial intermediaries and financial entities in the questionnaires and interviews, the visibility of MAP Financial Instruments within EIF is **relatively limited for financial intermediaries**, and **very low for SMEs**, in spite of rules imposed on financial intermediaries concerning the mention of the Commission contribution²⁰ in contracts with final beneficiaries. On the other hand, **EIF visibility** is very high among the **financial intermediaries**, medium for ETF-SU final beneficiaries, low for final beneficiaries (SMEs). Generally speaking, and with only a few exceptions, there is no global vision of the MAP Financial Instruments among financial intermediaries.

The visibility of MAP Financial Instruments is **very low for national equity finance/VC organisations and business organisations**, with a very few exceptions.

There is no convergence of interest between the EIF and the Commission concerning the visibility of MAP Financial Instruments, and it is particularly critical as regards SMEG (EIF trust activity under MAP amounts to 74% of operations signed in 2003 within EIF Guarantees Portfolio).

Recommendations

During the current MAP, possible improvements should be realised:

- Within the EIF Annual Reports, highlight much more clearly what is under MAP mandate.
- Promote the “MAP brand” besides the “EIF brand”.
- Organise press conferences when deals are signed with the participation of Commission officials.
- Set up information and promotion campaigns targeted at “intermediate” organisations (national business organisations, national financial organisations, national science parks and business incubators associations, etc). Sign “partnership agreements” with them for promoting MAP Financial Instruments among members.

What are the advantages and disadvantages of the present implementation mechanisms of the ETF-SU, SMEG, SCA and JEV schemes ? Does the present approach for MAP Financial Instruments sufficiently take into account the variations in national environments in terms of the supply of finance for SMEs and other businesses ? To what extent is the approach coherent with initiatives of a similar nature implemented by both public and private actors ?

The first key advantage is the “no one-size-fits-all” dimension of ETF-SU and SMEG. Both are regarded by a majority of financial intermediaries, policy-makers and financial

²⁰ In addition, financial intermediaries are given a lump-sum for promotion.

experts (with the exception of some UK policy-makers and financial experts, and to a lesser extent of Italian ones) as adapted to different and evolving market conditions and different national and regional schemes, “*in time and space*”. Time dimension: in the Netherlands, for instance, ETF-SU had not been used so far (because of national schemes and a mature VC industry) but, as a market gap has recently been recognized in the early stage segment of the market, it is expected to be used in the near future; the same can be said for SMEG Micro-credit which is expected to be of interest in the near future.

Spatial dimension: this is exemplified by the geographical coverage (under G&E and MAP).

Another key advantage concerns the **efficient delivery mechanism through the DG Enterprise-DG ECFIN-EIF “chain”**. EIF professional standards are highly praised by financial intermediaries.

Disadvantages perceived by financial intermediaries for ETF-SU and SMEG:

- Applications and to some extent monitoring are considered as too complex by the Dutch and Finnish, as well as reporting by SMEG financial intermediaries, in particular for the Micro-credit window. These are in fact “routine” complaints, which are contradicted by others who stress the positive role of EIF in promoting minimum requirements and standards.
- EIF is considered by a few financial intermediaries as being reluctant to accept small applicants for ETF-SU, but it would not be cost-effective for EIF to invest small amounts in small funds due to its limited resources and staff.
- Insufficient information on other financial intermediaries, situation in other countries; insufficient feed-back from EIF (information given in the Annual Reports is considered poor).
- Lack of professional meetings for exchange of experience regarding best practices, networking and results so far. This issue needs to be addressed.

SCA is expected to fill a real gap in countries where regional equity funds are developing or expected to develop, but, to be really useful, it would be better not to tie it to EIF investment.

Concerning **JEV**, the major disadvantage is, according to financial intermediaries, that it has been poorly promoted and is too bureaucratic: procedures were too complex and reflected a “lack of confidence in business”.

Coherence with initiatives of a similar nature implemented by both national and private actors:

In general, **ETF-SU and SMEG** are coherent with national (and regional) initiatives, with Italy probably providing the only exception. **Coherence** is particularly strong in countries where national schemes are managed by powerful nation-wide, generally public-backed, financial intermediaries.

Recommendations concerning the present MAP

- Provide financial intermediaries with detailed information on MAP Financial Instruments results and impacts (“lessons learned” and “success stories”) and on beneficiary financial intermediaries.
- Organise meetings and networking activities between beneficiary financial intermediaries.

Recommendations concerning a future programme

- Disconnect SCA from EIF investment.

How far will the present approach for MAP Financial Instruments be suitable in the context of an enlarged European Union, in terms of both strengthening/complementing existing arrangements and the specific needs of small business in New Member States ?

Basically, the need for improving the financial environment for business, especially SMEs, is even stronger than in EU-15. The MAP Financial Instruments approach is globally suitable.

However, **attention has to be paid to some particularities:**

- The VC market is not yet really developed, Poland and Hungary being the most advanced countries, and there is a lack of demand for equity finance (lack of projects of good quality).
- ETF-SU should support not only “real”, but also “fake” start-ups (recently created companies, created as former public conglomerates are dismantled).
- SMEG leverage effect is expected to be lower due to few existing guarantee schemes in NMS resulting in more proximity of SMEG to final beneficiaries (“shorter chain” of guarantee, co-guarantee, counter-guarantee institutions/mechanisms).
- Capacity-building is a key and has already started to be supported.
- SMEG Equity is very important when VC industry is missing or not really established.
- A huge majority of regions will be Objective 1 and the MAP Financial Instruments will be in competition with grants from Structural Funds (in addition, Structural Funds are far better known than MAP).
- Policy Development pillar is quite important in connection with Financial Instruments to support entrepreneurship, best practices in the related fields in NMS.

Recommendations concerning the present MAP

- Organise “introductory campaigns”, relying in particular on “intermediate” organisations and banks.
- Develop capacity-building programmes related to MAP Financial Instruments and targeted at decision-makers (creation of Mutual Guarantee Schemes), financial intermediaries and banks, using skills, competences and networks of EU-level and EU-15 financial organisations
- Increase the budget allocated to MAP Financial Instruments and in particular to SMEG in due proportion of the enlargement to NMS (already done for 2004).
- Start cooperation with DG REGIO for combining properly Structural Funds support through grants with MAP Financial Instruments and preventing competition, through a clear distribution of tasks: MAP Financial Instruments focusing on improvement of the financial fabric and access to finance for SMEs with a market-driven and pedagogic approach; DG Regio in charge of regional development and providing initial equity to funds.

Recommendations concerning a future programme

- Plan an extended SCA for supporting nascent VC industry.
- Make ETF-SU more flexible: extended definition of start-ups²¹; universities and other public entities accepted as “private” investors under a set of criteria: market-driven, own legal personality, own board, own budget, financial resources not limited to public funding.

²¹ Decision N°593/2004/EC of 21 July 2004 has already extended the start-up phase up to 10 years “for companies in specific high technology sectors, in particular life sciences”.

EUROPEAN TECHNOLOGY FACILITY – START UP (ETF-SU)

To what extent are the constraints on the establishment and financing of SMEs in their start up phase being eased through ETF-SU support for Venture Capital funds of various type on the one hand, and business incubators and mentoring schemes on the other ? Which particular type of ETF-SU action has shown itself to be most effective and efficient to date in this respect, and why (for example, sustainability of eligibility criteria) ?

The overall opinion of financial intermediaries, policy-makers and financial experts (one exception: some policy-makers and financial experts in the UK; Swedish lukewarm) is that ETF-SU clearly addresses a well identified market gap for early stage (pre-seed and seed) Venture Capital funds. It has allowed funds to **invest larger amounts**. As constraints have worsened with the bursting of the Internet bubble leading to a **market downturn**, ETF-SU has become all the more important and relevant to the needs of start-ups.

This situation has already led to more flexibility regarding eligibility of funds and start-ups: public participation can be up to 70% (Objectives 1 and 2 areas); eligibility of funds financing R&D and of start-ups up to 10 years in high technology sectors²².

Exit problems remain for VC funds, although IPO²³, for instance, have come back in 2004, after having practically disappeared in 2002 and 2003. But this issue is relevant to the Policy Development Pillar.

The **Business Incubator window** has not been effective, since business incubators created and managed by VC funds (the “Gorilla Park”-type²⁴) have practically disappeared.

Globally (G&E and MAP), ETF-SU has been **effective and efficient** and appreciated as such by a large majority of financial intermediaries, which praise: that it is operating along market lines; the delivery mechanism (DG ENTR-DG ECFIN-EIF); the way the EIF is operating it.

As all VC funds provide a wide range of advisory services, ETF-SU support for VC funds, which allows them to invest in a larger number of start-ups, indirectly contributes to easing the constraints on SME start-ups and early development.

Recommendations

In view of a new programme:

- Make ETF-SU more flexible through accepting universities and other public bodies as “private” partners under a set of conditions such as: market-driven, own legal personality, own board, own budget, financial resources not limited to public funding.
- The “Business Incubators” window should be closed.

What are the actual/likely consequences in terms of SME creation and development of improved access to venture capital and supporting infrastructures for new businesses financed through the facility ?

²² Decision N°593/2004/EC of 21 July 2004.

²³ Initial Public Offerings constitute an exit way: companies, in which funds have invested, issue shares on the stock market (becoming listed) and funds can get out through selling their shares on the market.

²⁴ “Gorilla Park-type” incubators got their name from a network of incubators created by a seed- and VC company in the UK and in the Netherlands during the climax of the Internet bubble. The name corresponds to all incubators that have been created during this period by seed- and VC funds. “Gorilla” was referring to very rapidly growing companies (another name for “gazelles”...).

The ETF-SU **leverage effect** is 4 to 1 on average, allowing beneficiary VC funds to invest larger amounts in start-ups. However, and soundly, they have not changed their criteria for assessing the viability of start-ups.

Under G&E, 240 SMEs had benefited from the facility (data as at June 2003), no data are available for MAP so far. Under MAP, as of December 31, 2003, 3 deals had been signed (EIF Annual Reports 2002 and 2003).

These figures may **seem modest, but the market downturn has restricted the number of applicant financial intermediaries able to raise funds from private investors**; in these conditions, ETF-SU, according to a few financial intermediaries, has contributed to the survival of early stage VC industry. Moreover, ETF-SU has encouraged and supported the emergence of a VC market in countries where there was none (e.g. Portugal, Spain).

Overall, the actual **consequences in terms of SME creation** have been positive (G & E and MAP) and will be in the future, particularly if market conditions are improving, since ETF-SU can be considered as a counter- and **pro-cyclical instrument as well**.

It should also be stressed that ETF-SU has played a particularly significant role in supporting the creation and early stages of start-ups in the biotech sector (France, Denmark) where the market downturn has made finding investors especially.

In the UK, as one particular case, ETF-SU was used and its consequences in terms of SME creation were considered by some policy-makers and experts as marginal in comparison to the “non-supported” VC market, due to the fact that the early stage VC market is particularly developed.

Supporting infrastructures for new businesses has not benefited from ETF-SU, since the “Business Incubators” has not been effective. However, advisory services provided for start-ups by VC funds have indirectly benefited from ETF-SU, contributing positively to early stage start-up development.

SME GUARANTEE FACILITY (SMEG)

To what extent is SME’s access to finance improving thanks to the SMEG, in particular for :
SMEs requiring loans to realise their potential for growth ? ...Very small enterprises requiring access to microcredit ? ...SMEs requiring own-funds investments (equity) to realise their potential for growth ? ...Small enterprises wishing to exploit new possibilities presented by the Internet and e-commerce?

According to EIF and DG ECFIN as well as financial intermediaries and EU-level financial entities interviewed, SMEG has a very high **leverage** (50 to 1 on average²⁵) due to the trade-off between the “remoteness” of EIF/MAP from the final beneficiaries and their number, as SMEG support may apply to lenders, guarantors, co- and counter-guarantors.

The **number of SMEs final beneficiaries**, as of December 2003, amounts to about 43,000, more than 31,000 under the Loan Guarantee window and 10,500 under the Micro-credit window, figures which have to be added to G&E data (more than 135,000 SMEs beneficiaries). SMEG has undoubtedly **improved access to finance for SMEs**, since it has allowed financial intermediaries to guarantee or to lend larger amounts of money.

²⁵ Using the “Estimated underlying volume of loans supported / SMEG allocated budget (signed)” ratio.

Loan Guarantee window:

For a large number of financial intermediaries, this is an excellent scheme (some say an essential one), by far the most important in terms of money committed and final beneficiaries, facilitating a **significant increase in the number of clients** for financial intermediaries which can take more risk.

Micro-credit window:

This window has allowed **some financial intermediaries to enter into the field of micro-enterprises** excluded from access to credit so far (except “personal” credit). It has also improved **access to finance for self-employed and disadvantaged groups**, allowing final beneficiaries to get credit history reference and become bankable, so easing their access to “normal” debt finance.

Equity Guarantee window:

It has allowed the only beneficiary so far to guarantee larger amounts of investments, improving access to finance for fast-growing high-tech companies. The Commission approved a second deal in May 2004.

ICT – Loan Guarantee window:

They have been **no results to date**. It has been ineffective so far.

Recommendations

Within the present MAP, the budget allocated to SMEG should be increased, because of its leverage effect, in due proportion of EU enlargement from EU-15 to EU-25 (MAP budget for 2004 has already been increased by 33 million €, of which 20 million € is for SMEG).

Concerning a future programme, the ICT Loan window should be closed.

Which type of support mechanism implemented through the SME Guarantee Facility framework is the most effective and efficient to date, and why (for example suitability of eligibility criteria, guarantee policies, etc.), in terms of its contribution to the growth, employment creation and longevity of the enterprises supported? What particular difficulties have financial intermediaries faced during the implementation of the Facility and to what extent have these been overcome?

The **most effective SMEG window** is the **Loan Guarantee Window** in terms of geographical coverage, number of loans guaranteed and SMEs supported, number of beneficiary financial intermediaries, total loan and EIF/MAP guarantee volumes, and leverage effect (72.9 to 1). The **SMEG Micro-credit window** comes second with respect to the same criteria (leverage effect: 8.5 to 1); this window has also a “social inclusion” dimension since financial intermediaries can target disadvantaged groups. Both can accordingly be considered as contributing significantly to the growth and longevity of the SMEs supported, probably also to job creation, although this is very difficult to measure and is no longer an objective of MAP SMEG (as it was under G&E).

Equity Guarantee window is considered as effective and efficient by its only beneficiary (which considers that EIF reporting and monitoring requirements have helped it to improve its own methods).

The **ICT Loan Guarantee window** has not been used and probably will not be used, because of the bursting of the Internet bubble; moreover, a sectoral window makes no sense according to financial intermediaries as it does not follow a common market practice and the Loan window covers potential deals in the ICT sector.

Difficulties faced by financial intermediaries:

- A few financial intermediaries and experts consider that SMEG does not satisfactorily address the specific issue of the transfer of businesses: they suggest having a specific MAP “product”, due to its importance in the current EU context²⁶, although the Loan window can in fact cover operations related to transfer.
- EIF/MAP criteria are often considered by some financial intermediaries and by an EU-level financial organisation as too restrictive for short-term loans, due to the importance of strengthening SMEs working capital²⁷; however, we consider it would be neither sound to guarantee shorter term loans, nor would it comply with the additionality rule.
- According to a majority of financial intermediaries, there were difficulties at the beginning concerning the application of State Aid rules (DG Competition), but these have been overcome.
- Concerning Micro-credit, one financial intermediary considers that guarantee calls should take place on a portfolio basis (quarterly), but due to the necessity for a transparent management, it would not be wise to accept it²⁸.
- Reporting is in general regarded as too complex (in particular for Micro-credit), as is applying and monitoring for some financial intermediaries, but this is “routine” complaint from financial intermediaries.
- There is a real lack of information on other financial intermediaries in other countries, lack of exchange of experience and networking, according to a large majority of financial intermediaries.

Recommendations

For the current MAP: Organise meetings and networking among financial intermediaries to circulate information on best practices, improvements to bring to the design and implementation mechanisms of the schemes, etc.

In a future programme, the Equity Guarantee window should be maintained: it has a potential demand, in particular in the new member states (the positive experience of the only beneficiary so far should be publicised).

What are the actual/likely consequences in terms of SME development of improved access to loans/equity finance through the facility ?

0.81 % of European SMEs have benefited from SMEG, under G&E and MAP²⁹ in a short period, since SMEG **real life-time is short (4-5 years)**. This figure underestimates the impact in terms of SME development, since many but not all European SMEs consider access to finance as a major development barrier. Final data on final beneficiaries and jobs will only be available later due to timing of guarantee calls (up to 10 years).

²⁶ The issue can also be addressed through support to specific business angels networks, as in Denmark, or through enabling venture capitalists to refinance their equity investments for business transfer cases, as in Germany.

²⁷ http://europa.eu.int/comm/enterprise/enterprise_policy/analysis/observatory.htm: “SMEs and Access to Finance” (2003/2)

²⁸ The same financial intermediary has asked that SMEG benefit should be extended to financial institutions lending to non-profit financial intermediaries in case of failure of them; the objective is to avoid favouring banks which recover their debts first, before caps are reached, to the detriment of banks which are to recover their debts after caps thresholds have been exceeded. The demand has been partially satisfied.

²⁹ The latest available data indicate 166,279 beneficiaries (Growth & Employment Initiative and MAP) out of about 22 million SMEs in the EU.

Improved access to loan/equity finance through SMEG has **contributed to SME development at a significant quantitative level** and is likely to do so in the future.

The leverage effect could be higher if, as suggested by some financial intermediaries, SMEG benefited guarantors only, but this would be an obstacle to SMEG use in some countries (Italy).

Due to SMEG, SME and micro-enterprise final beneficiaries have had access to larger amounts of debt finance (equity: only marginally), micro-enterprises also benefiting from their new credit track record, which helped them to access bank credit. Access to finance has also been facilitated by the fact that SMEG has helped lenders to ease the collateral requirements in some segments of the market.

In the near future, the main issue is enlargement and EU money available for SMEG. SMEG will surely be more easily used in NMS than ETF-SU, in particular the Loan Guarantee window; in fact, the demand for the Loan window by financial intermediaries in the NMS has been high, although guarantee volumes are low.

Recommendations

Concerning the present MAP: **Increase the budget** allocated to SMEG, because of its leverage effect, taking into account the consequences of EU enlargement (a first increase was realised in 2004, but further increases are necessary).

SEED CAPITAL ACTION

To what extent is the capacity of seed funds, incubators and similar organisations being strengthened by recruitment financed through the SCA instrument ? How far is this likely to stimulate the supply of capital for creation of new businesses ?

It is **too early** to provide a really valuable answer to the question as only two³⁰ operations have been signed as of December 31, 2003. SCA take up has been slow for the same reasons as ETF-SU (market downturn) and because SCA applications are restricted to EIF VC beneficiaries.

SCA is **virtually unknown** by potential beneficiaries. Once informed, they view it positively as a contribution to strengthening staff, provided that recruitment criteria are not only based on financial skills (not excluding S&T skills). They consider that this instrument will be especially helpful for regional funds³¹.

SCA could use the expertise of European or national VC organisations and dedicate a window to related training.

According to potential beneficiaries, there is both a **potential demand and expectations from seed funds**.

Recommendations concerning the present MAP

- SCA has to be promoted and information provided to financial organisations and intermediaries.
- Develop partnerships with national and EU-level financial organisations for promoting SCA and using expertise available in these organisations.

³⁰ Only one appears in the EIF SCA List of deals (www.eif.org).

³¹ Such as “*Fonds d’Investissement de Proximité*” (FIP) in France which are targeted at start-ups and transfer of businesses. FIP will operate as already existing “*Fonds Communs de Placement à Risque*” (FCPR) but operating on a regional basis.

Recommendations concerning a future programme

- Eligibility of VC funds to SCA should be disconnected from the benefit of EIF investment.

JOINT EUROPEAN VENTURE

To what extent has the setting up of transnational partnerships been supported by JEV scheme? What are the actual/likely consequences of supported partnerships on SME development and employment ?

286 projects have been submitted to the JEV programme since its creation (under MAP and prior to MAP), of which 198 have been supported. 16.4 million €. In 2003, only 13 new projects have been submitted. There are no commitments under MAP. As a result, the consequences on SME development and employment can only be cosmetic at best.

JEV has been affected by **several difficulties**: lack of promotion and commercialisation; demand lower than expected; financial intermediaries seen by end-users as not efficient; incentive considered as insufficient; implementation process considered as too bureaucratic with cumbersome reporting; effective realisation of a joint venture is a long process. As a result, the JEV **impact is virtually impossible to measure** (and impossible for job creation). In fact, JEV appears as a sort of “lame duck” inherited from the ECIP/JOPP batch of instruments.

The Commission became aware of the problems at an early stage and took steps to try to remedy them.

However, interviews reveal frustrations among financial intermediaries which had expected to develop it by capitalising on the expertise and experience acquired with ECIP and JOPP. Some of them and EICs (not surprisingly for the latter) in various countries (Germany, Italy, Spain, UK) regard JEV as a “good idea” that has **suffered from bad promotion and implementation**.

JEV did hardly contribute to supporting the setting-up of transnational partnerships and was inefficient.

Recommendations

The recommendation to close JEV will be put into practice by Dec. 29, 2004³²

RECOMMENDATIONS CONCERNING POSSIBLE NEW SCHEMESSBIC-like scheme:

Some Member States governments (France, Germany, UK, Netherlands) are considering the possibility of introducing such a scheme (at national or EU-level) and the issue has been raised by a few financial intermediaries. It makes more sense to introduce an SBIC-like scheme at EU-level³³ than at national level.

³² Decision N°593/2004/EC of 21 July 2004.

³³ See Minutes of the “Meeting of the Focus Group on the Innovative Companies Scheme”, Luxembourg, 27 April 2004.

SBIC means “Small Business Investment Companies”. Created by the U.S. Congress in 1958 to fund SMEs take-up or growth, they offer equity and long term loans and operate on a commercial basis under a license granted by the U.S. “Small Business Administration”.

The rationale for introducing a SBIC-like instrument would rely on the following factors:

- Higher leverage effect expected : up to 200%³⁴.
- Risk pooling: public authority and market-makers.
- Minimal market distortion: investment and management are of the sole responsibility of private investors.
- Target: all SMEs, whatever their stage of development (in particular they could support the transfer of businesses, a key point raised in some countries (France, The Netherlands).

However, a SBIC-like instrument would be much more complicated than the present Financial Instruments. The US example shows that the licensing procedure is long and reporting requirements particularly heavy. It would require a well-developed equity market, with little dependence on public support, a condition not fulfilled in some EU-15 countries and even less in the new member states and candidate countries.

For some financial intermediaries (France), it would be appropriate to develop a two-fold approach through: a) a system of loan pool securitisation; b) an SBIC-like instrument targeted at very large, well-established SMEs. A mechanism of securitisation of loans could be introduced, following the conclusions of the “Workshop on the PACE Financial Instruments”³⁵ (Securitisation window within SMEG, covering both loan portfolios and mezzanine portfolios).

Access to mezzanine finance:

While the issue is surely an important one, it is better to use SMEG adapting it in a way that would support access to mezzanine finance. This was suggested in a “Meeting of the Focus Group on the Innovative Companies Scheme (PACE)” and in the “Workshop on the PACE Financial Instruments”, both held in April 2004 in Luxembourg³⁶.

Co-investment:

Co-investment with Business Angels Networks, as suggested by some organisations, is an interesting new instrument and responds to actual needs. It could be a specific case within ETF-SU.

³⁴ Mission pour la Science et la Technologie, République française : www.france-science.org/innovation (French-American Portal on Innovation).

³⁵ See Minutes. The Workshop was held in Luxembourg on April 28, 2004.

³⁶ See Minutes: “Mezzanine finance is very interesting for entrepreneurs since it does not involve surrendering equity and can be particularly useful in succession situations...”.

7 SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

In this final chapter, overall positive and negative evaluation results regarding the Multiannual Programme as a whole are presented synthetically. Results are included in earlier chapters of this report or have been identified in the analysis of the programming and implementation path of MAP 2001-2005.

To sum up the report, a review in table form of evaluation questions and possible recommendations is included on the last pages.

Positive aspects of MAP

- Overall established framework with former MAP programmes, the Charter and particular Action Plans responding to main difficulties for business creation and development in Europe.
- Wide use of ‘Open Method of Cooperation’, cooperation and distribution of tasks between EC and member states, as well as other participating countries.
- Comprehensive Programme, touching diverse issues and SME needs.
- Multiannual, permits to develop medium- to long-term actions and show continuity.
- Implementation mechanisms adequate for the different particular MAP elements.
- Effective and useful identification and exchange of best practices in different policy fields through Best and benchmarking studies.
- Effective and useful support and coordination structure built for the EIC network (TAO, audit, Unit B.2).
- Effective collaboration with EIF with regard to MAP financial instruments.
- Positive results and effects of MAP actions on intermediaries and final target groups.
- Generally positive response from directly involved stakeholders: policy makers, experts, EICs, Host Structures and other Business Support Providers, financial intermediaries, etc. (except for some financial schemes, JEV, ICT Loan).
- Cooperation with other Commission Services in specific areas and projects (e.g. SME Envoy, support of entrepreneurship priority in the framework of EQUAL).
- High complementarity with national and regional programmes and schemes (especially policy actions, and financial instruments).
- Within the MAP, creation and animation of European exchange of experiences and best practices, cooperation and networks (of experts, of EICs and Host Structures, enterprises, financial intermediaries) is one of the key issues and adds value to the programme.

Aspects which influence MAP negatively and could be improved

- Few competencies of the Commission to influence directly MS enterprise policy, which hinders overall effectiveness of MAP actions.
- Fragmentation, lack of overall visibility of MAP and its actions to final beneficiaries and some potential intermediaries.
- Some General Objectives are too wide, “Other Objectives” are not clearly defined.
- Definition of performance indicators is still deficient, although each annual work programme presents improvements. The lack of specific targets hampers effective monitoring and evaluation.
- Delays with regard to implementation due to the intensive cooperation with EPMC and other, project-specific projects which sometimes lead to cancellations.
- Limited response from final target population due to the very long and indirect cause-effect relationship for final impacts, the lack of visibility of the MAP actions, and the long-term perspective of the MAP. Hence, limited capability to name and quantify direct effects or impacts caused by the MAP.
- To date, few coordination of activities and schemes with other Commission Services in important overlapping issues (innovation, regional development, etc.). Lack of explicit links to other key initiatives (Sixth Framework Programme, Structural Funds).
- Some overlapping of the EIC network with other national initiatives of networks and business support and lack of strategy behind all Community networks related to business.
- Dissemination stops in most cases at central level of member states and participating countries, due to the limitation of responsibilities of the Commission and a lack of further activities at national level. Further dissemination among policy sectors and at regional level is necessary. European networks might be strengthened and used more for dissemination.

SUMMARY OF RECOMMENDATIONS

CROSS-CUTTING QUESTIONS RELATED TO THE MAP CONSIDERED AS A WHOLE	
QUESTION	RECOMMENDATIONS
To what extent have the needs of target populations evolved since the inception of this MAP, particularly in terms of the current economic situation? Has this led to a need to re-orient the intervention strategy of MAP, and any successor programmes?	There is no need to re-orient the underlying intervention strategy of MAP since it clearly addresses the evolving needs of SMEs. A wider coverage of business cooperation/internal market-related support measures, a broader inclusion of measures to foster innovation, as well as new specific financial instruments should, however, be considered in a future multiannual programme.
How far is the present MAP adapted to the enlargement of EU and the needs of SMEs in the New Member States?	<p>→ In order to adapt the present MAP better to the enlargement and SME needs, more resources should be made available for action and for effective dissemination (in the different languages) of information and best practice. Strong “introductory campaigns” are needed.</p> <p>→ Other working methods such as capacity-building and the support of cross-border cooperation could also enhance adaptation. Capacity building, co-operation with EU-15 financial intermediaries, and training activities should be supported through MAP and especially for the financial instruments.</p> <p>→ The variety of administrative traditions, size, financial market structures (debt and equity finance) in new member states may require measures (especially financial instruments) to be differentiated and more flexible in a future multiannual programme.</p>
Is the current MAP coherent, in terms of the objectives specified and the means and instruments put in place to attain them?	The definition of a balanced system of general and intermediate Objectives would facilitate the structure of a future multiannual Programme.
Are the current MAP objectives and activities relevant to and coherent with the principles and guidelines defined within the European Charter for Small Enterprises?	The establishment of a stronger strategic integration between the MAP and the Charter is proposed. Besides being organized according to MAP objectives, MAP activities could also be structured along Charter action lines. This would enhance visibility and understanding and also allow a more detailed monitoring of effects, impacts and progress (of MAP activities) at Member State level in the framework of the Charter implementation reports. In the future, links to other initiatives such as the Structural funds and the R&D Framework Programmes should be strengthened.
To what extent has or can the MAP be expected to achieve its global objectives as defined in the Decision and the specific objectives defined in Annex I to the Decision and within annual work programmes on the basis of implementation to date?	While MAP policy development pillar, EIC network and financial instruments are expected to achieve MAP’s global objectives with regard to effectiveness to date, there are some ineffective financial instruments or schemes (JEV, SMEG-ICT loan window, SCA) that should be looked at in more detail in order to detect the reasons for their ineffectiveness (see chapter on Financial Instruments).
What would have been the likely situation for target populations if MAP 2001-2005 had not been implemented?	No further recommendation is proposed in this area. Target populations generally benefited from MAP actions, directly and indirectly.
Which MAP activities have been particularly efficient and which have been inefficient both in terms of financial intervention and other resources used. What lessons can be learnt from these	→ Some projects of the MAP policy development pillar require considerably more resources than others, without causing more results or impact. These projects, namely databases, and internet portals, show low levels of efficiency and should not be included in further programmes.

examples that could be applied to other cases?	<p>→ Efficiency of the EIC network is high. The least efficient area is support through TAO and audit team. Efficiency levels should be levelled out through increasing the contribution to EICs or through reducing costs for general support (TAO and audit team).</p> <p>→ Inefficient financial instruments (JEV) should be revised or closed, instruments with doubtful efficiency levels SCA and SMEG ICT window could be analysed again, if and when presenting more outcomes.</p>
In terms of cost/benefit who appears to have gained most and who appears to have gained least from the MAP, and why?	In general, improved and widened dissemination of MAP activities would increase the number of the programme's potential and real beneficiaries.
To what extent have MAP results and impacts corresponded to, or are expected to continue to correspond to the needs of the target populations? To what extent could measures be taken to improve the utility of MAP for these populations, and what measures would these be? Did any unexpected effects occur and if so to what extent did they correspond with the needs of target populations?	The usefulness of MAP impacts on target group needs could possibly be enhanced by improving and widening visibility, implementation, and dissemination of MAP elements (EIC network, Financial Instruments) and particular results of MAP actions (policy recommendations). Specific recommendations are included in relation to other evaluation questions.
Are any changes brought about by MAP activities self-sustaining, or are any likely to be so, for example by being integrated at EU and Member State policy level, and/or is continued intervention from a European level required?	In general, continued intervention from a European level is required to keep on initiating benchmarking and the exchange of best practices, to support and coordinate the EIC network, and to improve business access to finance where markets (debt and equity) fail to provide support in most cases.

POLICY DEVELOPMENT PILLAR	
QUESTION	RECOMMENDATIONS
To what extent have the recommendations on Policy Development made by the final evaluation of the previous MAP been successfully integrated into the current MAP, and, where they have been integrated, to what extent have they proved effective?	Aspects which still need further or prolonged action in order to become completely effective are again included in the following recommendations on the current MAP Programme.
To what extent has the implementation of the Policy Development been in conformity with the working methods indicated in the Council decision relevant to the current MAP, and how effective are those methods?	<p>→ The level for specific approval should be increased to a higher amount excluding smaller projects (e.g. EUR 250,000-300,000) in order to facilitate more effective implementation of MAP projects.</p> <p>→ Regarding the complex decision procedure, if observed problems persist, the preparation of biannual instead of annual work programmes could possibly give more room for effective co-decision. The fact, that many policy development projects last between 18 and 24 months, would support this frequency.</p> <p>→ To become more effective as a tool for learning and programme amendment, the evaluation process of the multiannual programme should be linked more (use of common indicators, timely relation) to other monitoring and evaluation processes (EIC audit, MAP Annual Implementation</p>

	<p>reports, Implementation of Charter for Small Enterprises).</p> <p>→ Performance Indicators should be improved and adapted to the monitoring capacity of MAP project managers. In the work programmes relevant indicators AND expected results should, if possible, be included. Indicators should then be monitored periodically and used in Implementation Reports as a tool for detecting progress or implementation problems.</p> <p>→ Future implementation reports should give a more expressive review of the programme and an overview of all completed actions. Furthermore, the Implementation report should present outcomes by means of performance indicators and use quantitative indicators where possible.</p>
To what extent are these Policy Development initiatives justified at Community level – what is the added value of Community involvement in this area?	Added value has been confirmed. No further recommendations are included in this area.
To what extent do the actions succeed in identifying and encouraging exchange of best practices? Which delivery methods do this the most effectively, and which are the least effective?	<p>→ Best projects and similar actions should be maintained and strengthened, without increasing the total number of MAP actions. Events and dissemination activities should be organised around them and built on their results. Effectiveness of best practice exchange could be improved by defining from the beginning the goal of the expert group, to ensure the ‘right’ experts are chosen.</p> <p>→ The effectiveness of Statistical research could be improved by linking them more to other actions (studies, events), disseminating its results.</p> <p>→ Databases and tool development require long-term support and particular dissemination to be effective. This type of action should be excluded from future programmes.</p> <p>→ New delivery methods, such as capacity building and long-term initiatives (more than 1 year or follow-ups of current projects), should be developed in some areas to support national policy development efforts and to guarantee more sustainability in relevant action lines.</p> <p>→ Linking the SMIE database to similar updates in the field of SME and turning it into a monitoring tool for enterprise policy development (European Charter for Small Enterprises) could enhance its utility and give it a practical relevance.</p>
To what extent do the Policy Development actions generate useful policy recommendations and have these been effectively disseminated? If so, have they led to policy or regulatory changes in the participating countries? Which changes have been made, and how profoundly have these changes modified the relevant regulatory framework?	<p>The evaluator is well aware that the dissemination at national level is the responsibility of the member states and that publications in English, French and German are sufficient for use at central decision-making level. However, through</p> <p>→ linking the publication of reports to major events,</p> <p>→ through the publication of material and reports in many official languages (especially those from new member states),</p> <p>→ through the development of guidelines for improved national dissemination,</p> <p>the EC could stimulate more effective dissemination.</p>
To what extent have the Policy Development actions in the current MAP improved the overall environment in which European enterprises (especially SMEs) operate?	Since the assessment was limited and could only offer superficial results so far, no further recommendations have been formulated.
Which lessons from the more effective Policy Development actions could be usefully integrated into the other ones?	<p>→ Sufficient time should be dedicated to projects, in certain “very new” areas, follow-up projects should be set-up.</p> <p>→ Extended dissemination of activities and project outcomes should be included in the project from the beginning in budget and time planning.</p> <p>→ Summarising tables should be used to see progress regarding the implementation of policy recommendations.</p> <p>→ The composition of expert groups should contain different points of views and experiences.</p>

EIC NETWORK	
QUESTION	RECOMMENDATIONS
To what extent are SMEs aware of EICs and their role? Do EICs work as one stop shops on Europe related issues for SMEs? Do they direct SMEs to other relevant European support networks in relation to specific needs that do not fall under EICs' direct competencies?	The level of awareness of EICs and especially of the specific EIC network at SMEs could be still improved, especially at SMEs which are not already EIC clients. Although the evaluator is aware that promotion and general awareness depend on external factors, such as size of enterprises and Host Structures, specific awareness-raising instruments such as European wide campaigns, EIC network publications (in different languages), and "visible" European-wide services (IPM, Partner search database) should be maintained and strengthened.
What is the added value of EICs for European SMEs?	→ Networking, at local, national and European level should be promoted, supported and appreciated in the framework of EIC performance audit. → The "European dimension" should be strengthened, intensifying the contacts and the information exchange between EICs and the Commission (Unit B.2, TAO and Audit team) – in both directions. IPM should be strengthened.
To what extent does the advice offered by EICs meet the needs of their clients?	Implementation of feedback mechanisms regarding satisfaction of clients (annual surveys, questionnaires surveys in events) as well as quality tools (response-time policy, certificates) should be extended to all EICs.
How effectively do EICs help SMEs internationalise their activities and promote their activities across the European Market? How effective are EICs in providing economic, regulatory and technological information to their clients?	The Commission should support additional tools or schemes that promote business cooperation, joint ventures, and/or international investments across EU25, EEA and the candidate countries (e.g. support of organisation of matchmaking events, fairs, etc.), in order to increase effectiveness of current EIC services in this field.
How successful are EICs in adapting to market changes?	To reflect better the real offer of an EIC financing should be adapted. EICs should be able to choose different service packages ("à la carte") and then be paid according to their selection. Charging for added value business support services should be allowed but not made compulsory. A differentiated approach is necessary when identifying additional sources of finance, since the current EIC revenue structure differs widely from one country to another.
How could the performance of EICs be improved, if at all?	→ Publication of promotional material in all official languages could avoid time-consuming translation activities for particular EICs. → The current contractual procedure (annual contracts) should be changed to allow longer contracts (e.g. multiannual programme period) with the option to cancel contracts if EICs do not fulfil reporting requirements or quality standards. → More intensive promotion measures should include two actions: 1. the EIC network should be promoted more to the Commission (in particular to other business-related DGs, e.g. Regional Policy, Employment, Internal Market) as an adequate communication and information channel, 2. the Commission should make greater use of the EIC feedback function for consultations and opinion gathering. → The European Commission should promote national networking best practices and actively support networking activities. In certain areas with smaller countries and fewer national EICs (e.g. Scandinavia), cross-border networking should be promoted.
How effectively do EICs co-operate?	Networking could be strengthened further. Particular attention should be given to passive EICs, identifying the reasons for their passiveness and finding feasible solutions for them – as is already done to some degree by the EIC audit team and TAO.
To what extent do the various support and co-ordination	→ Support activities should be better coordinated and be more efficient. Therefore, for the new multiannual programme, a rationalisation of support

activities and facilities keep the EIC network active?	<p>and coordination of the network is recommended. Network coordination through one single facility could be an alternative that would reduce costs and facilitate better links between strategic coordination, on-going support and performance audit.</p> <p>→ Decentralised training activities and exchange of staff between EICs should be supported, for instance, by co-funding, by guidelines, a best practices manual or reports, in order to promote the exchange of experience and strengthen instruments for the improvement of weaker EICs.</p> <p>→ Administrative procedures should be speeded up as much as possible since there are projects that need to be implemented much earlier.</p> <p>→ The audit team should process the audit feedback to EICs as early as possible. In any case, highly differentiated feedback should be given.</p>
Do SMEs find difficulties in identifying other relevant European business networks (apart from EICs) that can provide help in a given moment?	→ The support in the framework of the Local cooperation initiative should be maintained and extended to other European regions. Regional cooperation initiatives in general, including cross-border cooperation, should be promoted among EICs and Host Structures through best practice examples, cooperation manuals, etc.
Do other European support networks overlap with EICs? Would there be any added value in rationalising the various networks?	<p>In the light of the conclusions we recommend:</p> <p>→ Enhanced coordination between (a) DG ENTR and other DGs would avoid overlapping between EICs and networks such as European Documentation Centres and Info-Points Europe; and (b) the Commission and national authorities should be improved to avoid network duplication (EICs and similar national support agencies and networks).</p> <p>→ Rationalisation of Community Business Support Networks could make the overall network landscape more efficient and interconnected. Best practices from one network could be transferred to others.</p>

MAP FINANCIAL INSTRUMENTS	
QUESTION	RECOMMENDATIONS
To what extent are the Financial Instruments of the MAP contributing towards improving the financial environment for business, especially SMEs? Which instruments are the most effective and efficient to date in this respect?	<p>Concerning a future programme, the following recommendations should be integrated:</p> <p>Continuity is surely needed for ETF-SU and for SMEG. Although SCA has had a slow take-up, it has to be maintained since it undoubtedly addresses a potential demand from VC funds (in particular early stage and regional). Contrariwise, JEV is an ineffective instrument. It will be closed by Dec. 29, 2004</p>
What is the value added of Community intervention in national capital markets for SMEs and businesses in general? To what extent is Community involvement through the MAP in national capital markets visible at the level of beneficiary businesses? How do beneficiaries, financial intermediaries and other actors perceive the schemes and guidelines?	<p>During the current MAP, possible improvements should be realised:</p> <p>→ Within the EIF Annual Reports, highlight much more clearly what is under MAP mandate.</p> <p>→ Promote the “MAP brand” besides the “EIF brand”.</p> <p>→ Organise press conferences when deals are signed with the participation of Commission officials.</p> <p>→ Set up information and promotion campaigns targeted at “intermediate” organisations (national business organisations, national financial organisations, national science parks and business incubators associations, etc). Sign “partnership agreements” with them for promoting MAP Financial Instruments among members.</p>
What are the advantages and disadvantages of the present implementation mechanisms of the ETF-SU, SMEG, SCA and JEV schemes? Does the present approach for MAP Financial	<p>Recommendations concerning the present MAP:</p> <p>→ Provide financial intermediaries with detailed information on MAP Financial Instruments results and impacts (“lessons learned” and “success stories”) and on beneficiary financial intermediaries.</p>

<p>Instruments sufficiently take into account the variations in national environments in terms of the supply of finance for SMEs and other businesses? To what extent is the approach coherent with initiatives of a similar nature implemented by both public and private actors?</p>	<p>→ Organise meetings and networking activities between beneficiary financial intermediaries.</p> <p>Recommendations concerning a future programme:</p> <p>→ Disconnect SCA from EIF investment.</p>
<p>How far will the present approach for MAP Financial Instruments be suitable in the context of an enlarged European Union, in terms of both strengthening/complementing existing arrangements and the specific needs of small businesses in New Member States?</p>	<p>Recommendations concerning the present MAP:</p> <p>→ Organise “introductory campaigns”, relying in particular on “intermediate” organisations and banks.</p> <p>→ Develop capacity-building programmes related to MAP Financial Instruments and targeted at decision-makers, financial intermediaries and banks, using skills, competences and networks of EU-level and EU-15 financial organisations.</p> <p>→ Increase the budget allocated to MAP Financial Instruments and in particular to SMEG in due proportion of the enlargement to NMS (already done for 2004).</p> <p>→ Start cooperation with DG REGIO for combining properly Structural Funds support through grants with MAP Financial Instruments and preventing competition through a clear distribution of tasks: MAP Financial Instruments focusing on improvement of the financial fabric and access to finance for SMEs; DG Regio in charge of regional development and providing initial equity to funds.</p> <p>Recommendations concerning a future programme:</p> <p>→ Plan an extended SCA for supporting nascent VC industry.</p> <p>→ Make ETF-SU more flexible: extended definition of start-ups; universities and other public entities accepted as “private” investors under a set of criteria: market-driven, own legal personality, own board, own budget, financial resources not limited to public funding.</p>
<p>To what extent are the constraints on the establishment and financing of SMEs in their start-up phase being eased through ETF-SU support for venture capital funds of various types on the one hand, and business incubators and mentoring schemes on the other? Which particular type of ETF-SU action has shown itself to be most effective and efficient to date in this respect, and why (for example, suitability of eligibility criteria...)?</p>	<p>In view of a new programme:</p> <p>→ Make ETF-SU more flexible through accepting universities and other public bodies as “private” partners under a set of conditions such as: market-driven, own legal personality, own board, own budget, financial resources not limited to public funding.</p> <p>→ The “Business Incubators” window should be closed.</p>
<p>What are the actual/likely consequences in terms of SME creation and development of improved access to venture capital and supporting infrastructures for new businesses financed through the facility (ETF-SU)?</p>	<p>No further recommendations are included in this area.</p>
<p>To what extent is SME’s access to finance improving thanks to the SME Guarantee Facility, in particular for SMEs requiring loans to realise their potential for growth? Very small enterprises requiring access to microcredit? SMEs requiring own-funds</p>	<p>Within the present MAP, the budget allocated to SMEG should be increased, because of its leverage effect, in due proportion of EU enlargement from EU-15 to EU-25.</p> <p>Concerning a future programme, the ICT Loan window should be closed.</p>

investments (equity) to realise their potential for growth? Small enterprises wishing to exploit new possibilities presented by the Internet and e- commerce?	
Which type of support mechanism implemented through the SME Guarantee Facility framework is the most effective and efficient to date, and why (for example suitability of eligibility criteria, guarantee policies...), in terms of its contribution to the growth, employment creation and longevity of the enterprises supported? What particular difficulties have financial intermediaries faced during the implementation of the Facility and to what extent have these been overcome?	For the current MAP, organise meetings and networking among financial intermediaries to circulate information on best practices, improvements to bring to the design and implementation mechanisms of the schemes, etc. In a future programme, the Equity Guarantee window should be maintained: it has a potential demand, especially in the new member states.
What are the actual/likely consequences in terms of SME development of improved access to loans/equity finance through the facility (SMEG)?	Concerning the present MAP: Increase the budget allocated to SMEG, because of its leverage effect, taking into account the consequences of EU enlargement (a first increase was realised in 2004, but further increases are necessary).
To what extent is the capacity of seed funds, incubators and similar organisations being strengthened by recruitment financed through the Seed Capital Action instrument? How far is this likely to stimulate the supply of capital for the creation of new businesses?	Recommendations concerning the present MAP: → SCA has to be promoted and information provided to financial organisations and intermediaries. → Develop partnerships with national and EU-level financial organisations for promoting SCA and using expertise available in these organisations. Recommendations concerning a future programme: → Eligibility of VC funds to SCA should be disconnected from the benefit of EIF investment.
To what extent has the setting up of transnational partnerships been supported by the JEV scheme ? What are the actual/likely consequences of supported partnerships on SME development and employment?	The recommendation to close JEV will be put into practice by Dec. 29, 2004.
Recommendations on possible new schemes	Recommendations with regard to possible new schemes or instruments contemplate an SBIC-like scheme, mezzanine finance schemes in SMEG aiming at facilitating transfer of business, adaptations of ETF-SU to high-technology sectors, and co-investment funds with business angels.