



***Ex post* evaluation of the MAP 2001-2005 initiative and suggestions for the CIP 2007-2013**

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Study commissioned by the Budget Committee of the European Parliament

31 August 2006

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Executive summary

Small and medium-sized enterprises (SMEs) have been defined as the “backbone of the European economy”, and are increasingly recognised as a major source of entrepreneurial skills, employment and innovation. In the EU25, some 23 million SMEs represent 99% of all enterprises, provide 75 million jobs and make a 55% contribution towards the creation of wealth: in addition, one third of employees and over two thirds of private-sector employees in Europe work in SMEs. Given their outstanding strategic importance, the European Commission has launched several policies to promote the development of SMEs, their access to finance and investment in R&D and innovation.

A prominent role among EU programmes targeting SMEs is played by the Multi-Annual Programme for Enterprise and Entrepreneurship 2001-2005 (MAP), funded by Community budget and co-financing instruments. The MAP has been extended until the end of 2006 to create a bridge with the forthcoming Competitiveness and Innovation Framework Programme (CIP), a very ambitious project that will run from 2007 to 2013.

Against this background, the Budgetary Committee of the European Parliament requested the Centre for European Policy Studies (CEPS) to evaluate the output of the MAP over the period 2000-2005 in terms of relevance, effectiveness, efficiency and utility, by highlighting the value for money of the programmes and related actions, and emphasising whether the funds dedicated to their implementation have produced the expected quantitative and qualitative effects. Moreover, CEPS was asked to provide some orientations for the future generations of programmes, namely the CIP. In carrying out these activities, we decided to focus in particular on the actions undertaken between 2001 and 2006, as they provide more relevant and consistent information on the output of the MAP initiative and, in turn, better orientation for the forthcoming CIP.

The findings of our evaluation of the MAP as well as a set of recommendations for the CIP are summarised below.

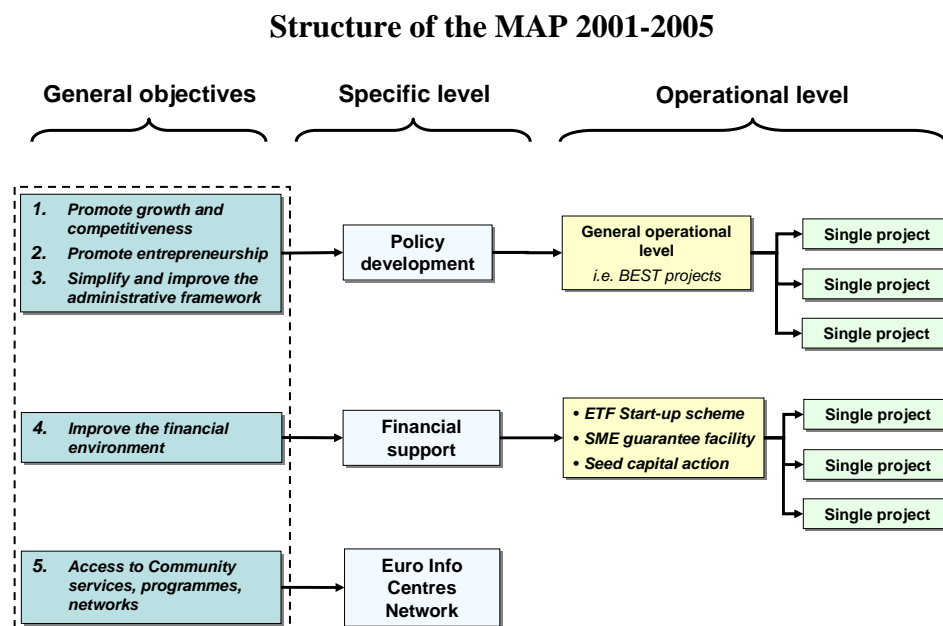
MAP: structure and budget

The MAP 2001-2005 budget amounts to around 450 million Euros. The structure of the Programme follows a specific Community intervention logic aiming at addressing all the various areas that affect European SMEs, and thus exhibits a multi-level structure stemming from general objectives to single projects. The Programme is structured along three pillars of intervention, in line with the overall goals of the Programme:

- *Policy development*: under this pillar, the Commission, in close coordination with Member States, analyses and studies how to improve the overall environment in which enterprises operate. Within this field, particular attention is paid to the Best Procedure projects whereby the Commission and national administrations actively collaborate to gain a better understanding of the various issues of concern to businesses, exchange best practices and influence relevant policy choices. For the period 2001-2003 this pillar was allocated 11.3% of the total budget.

- *Financial instruments*: this pillar contains three schemes (the start-up scheme of the European Technology Facility (ETF), the SME Guarantee Facility, the Seed Capital Action Facility) managed by the European Investment Fund, that are specifically targeted at improving the financial environment for businesses, especially SMEs, by bridging the gaps that financial markets would otherwise normally leave open, and supporting SMEs over their whole life-cycle, from the pre-seed stage to the expansion stage. A fourth financial instrument was originally envisaged, the *Joint European Venture (JEV) Programme*, but such instrument is now being phased out due to lack of success, and is thus not to be included in the components of the financial pillar. For the period 2001-2003 this pillar was allocated 70.3% of the total budget.
- *Euro Info Centres*: these Centres were set up since 1987 to act as a key interface between European institutions and local actors. EICs play two fundamental roles: on the one hand, they inform, advise and assist SMEs in all Community related services, programmes and networks; on the other, they provide feedback to the Commission on SME concerns, needs and interests. The EIC Network currently consists in 282 points in 44 countries with 269 centres in the EU25, the EEA and candidate countries and other associated structures and relay points in third countries bringing added value to the network. For the period 2001-2003 this pillar was allocated 18.4% of the total budget.

The figure below illustrates the main structure of the MAP.



Output of the MAP 2001-2005

Our *ex post* evaluation highlighted that the quality of MAP outputs varied noticeably between and within pillars and produced an overall mixed result, with some actions being particularly effective and useful for SMEs, while others still exhibit a significant margin for improvement. Our conclusions, drawn on the basis of the selected evaluation criteria, are presented below.

General comments

On a more general note, three factors played a crucial role in the overall performance of the MAP: a) the links between the different levels of the Programme's structure; b) the quality of indicators used to evaluate the single projects; and c) the general communication strategy.

First, as regards the Programme structure, in some cases the lack of a clear connection between the general goals and the specific pillars of the Programme hindered the implementation phase: problems could not always be detected in a timely manner, especially within the policy development pillar, and thus could not be solved.

Secondly, available evaluations pointed out that the indicators selected to monitor the implementation of single projects were sometimes patchy or unclear. In some cases, they failed to reveal the real state of project implementation – for the 16 policy development projects surveyed in the Commission final report, as many as 12 out of 16 participation indicators did not reveal any relevant information – while in other situations they ended up being more objectives *per se* than measurement tools, because of the lack of operational focus of the project at hand. In addition, some indicators were not linked to any specific target and thus could not fulfil their measurement task.

Finally, for what concerns the communications strategy, one of the most common criticisms elicited by the previous MAP (1997-2000) was the lack of an effective communication and dissemination strategy, both within and outside the European Commission. In the MAP 2001-2005, some progress has been made, especially as regards communication within the Commission – with some notable exceptions, such as the under-exploitation of the information provided by EICs. However, too often potential beneficiaries are unaware of the existence of the MAP. Besides generating a lack of visibility of implemented policies and thus lower appreciation scores among final beneficiaries, this lack of communication resulted sometimes in missed opportunities. Thus, the full potential of the Programme and the positive spillover effects resulting from its successful implementation have been underexploited.

Specific comments

Relevance: actions undertaken under the MAP were generally relevant, as the structure of the Programme covered some major areas of SMEs needs.

However, the three pillars seem to lack a holistic approach in supporting SMEs in their daily struggle to survive or to grow. Within the triangle of SMEs, financiers and intermediaries, the crucial role played by accountants and administrative offices (AOs) in closing the finance gap is not sufficiently addressed. These intermediaries are key in solving the problem of building the much needed credit history and financial/cash flow forecasts, and could play an important role in the credit assessment process, especially for starters and young small companies. These procedures will become more important with the coming of Basel II. A greater attention to these intermediaries could significantly decrease overhead costs (which are often prohibitive bottlenecks in the field of micro credits or small loans), at the same time significantly reducing the information asymmetry and the so-called agency problem.

Furthermore, a pillar aiming at providing a permanent education and information channel to SMEs could contribute strongly to the holistic approach adopted by the Commission. E-learning modules may prove very effective in increasing the knowledge and understanding of

new or young entrepreneurs about how the (international) business community thinks and works.

On the other hand, a number of actions undertaken under the policy development pillar can be considered less relevant, as they did not respond to any specific needs among final beneficiaries, while mobilising a considerable amount of resources. These actions include, most noticeably, one-off studies and databases.

The activities carried out by the EIC Network can, in principle, be considered to be relevant for SMEs, but the low number of SMEs reached (21%) is a bit disappointing, in particular because the reported percentage – based on the number of distributed brochures, leaflets etc. – may well overestimate the number of potential clients reached. The significant discrepancy between the reported awareness by EICs themselves (5 out of 6) and by the business organisations (3.5 out of 6) seems to confirm this finding.

Effectiveness: from this standpoint, the results of the Programme are generally satisfactory, but there is substantial room for improvement, not only in terms of final scores but also in terms of compliance with the stated intention and goals. For example, it was not possible to measure the results of the Programme in terms of its impact on employment growth, productivity, competitiveness or innovativeness of investments, let alone the rate of return on financial resources allocated to the different subsets of the Programme. Concerning the policy development pillar, significant drawbacks were caused by some small scale actions and databases.

As regards the problem of SMEs access to finance, loan and micro credit guarantee schemes and the ETF Start-Up Facility seem effective on the basis of the reported high leverage ratios. However, these ratios do not provide any information about whether the assisted companies were indeed unable to raise finance by other means. The ETF Start-Up Facility rule on the *pari passu* position of the EIF in targeted venture capital funds diminished their attractiveness for private investors. Moreover, the take-up of other instruments such as the Seed Capital Action and the equity guarantee window was slower than expected.

Finally, the EIC pillar could be rated effective as far as its informative role towards SMEs is concerned; the same cannot be said for what concerns EICs' feedback function to the European Commission, as the information made available by the EICs is still substantially underexploited at the EU level.

Efficiency: in terms of cost-effectiveness, the MAP 2001-2005 produced mixed results. The lack of a set of well defined and agreed indicators makes it impossible to quantify the results in hard numbers (as rate of return on allocated capital). Besides this general problem, as often occurs with complex programmes, every pillar includes both efficient projects with well-managed resources, and actions whose cost greatly exceeded the final output.

Evaluating the policy development pillar in terms of efficiency is difficult – if not impossible – as its expected outputs are of a qualitative nature (promoting entrepreneurship, fostering policy changes, etc.) and in most cases should be appraised in the long term. Our judgement is slightly positive with the exception of one-off studies and databases that proved to be quite expensive and hardly useful, and thus should be discontinued in the future. The evaluation of the effectiveness of the financial pillar is also affected by the failure of the JEV programme and of the ICT guarantee window, as well as by the slower take-up of the equity guarantee window and of the Seed Capital Action. In the latter case, the budget was initially overestimated and had to be reallocated: this shows the importance of designing flexible

financial instruments that can be adapted overtime to the changing needs of SMEs and to the needs of the financial community, while at the same time cutting red tape.

The EIC network scores better in terms of efficiency as only 12-15% of a centre's financial needs are covered by Community Funding. The informative gains for the European Commission are potentially very high, as reported by the responsible unit. However, in order to reach more satisfactory results in terms of cost-effectiveness, the Commission should ensure a better use and dissemination of the information provided and encoded by the Centres.

Utility: the contribution of the MAP as a response to the different needs of European SMEs varies across the three policy pillars and is, overall, only partially satisfactory. The most visible outcomes are the informative and advisory support to SMEs provided by the EICs and the funding floating mainly on the back of financial guarantee schemes. It is however, hard to identify the actual amount of undisputedly new business generated by EICs and financial schemes. On the latter point, more efforts should have been put in stimulating the development of early stage/seed capital markets, in order to bridge the valley of death more successfully. Changing the *pari passu* approach of the EIF into the targeted funds may eliminate an important bottleneck, as was indicated by interviewed stakeholders.

These findings are summarised in the table below.

Summary of findings – MAP 2001-2005

PILLAR	RELEVANCE	EFFECTIVENESS	EFFICIENCY	UTILITY
Policy development	<p><u>Generally high</u></p> <ul style="list-style-type: none"> - Successful coverage of many SMEs needs - Insufficient consideration of e-learning aspects - One-off studies and databases not responding to specific needs of final beneficiaries 	<p><u>Mixed</u></p> <ul style="list-style-type: none"> - Highly effective best projects - Ineffective one-off studies and databases - Strong influence of the political dimension on some projects - Impact of weak indicators strongly felt in this pillar 	<p><u>Mixed</u></p> <p>with some results visible only in the long term:</p> <ul style="list-style-type: none"> - On average projects were efficient with an acceptable average cost <p>Small scale measures, one-off studies and databases mobilised considerable resources without reaching many final beneficiaries</p>	<p><u>Very high</u></p> <p>for best projects with clearly defined goals</p> <p><u>Mixed</u></p> <p>for measures with a strong political component or with weak indicators</p> <p><u>Low</u></p> <p>for one-off studies, databases and some small scale measures</p>
Financial instruments	<p><u>Mixed</u></p> <p>High for loan and good for microcredit guarantee schemes and ETF-SU facility as they addressed the need for easier access to finance of SMEs.</p> <p>SMEs financial needs in the pre-seed and expansion phase not covered</p> <p>The role of intermediaries is insufficiently considered</p>	<p><u>Mixed</u></p> <p>High for loan guarantee window. Satisfactory for microcredit guarantee window. Partially disappointing for ETF-SU scheme, due to <i>pari passu</i> approach</p> <p>Slow take up of equity guarantee window and SCA</p> <p>Failure of JEV and ICT guarantee window</p>	<p><u>Mixed</u></p> <p>High for loan and microcredit guarantee windows and ETF-SU scheme</p> <p>Flexibility allowed efficient reallocation of overestimated SCA budget</p> <p>Slow take up of equity guarantee window</p> <p>Failure of JEV</p>	<p><u>Very high</u></p> <p>for successful schemes: increased access to finance and FI taking higher risks</p> <p><u>Low</u> for the disappointing initial performance of SCA</p> <p>JEV not yet replaced, while SMEs international cooperation still needs to be supported</p> <p>Need to change the EIF <i>pari passu</i> approach</p>
EIC Network	<p><u>Very high</u></p> <p>The Network responds to information needs of both SMEs and the European Commission, however the percentage of SMEs reached could be improved</p>	<p><u>High</u></p> <p>for informative role to SMEs, provision of advisory services, adequate compensation of weak centres</p> <p><u>Lower</u> but promising for feedback function due to undergoing cultural change within the EC</p>	<p><u>High</u></p> <p>The EC covers only a small portion of EICs funding needs while informative gains are potentially very high. A better exploitation of the feedback function would ensure an even higher score in terms of efficiency</p>	<p><u>High</u></p> <p>for the informative role towards SMEs. Weak centres should be reinforced</p> <p><u>Low</u> but promising for the feedback function as encoded information is already available</p>

Suggestions for the forthcoming CIP (2007-2013)

The Competitiveness and Innovation Framework Programme (CIP) will bring together as many as nine existing EU initiatives supporting competitiveness, productivity and innovation. The CIP will cover the 2007-2013 timeframe and has a budget of € 3,621 billion, approved by the European Parliament on June 1, 2006. On an annual basis, this represents a budget increase of 60% compared to 2006 under the various equivalent predecessor programmes. It is expected that more than 350,000 enterprises will benefit from the new Financial Instruments under CIP. The CIP will be implemented through three specific sub-programmes, including the Entrepreneurship and Innovation Programme (EIP) that is the direct follow-up of the activities carried out under the MAP 2001-2005.

On the basis of our findings and the recommendations provided by previous studies and interviewed stakeholders, we suggest that the following aspects be taken into account to ensure that the CIP achieves its ambitious goals:

- The broad scope of the Programme might diminish the impact and effectiveness of its single components/pillars. *Thus, focusing on key or overriding objectives, instead of a broad array of objectives, is commended for the forthcoming CIP. This should be backed by a holistic approach, the use of well articulated strategies and well-designed performance indicators. For measuring performance it is of utmost importance to create benchmarks right from the outset. Furthermore, the link between overall objectives and specific goals should be carefully substantiated by providing clear guidelines for the different actions in order to prevent budgetary misallocations.*
- As regards financial instruments, the overriding goal should be closing the equity gap by initially tapping new sources of equity funding via the introduction of new financial instruments on public markets, and then stimulating the traditional bank channels to also access equity finance, by professionalising their credit assessment systems and staff and adjusting their prices to public markets levels.
- Previous experience underlined the importance of correction mechanisms and flexibility when ineffective planning, unforeseen market developments or budgetary misallocations have to be adjusted. In this respect, *frequent and effective internal feedback mechanisms and the exchange of best practices at the level of project management should be ensured to solve in a timely and effective manner problems arising during the implementation phase.*
- The broader scope of the CIP might create further problems in terms of communication and dissemination of achieved results. As a consequence, *an adequate communication strategy, right from the beginning, is also recommended. The possibility of setting up a dedicated budget line for this purpose should be considered, together with a greater involvement of business associations in the dissemination strategy.*

Moreover, more specific recommendations are:

- Initiate new direct support projects for the internationalisation of SMEs (for instance understanding social and business culture and business risks of foreign markets).
- Initiate projects to foster trust between money-seeking companies (especially starters and small companies), financial actors and intermediaries (accountants and AOs) to stimulate a better cooperation in assessing credit risks, building credit histories and future financial development. This would increase the availability of finance and facilitate the decision making process (slashing overhead costs and time lines).

- Initiate projects to stimulate the introduction of new financial instruments to tap new sources of equity funding.
- Initiate an e-learning project to professionalise SMEs in doing business while making them more accustomed to the use digital strategies for growing their business.
- Adequate human and financial resources should be dedicated to the EICs, which have proven to be effective and efficient, whereas least performing EICs should be allocated a lower share of Community funding. This also implies the setting up of monitoring tools to identify best and worst performing EICs.
- The Commission should ensure that the feedback contribution provided by the EICs is used and fulfils its potential as a tool to monitor the effectiveness and efficiency of implemented activities.
- There should be stronger coordination (but not overlap) between the CIP and the RTD Framework Programme.
- Strong coordination with the JEREMIE programme should be ensured to magnify the impact of Community intervention on the development of venture capital markets in Europe.

Notes de synthèse

Les petites et moyennes entreprises (PME) ont été définies comme « la colonne vertébrale de l'économie européenne », et sont de plus en plus reconnues pour être une source majeure d'emploi, d'innovation et d'entrepreneuriat. Au sein de l'UE 25, 23 millions de PME représentent 99% des entreprises, fournissent 75 millions d'emplois et contribuent à la création de 55% de la richesse. De plus, un tiers des employés et plus de deux-tiers des employés dans le secteur privé en Europe travaillent dans des PME. Etant donné l'importance stratégique des PME, la Commission Européenne a initié plusieurs politiques visant à promouvoir le développement des PME, l'accès au financement et l'investissement dans le R&D et l'innovation.

Un rôle prééminent parmi les programmes de l'UE visant les PME est joué par le Programme Multi annuel pour les Entreprises et l'Entrepreneuriat 2001-2005 (MAP), financé par le budget Communautaire et par des instruments de cofinancements. Le MAP a été prolongé jusqu'à la fin 2006 afin d'assurer une continuité avec le Programme-cadre pour l'Innovation et la Compétitivité (CIP), un projet très ambitieux qui sera en application de 2007 à 2013. C'est dans ce contexte que le Comité budgétaire du Parlement Européen a demandé au Centre for European Policy Studies (CEPS) d'évaluer les résultats du MAP sur la période 2000-2005 en termes de pertinence, d'efficacité, d'efficience et d'utilité, en soulignant la rentabilité des programmes et de leurs actions. En outre un effort particulier sera dédié à l'évaluation de l'allocation des fonds et si l'implémentation a produit les effets quantitatifs et qualitatifs attendus. Par ailleurs, CEPS a été chargé de fournir des orientations pour les générations futures de programmes, notamment le CIP. En effectuant ces activités, nous avons décidé de nous concentrer tout particulièrement sur les actions entreprises entre 2001 et 2006, puisqu'elles fournissent l'information pertinente et consistante avec les résultats de l'initiative MAP et par conséquent contribueront à une meilleure orientation pour le CIP imminent.

Les conclusions de notre évaluation du MAP tout comme l'ensemble de recommandations pour le CIP sont résumées ci-dessous.

MAP: structure et budget

Le budget du MAP 2001-2005 s'élève à 450 millions d'euro. La structure du programme suit une logique d'intervention Communautaire spécifique visant à couvrir tous les domaines affectant les PME européennes. La structure du Programme comporte donc plusieurs niveaux allant des objectifs généraux vers les projets individuels. Le Programme est structuré selon trois piliers d'intervention qui sont en accord avec les buts généraux du programme.

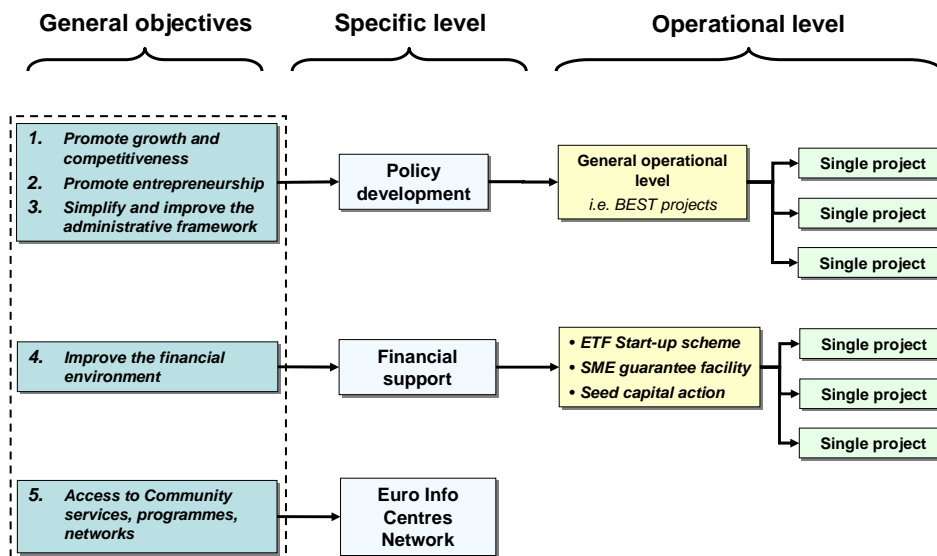
- *Politique de développement* : selon ce pilier, la Commission en étroite collaboration avec les Etats membres, analyse et étudie comment améliorer l'environnement global dans lequel les entreprises opèrent. Dans ce domaine, une attention particulière est accordée aux 'Best Procedure projects' qui permettent à la Commission et aux administrations nationales de collaborer activement afin de gagner une meilleure compréhension des différents problèmes affectant les entreprises, afin d'échanger les méthodes optimales et d'influencer les choix politiques pertinents. Pour la période 2001-2003, 11,3% du budget a été alloué à ce pilier.
- *Instruments financiers* : Ce pilier contient trois schémas (le schéma start-up de la 'European Technology Facility' (ETF), le 'SME Guarantee Facility', le 'Seed Capital

Action Facility’ gérés par le Fond Européen d’Investissement (FEI), qui cherchent à améliorer l’environnement financier des entreprises , tout particulièrement des PME, en comblant les failles que les marchés financiers laissent ouvertes, et à aider les PME sur l’ensemble de leur cycle de vie, de la phase d’amorçage à la phase d’expansion. Un quatrième instrument, le programme *Joint European Venture* (JEV) initialement prévu a été abandonné à cause de son manque de succès, et ne devrait donc pas être considéré parmi les éléments du pilier financier. Sur la période 2001-2003, 70,3% du budget a été alloué à ce pilier.

- *Réseau Euro Info Centres (EICs)* : Ces centres ont été institués depuis 1987 afin d’agir en tant qu’interface entre les institutions européennes et les acteurs locaux. EICs jouent deux rôles fondamentaux : d’un côté, ils informent, conseillent et assistent les PME dans tous les domaines liés à l’Europe ; d’un autre ils délivrent un feedback à la Commission sur les problèmes, les besoins et les intérêts propres aux PME. Le réseau EIC se compose actuellement de 282 centres dans 44 pays dont 269 dans l’UE 25, l’EEA et les pays candidats, de structures associées ainsi que des relais dans des pays tiers qui apportent de la valeur ajoutée au réseau. Sur la période 2001-2003, 18,4% du budget a été alloué à ce pilier.

Le tableau suivant illustre la structure du MAP.

La structure du MAP 2001-2005



Résultats du MAP 2001-2005

Notre évaluation ex-post a démontré que la qualité des résultats du MAP a varié considérablement au sein de chaque pilier et entre les piliers. En général, le Programme a produit un résultat mitigé, certaines actions étant particulièrement efficaces et utiles pour les

PMEs, alors que d'autres présentent une marge significative d'amélioration. Nos conclusions reposent sur les critères d'évaluation sélectionnés et sont présentées ci-dessous.

Commentaires généraux

En général, trois facteurs ont joué un rôle clef dans la performance générale du MAP : a) les liens entre les différents niveaux de la structure du Programme ; b) la qualité des indicateurs utilisée pour évaluer les projets individuels, et c) la stratégie générale de communication.

Premièrement dans certains cas le manque de liens clairs entre les buts généraux et les piliers spécifiques du Programme a gêné la phase d'implémentation : les problèmes n'ont pas toujours été identifiés à temps, tout particulièrement au sein du pilier de la politique de développement, ce qui en a empêché la correction. Deuxièmement, les évaluations disponibles ont souligné que les indicateurs sélectionnés pour superviser l'implémentation des projets individuels étaient parfois lacunaires et pas clairs. Dans certains cas, ils n'ont pas révélé l'état réel de l'implémentation du projet – pour 16 projets portant sur la politique de développement évalués dans le rapport final de la Commission, 12 sur 16 indicateurs de participations ne contenaient pas d'informations pertinentes – alors que dans d'autres situations, ils sont devenus des objectifs en soi, plutôt que des outils de mesure, à cause du manque de focus opérationnel du projet. De plus, certains indicateurs n'étaient pas liés à des objectifs spécifiques et ne pouvaient donc pas accomplir leur rôle de mesure.

Finalement, en ce qui concerne la stratégie de communication, une des critiques les plus mentionnées au sujet du MAP précédent (1997-2000) était l'absence d'une stratégie de communication et de dissémination efficace - au sein tout comme à l'extérieur de la Commission. Au sein du MAP 2001-2005, certains progrès ont été faits, tout particulièrement eut égard de la communication au sein de la Commission – avec certaines exceptions, telle que la sous-exploitation de l'information fournie par les EICs. Cependant, trop souvent les bénéficiaires potentiels ne sont pas conscients de l'existence du MAP. En sus du manque de visibilité des politiques implémentées et de la diminution des scores d'appréciation conséquente parmi les bénéficiaires finaux, ce manque de communication a parfois engendré des opportunités perdues. Par conséquent, la totalité du potentiel de ce Programme et les externalités positives résultant de sa bonne implémentation ont été sous-exploités.

Commentaires spécifiques

Pertinence : Les actions entreprises sous le MAP étaient généralement pertinentes, la structure du Programme ayant couvert les besoins essentiels des PME.

Cependant, les trois piliers semblent manquer d'une approche holistique envers les PME pour combler leur besoin de croissance et de survie quotidien. Au sein du triangle des PME, des financiers et des intermédiaires, le rôle crucial joué par les comptables les Bureaux Administratifs (AOs) pour résoudre le déficit de financement n'a pas été suffisamment comblé. Ces intermédiaires jouent un rôle-clef dans la résolution du problème de construction de l'histoire de crédit et des prévisions de cash flow qui sont si nécessaires, et pourraient jouer un rôle important dans le processus d'évaluation du crédit, tout particulièrement pour les jeunes petites entreprises et les start-ups. Ces processus ont gagné en importance avec l'arrivée de Bâle II. L'accord d'une attention particulière aux intermédiaires pourrait significativement réduire les coûts généraux (qui sont souvent des goulots d'étranglement

prohibitifs dans le domaine du micro crédit et de petits prêts), tout en réduisant significativement l'asymétrie d'information et le problème principal-agent.

De plus, l'existence d'un pilier qui fournirait une éducation permanente et un canal d'information aux PME contribuerait fortement à l'adoption d'une approche holistique de la part de la Commission. Les jeunes entrepreneurs pourraient accroître efficacement leur savoir et leur compréhension des modalités de travail et de fonctionnement de la communauté internationale par le biais de projets d'E-learning.

Certaines des actions entreprises dans le cadre du pilier de la politique de développement sont moins pertinentes, puisqu'elles ne répondent pas à des besoins spécifiques des PME, alors qu'elles ont mobilisé un montant considérable de ressources. Ces actions incluent, plus particulièrement des études *una tantum* et des bases de données.

En principe, les activités menées par le réseau EIC peuvent être considérées comme pertinentes pour les PME, mais le faible nombre de PME atteintes par ces activités (21%) est décevant, tout particulier car le pourcentage reporté se réfère au nombre de brochures et d'imprimés publicitaires distribués, etc. ce qui pourrait mener à une surestimation du nombre de clients potentiels atteints. L'anomalie significative entre le niveau d'information sur les EICs reportée par le réseau lui-même (5 sur 6) et par les entreprises (3.5 sur 6) semble confirmer cette conclusion.

Efficience : De ce point de vue, les résultats du Programme sont en général satisfaisant, mais il existe un marge significative d'amélioration, pas seulement en termes de scores finaux mais aussi en termes de conformité avec les intentions et les buts mentionnés. A titre d'exemple, il n'a pas été possible de mesurer les résultats du Programme en termes d'impact sur la croissance de l'emploi, de productivité, de compétitivité, d'investissements innovants et moins encore le taux de rendement des ressources financières allouées aux différents sous parties du Programme. En ce qui concerne le pilier de la politique de développement, des failles significatives ont été générées par la taille trop restreinte de certaines actions et par les coûts élevés d'autres projets tels que les bases de données.

En ce qui concerne le problème de l'accès au financement des PME, des schémas de garantie pour des prêts et des micro crédits ainsi que le schéma 'ETF Start-up' semblent effectifs si l'on se réfère aux ratios de leviers élevés reportés. Cependant, ces ratios ne révèlent pas si les entreprises assistées étaient réellement incapables de trouver des moyens de financement alternatifs. La réglementation des modalités de participation du FEI établit une approche *pari passu* au sein du schéma ETF Start-Up ce qui a diminué l'attractivité des fonds de capital-risque pour les investisseurs privés. Par ailleurs, le démarrage d'autres instruments comme la 'Seed Capital Action' et le 'ICT' et la 'Equity Guarantee Windows' était plus lent qu'attendu.

Finalement, la fonction du pilier EIC envers les PME pourrait être évaluée effectivement tant que son rôle informatif est concerné; la même chose ne peut pas être affirmé en ce qui concerne la fonction de feedback du réseau vis-à-vis de la Commission, l'information fournie par les EICs étant substantiellement sous-exploitée au niveau de l'UE.

Efficacité : En termes d'efficacité-coût, le MAP 2001-2005 a produit des résultats mitigés. Le manque d'un ensemble d'indicateurs bien définis rend la quantification des résultats chiffrés impossible (en tant que rendement du capital alloué). Mis à part ce problème général, comme

c'est souvent le cas pour des programmes complexes, chaque pilier inclut des projets efficaces où les ressources ont été bien gérées, et des actions dont le coût excède largement le résultat.

L'évaluation en termes d'efficacité du pilier de politique de développement est difficile, voir même impossible, les résultats attendus étant d'une nature purement qualitative (promouvoir l'entrepreneuriat, stimuler la modification de politiques, etc.) et dans la majorité des cas ils devraient être estimés sur le long terme. Notre jugement est positif avec certaines réservations, sauf pour les études *una tantum* et les bases de données qui sont onéreuses et peu utiles ; elles devraient donc être abandonnées dans le futur. L'évaluation de l'efficacité du pilier financier est aussi affectée par la défaillance du programme JEV et du 'ICT Guarantee Window', tout comme par la lenteur du démarrage du 'Equity Guarantee Window' et du 'Seed Capital Action'. Le budget du dernier schéma a été initialement surestimé et a dû être réalloué : ceci souligne l'importance de la construction d'instruments financiers flexibles qui peuvent être adaptés au fur et à mesure du temps aux besoins variables des PME et aux besoins de la communauté financière, tout en réduisant les formalités administratives.

Le réseau EIC a obtenu des meilleurs scores en termes d'efficacité puisque seulement 12-15% des besoins financiers des centres sont couverts par le financement Communautaire. Les gains informatifs pour la Commission Européenne sont potentiellement très élevés, comme le signale l'unité responsable. Cependant, afin d'atteindre des résultats plus satisfaisants en termes d'efficacité-coût, la Commission devrait assurer une meilleure utilisation et dissémination de l'information fournie et encodée par les centres.

Utilité : La réponse du MAP aux besoins différents des PME européennes varie entre les trois piliers et est en général seulement partiellement satisfaisante. Les résultats les plus visibles sont le soutien informatif et de conseil fournis aux PME par les EICs et l'apport des schémas de financement garantis. Cependant, il est difficile d'identifier la quantité réelle de nouvelles opportunités économiques générées par les EICs et les schémas financiers. Sur ce dernier point, plus d'efforts auraient dû être accordés pour stimuler le développement de marchés des capitaux d'amorçage, afin d'aider les PME à subvenir avec plus succès à 'la vallée de la mort'. La modification de l'approche *pari passu* du EIF dans des fonds ciblés pourrait réduire le nombre de goulots d'étranglement, comme indiqué par les intéressés interviewés.

Nos conclusions sont résumées dans le tableau ci-dessous.

Principaux résultats de l'évaluation – MAP 2001-2005

PILIER	PERTINENCE	EFFICIENCE	EFFICACITE	UTILITE
Politique de développement	<p><u>Généralement élevée</u></p> <ul style="list-style-type: none"> - MAP couvre de nombreux besoins des PME - Considération insuffisante des aspects liés à l'e-Learning - Les études <i>una tantum</i> et les bases de données ne répondent à aucun besoin spécifique des PME 	<p><u>Mitigée</u></p> <ul style="list-style-type: none"> - 'best projects' très efficaces - Inefficacité des études <i>una tantum</i> et des bases de données - Influence considérable de facteurs politiques sur la réussite de certains projets - Forte incidence de la faiblesse des indicateurs sur ce pilier d'intervention 	<p><u>Mitigée</u></p> <p>Avec certains résultats visibles seulement sur le long-terme:</p> <ul style="list-style-type: none"> - En moyenne les projets ont été efficaces et ont un coût moyen acceptable - La taille trop restreinte de certaines actions, les études <i>una tantum</i> et les bases de données ont mobilisé beaucoup de ressources sans produire un impact significatif sur les PME. 	<p><u>Très élevée</u></p> <p>Pour les 'best projects' avec des objectifs clairement définis</p> <p><u>Mitigée</u></p> <p>Pour les actions avec une forte composante politique ou des indicateurs faibles</p> <p><u>Basse</u></p> <p>Pour les études <i>una tantum</i>, les bases de données et la taille trop restreinte de certaines actions</p>
Instruments financiers	<p><u>Mitigée</u></p> <p>Elevée pour les schémas de garantie pour les prêts et bonne pour les schémas de garantie pour le microcrédit et le schéma ETF-SU: ces instruments répondent au besoin d'une facilitation de l'accès au financement pour les PME.</p> <p>Les besoins financiers des PME en termes de capital d'amorçage et d'expansion ne sont pas couverts</p> <p>Le rôle des intermédiaires financiers n'est pas suffisamment considéré</p>	<p><u>Mitigée</u></p> <p>Elevée pour le schéma de garantie pour les prêts.</p> <p>Satisfaisante pour le schéma de garantie pour le microcrédit.</p> <p>Partiellement décevante pour le schéma ETF-SU à cause de la règle <i>pari passu</i></p> <p>Démarrage lent du schéma equity garantie et de la SCA</p> <p>Faillite du JEV et du schéma de garantie ICT</p>	<p><u>Mitigée</u></p> <p>Elevée pour les schéma de garantie pour les prêts et le micro-crédit et le schéma ETF-SU</p> <p>Une approche flexible a permis la redistribution efficiente du budget initialement surestimé et destiné au schéma SCA</p> <p>Démarrage lent du schéma equity garantie</p> <p>Faillite du JEV</p>	<p><u>Très élevée</u></p> <p>Schémas à succès: l'accès au financement a cru pour les PME et le intermédiaires Financiers ont pris plus de risques.</p> <p><u>Basse</u></p> <p>A cause de la performance initiale plutôt décevante du SCA</p> <p>La JEV n'a pas encore été remplacée alors que la coopération internationale entre PME a toujours besoin de support</p> <p>Nécessité de changer l'approche <i>pari passu</i> du EIF</p>
Réseau EIC	<p><u>Très élevée</u></p> <p>Le Réseau répond aux besoins d'informations des PME et de la Commission Européenne. Le pourcentage de PME bénéficiant du Réseau pourrait être amélioré</p>	<p><u>Elevée</u></p> <p>Pour fournir de l'information et des conseils aux PME. Le Réseau compense adéquatement les centres faibles</p> <p><u>Plus basse</u> mais prometteuse en ce qui concerne le rôle de feedback du Réseau, grâce au changement de culture en cours au sein de la Commission Européenne</p>	<p><u>Elevée</u></p> <p>La Commission couvre seulement une partie minimale des besoins de financement du Réseau, alors que les gains en terme d'information sont potentiellement très élevés. Une meilleure exploitation de la fonction de feedback accroîtrait les résultats du réseau en termes d'efficience</p>	<p><u>Elevée</u></p> <p>Pour le rôle d'information envers les PME.</p> <p>Les centres faibles devraient être renforcés.</p> <p><u>Basse</u> en ce qui concerne le rôle de feedback du Réseau, car certaines informations sont déjà codifiées et disponibles au sein des services de la Commission</p>

Suggestions pour le CIP (2007-2013)

Le Programme-cadre pour l'Innovation et la Compétitivité (CIP) réunira neuf initiatives existantes au niveau européen, qui soutiennent la compétitivité, la productivité et l'innovation. Le CIP couvrira la période 2007-2013 et aura un budget de € 3,621 billion, budget qui a été approuvé par le Parlement Européen le 1 Juin 2006. Sur une base annuelle, ceci représente un accroissement du budget de 60%, en comparaison avec la contribution financière destinée aux programmes équivalents en 2006. On estime que plus de 350,000 entreprises vont bénéficier des nouveaux instruments financiers sous le CIP. Le Programme sera mis en place grâce à trois sous-programmes spécifiques, comprenant entre autres le sous-programme pour l'Innovation et l'Esprit d'Entreprise (EIP) qui est le successeur direct des activités couvertes par le MAP 2001-2005.

Sur la base de nos conclusions et des recommandations fournies par des études antérieures et par les intéressés au cours d'interviews, nous suggérons de prendre en considérations les aspects suivants, afin de garantir que CIP atteigne ses objectifs ambitieux:

- La large ampleur du Programme pourrait diminuer l'impact et l'efficacité de ses composantes. *Il est donc impératif pour le CIP de se concentrer sur des objectif-clefs et non sur un ensemble de buts trop large.* De plus, cette intention devrait être accompagnée d'une approche holistique, de stratégies bien articulées et d'indicateurs de performance bien construits. Afin de véritablement mesurer les performances, la création de benchmarks dès le début du Programme est fondamentale. En outre, le lien entre les objectifs globaux du programme et ses buts spécifiques doit être attentivement coordonné en fournissant des indications claires pour chaque action, dans le but d'éviter des allocations erronées du budget.
- En ce qui concerne les instruments financiers, le but principal est de fermer 'l'equity gap' en captant de nouvelles sources de financement par actions, en introduisant de nouveaux instruments financiers sur les marchés publics, ainsi qu'en incitant les intermédiaires du secteur bancaire à les financer, en professionnalisant leurs systèmes d'évaluation du crédit, leurs ressources humaines ainsi qu'en ajustant leur prix au niveau de ceux du marché public.
- L'expérience passée souligne l'importance des mécanismes de correction et de la flexibilité quand aux besoins d'ajuster une planification inefficace, des développements imprévus du marché ou une mauvaise allocation du budget se présente. Par conséquent, *des systèmes de feedback internes fréquents et effectifs et l'échange de 'best practices' au niveau de la gestion des projets doivent être assurés pour pouvoir résoudre à temps et avec efficacité les problèmes qui surgissent lors de l'implémentation du Programme.*
- L'ampleur plus large du CIP pourrait créer de nouveaux problèmes en termes de communication et de dissémination des résultats obtenus. *Une stratégie de communication adéquate est donc recommandée. La possibilité d'envisager une ligne budgétaire spécifique à la communication devrait être prise en considération, ainsi qu'une participation majeure des représentants des entreprises dans la stratégie de dissémination.*

Par ailleurs, nos recommandations plus spécifiques sont les suivantes:

- Lancer un nouveau projet de support direct pour l'internationalisation des PME (afin de leur permettre de comprendre la culture et les risques de gestion propres aux marchés étrangers)
- Lancer des projets pour améliorer la confiance entre les entreprises en besoin de financement (start-up et petites entreprises), acteurs financiers et intermédiaires (comptables et AOs) afin de stimuler une meilleure coopération en évaluant les risques de crédit, en établissant les historiques de crédit et les développements financiers futurs afin d'accroître la disponibilité financière et de faciliter le processus décisionnel (réduire les coûts généraux et l'attente).
- Lancer des projets pour stimuler l'introduction de nouveaux instruments financiers pour apporter des nouvelles sources de financement à l'aide d'actions.
- Lancer un projet sur d'E-learning pour professionnaliser les PME dans leur activité entrepreneuriale tout en les familiarisant à l'utilisation de solutions digitales pour le croissance de leur entreprise.
- Des ressources humaines et financières adéquates doivent être allouées aux EICs qui se sont avérées efficaces et efficientes. Au contraire les EICs les moins performants devraient percevoir une plus faible part de financement Communautaire. Ceci implique aussi la création d'outils de contrôle pour identifier les centres qui performent et ceux qui ne performent pas.
- La Commission devrait garantir que le feedback fourni par les EICs soit utilisé et remplisse son potentiel en tant qu'outil de contrôle de l'efficacité et de l'efficacité des activités implémentées.
- Il devrait y avoir une coordination plus intense (sans juxtapositions) entre le CIP et le Programme cadre RTD.
- Une coordination plus intense avec le programme JEREMIE devrait être garanti pour amplifier l'impact de l'intervention Communautaire sur le développement des marchés pour le capital risque en Europe.

***Ex post* evaluation of the MAP 2001-2005 initiative and suggestions for the CIP 2007-2013**

Andrea Renda
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1 Introduction

Small and medium-sized enterprises (SMEs) have been defined as the “backbone of the European economy”, and are increasingly recognised as a major source of entrepreneurial skills, employment and innovation.¹ In the EU25, some 23 million SMEs represent 99% of all enterprises, provide 75 million jobs and make a 55% contribution towards the creation of wealth: in addition, one third of employees and over two thirds of private-sector employees in Europe work in SMEs. Given their outstanding strategic importance, the European Commission has launched several policies to promote the development of SMEs in a number of policy fields, from access to finance to support for investment in R&D and innovation, from policy development initiatives to more direct financial instruments aimed at improving the business environment in which enterprises operate. Many of these policy interventions build on the European Charter for Small Enterprises, a key instrument of political encouragement and follow-up². At a more operational level, the most important and comprehensive initiative undertaken in the past few years is the Multi-Annual Programme for Enterprises and Entrepreneurship (MAP), extended until the end of 2006 to pave the way for an even more ambitious programme, the Competitiveness and Innovation Framework Programme (CIP), which will run from 2007 to 2013.

Against this backdrop, the Budgetary Committee of the European Parliament requested the Centre for European Policy Studies (CEPS) to analyse the output of the MAP over the period 2000-2005 and the prospects for the CIP programme 2007-2013 in the area of SMEs financed by the Community budget as well as through co-financing instruments. This study illustrates the main findings of the analysis undertaken, and aims at: a) highlighting the “value for money” of the programmes and related actions; b) assessing whether the funds dedicated to their implementation have produced the expected quantitative and qualitative effects; and c) giving orientations for the new generation of programmes beyond 2006 (CIP) based on the evaluation of the ones terminating, with an emphasis on the impact of budget instruments on the development of SMEs and the need for simplification and rationalisation of Community

¹ According to the latest definition, valid from 1 January 2005, SMEs are enterprises, which alone or with other partners employ fewer than 250 persons and which have an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million (27 million in the previous definition, dated 1996). The definition covers any legal entity engaged in economic activity, irrespective of its form – therefore, also self-employed entrepreneurs, single member companies, family firms, unlimited or limited partnerships, non-profit distributing, associations regularly engaged in economic activities, etc. See European Commission Recommendation 2003/361/EC of 6 May 2003, concerning the definition of SME, OJ L 124, 20/05/2003, p. 36.

² For further details, see: http://ec.europa.eu/enterprise/enterprise_policy/charter/index_en.htm.

instruments, improvement of the business environment, innovation, policy analysis, development and coordination of SMEs.

This *ex post* evaluation was carried out on the basis of four main dimensions, namely: relevance, effectiveness, efficiency and utility. We define these dimensions as follows:

- The *relevance* dimension measures the extent to which the objectives of public intervention proved appropriate with respect to the funds available, the needs perceived and the specific problems the intervention was meant to solve.
- The *effectiveness* dimension is the extent to which the effects of a given programme have contributed to the achievement of the specific objectives of the intervention.
- The *efficiency* dimension is to be interpreted as “cost-effectiveness”, i.e. how economically have the various inputs been converted into outputs and results; and whether the (expected) effects have been obtained at a reasonable cost.
- Finally, accounting for the *utility* dimension means assessing whether the impacts achieved by an intervention correspond to the needs and problems identified at the outset.

The remaining part of this study is structured in three main parts: section 2 presents the structure, the goals and the expected results of MAP and related actions. Section 3 provides an evaluation of the MAP and of its main components. Section 4 provides a preliminary assessment of the main changes introduced in the CIP and some suggestions for future programmes.

Note on methodology

This evaluation has been carried out during the period July-August 2006 with the help of desk work, expert consultation, and interviews of relevant stakeholders representing both European institutions and the business community. Information was primarily collected through desk work and on the basis of available documents, reports, studies, publications and evaluations of the targeted programmes by the European Commission and external evaluators. Interviews with relevant stakeholders were carried out to update available data and to gather view on the MAP and relevant suggestions for the forthcoming CIP. We seize this occasion to thank all the interviewees and contacted persons that provided the Centre for European Policy Studies with helpful information and contributed with their time and knowledge to this report.

2 General overview of the MAP 2001-2005

The Multi-Annual Programme for enterprise and entrepreneurship and in particular for small and medium-sized enterprises 2001-2005 (MAP)³ is the follow-up of a similar Community initiative running from 1997 to 2000.⁴ The MAP was launched by the European Commission in co-operation with EU member states, candidate and EFTA/EEA countries to promote and support productive entrepreneurial activity in Europe and improve the business environment in which enterprises operate. The Programme has been extended until the end of 2006 to create a bridge with the forthcoming Competitiveness and Innovation framework Programme 2007-2013 (CIP).

The structure of the MAP 2001-2005 follows a specific Community intervention logic aiming at addressing all the various areas that affect European SMEs and is thus articulated in a set of levels stemming from general objectives to single projects.⁵

The Programme is articulated along five general objectives⁶:

1. To enhance the growth and competitiveness of business;
2. To promote entrepreneurship;
3. To simplify and improve the administrative and regulatory framework for business;
4. To improve the financial environment for SMEs;
5. To give business easier access to Community support services, programmes and networks.

In addition to these objectives, it is worth recalling that MAP is also an instrument conceived to foster the implementation of the ten Action Lines of the European Charter for Small Enterprises.⁷

The five objectives, in turn, can be grouped into three different pillars/instruments that set the foundations of the operational part of the Programme. The three pillars constitute what could be defined as the “intermediate” level of MAP, whose role is to provide specific orientation for subsequent activities and to refine the five general goals mentioned above. More in detail, the first three general objectives compose the “policy development” pillar; the fourth objective constitutes the “financial” pillar of the Programme; and the fifth general objective is pursued through the “Euro Info Centres Network”. These three pillars of the intermediate level of the Programme are described below.

³ Council Decision (2000/819/EC) of 20 December 2000 and amended by the Decision (1776/2005/EC) of the European Parliament and of the Council of 28 September 2005 on a multi-annual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2006).

⁴ The 3rd Multiannual Programme for SMEs in the European Union (1997-2000), adopted with Council Decision of 9 December 1996, 97/15/EC, OJ L6, 10/01/1997, p. 25-31. For further details, see European Commission, Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, *Report on the evaluation of the 3rd Multiannual Programme for SMEs in the European Union (1997-2000)*, COM (99) 319.

⁵ For further details, see European Commission, Enterprise Directorate-General, *Multi-annual Programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (2001-2005) – MAP, Intermediate Evaluation, Final Report*, 2003, (hereinafter *Intermediate Evaluation*), p. 14.

⁶ These objectives are outlined in Council Decision 2000/819/EC and its Annex I, establishing the Programme and clarifying its goals.

⁷ See the Action Lines at http://ec.europa.eu/enterprise/enterprise_policy/charter/index_en.htm.

- ***The policy development pillar:*** the Commission, in close coordination with Member States, analyses and studies how to improve the overall environment in which enterprises operate. Within this field, particular attention is paid to the Best Procedure projects, whereby the Commission and national administrations actively collaborate to gain a better understanding of the various issues of concern to businesses, exchange best practices and influence relevant policy choices.
- ***The financial pillar*** contains schemes, managed by the European Investment Fund, that are specifically targeted at improving the financial environment for businesses, especially SMEs, by bridging those gaps that financial markets would otherwise normally leave open. These are perceived gaps that strongly suggest market failures. This pillar can be further broken down in three main facilities:
 - *the start-up scheme of the European Technology Facility (ETF)*, which supports the establishment and financing of SMEs in their start-up phase by investing in relevant specialised venture capital funds and by supporting the establishment and development of business incubators;
 - *the SME Guarantee Facility*, designed to facilitate (and increase the availability of) access to debt finance for small companies with job creation potential in Europe;
 - *the Seed Capital Action Facility*, designed to stimulate the supply of capital for the creation of innovative new businesses with growth and employment creation potential, through support (e.g., long-term recruitment of additional investment managers) for seed funds, incubators or similar organisations.

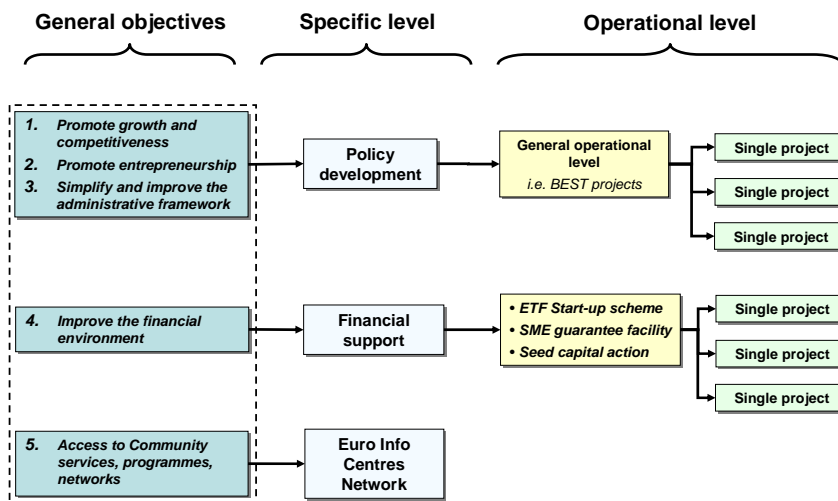
In addition, a fourth financial instrument was originally envisaged, the *Joint European Venture (JEV) Programme*, with the aim of promoting trans-national cooperation between European enterprises. Such instrument, however, is now being phased out due to lack of success, and is thus not to be included in the components of the financial pillar.

- ***The Euro Info Centres*** represent an interface between European institutions and local actors. Their task is to inform, advise and assist SMEs in all Europe-related areas while taking into account the great variety of enterprises concerned, so that, either directly or indirectly, they can make matters simpler and more efficient for SMEs. They also provide feedback to the Commission on SME concerns, needs and interests. Finally, EICs foster business cooperation between European SMEs.

The lower layer of the MAP architecture is constituted by the operational part of the Programme, i.e. the single projects that can be traced back to one of the three pillars. This is where the expected outputs of the projects should become visible. For the sake of clarity and on the basis of the MAP actions implemented so far, we further divide this operational layer in two parts. The first, which is more generic, is composed by macro groups/clusters of projects/sub-programmes such as the “Best Procedure” projects or one of the financial schemes mentioned above; whereas the second part is composed by the single actions or by initiatives that are not related to any general category/sub-programme.

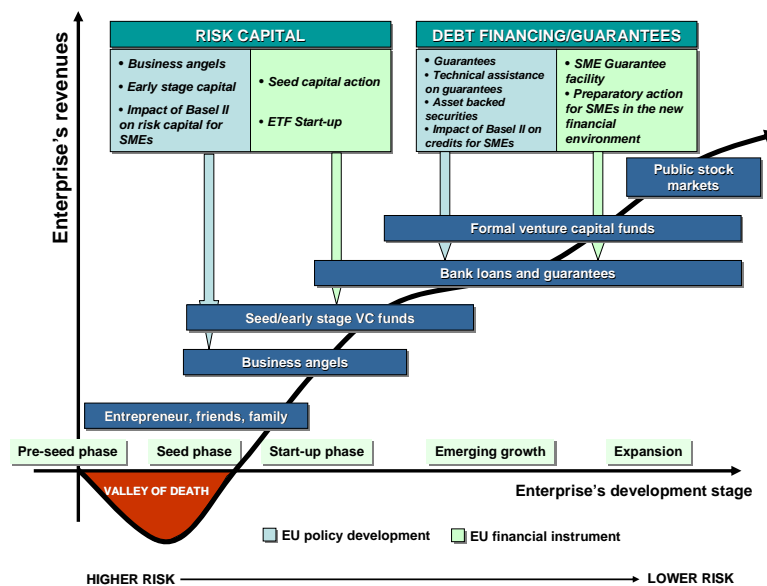
The structure of the Programme is presented in figure 1 below.

Figure 1 – Structure of the MAP 2001-2005



In particular, the policy development and financial pillars are conceived to follow the lifecycle of a SME from its very early (seed) phase – mostly through risk capital instruments – to its growth and expansion stage – with extensive use of debt financing and guarantee schemes. Figure 2 illustrates the combination of instruments conceived at EU level to support SMEs in the different phases of their life.⁸ As can be already observed, no *ad hoc* initiative was undertaken to involve business angels and formal early stage and venture capital funds at an earlier stage of the life cycle, more specifically to co-invest together with the entrepreneur in the seed phase.

Figure 2 – Policy development and financial instruments



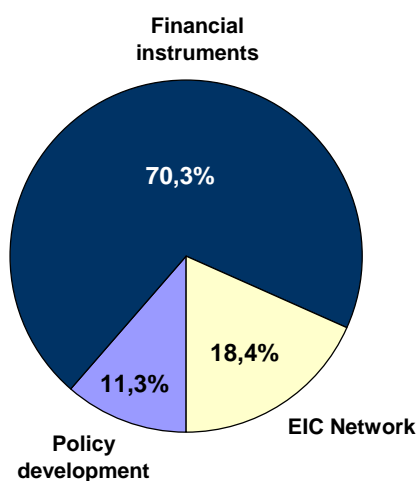
⁸ See Hudina and Budavari (DG Enterprise), *Screening Financial Instruments*, presentation at the meeting with Croatia and Turkish representatives, 26 March 2006.

Within the MAP, there are also residual projects that do not fall under any of the previous pillars and that the Commission itself classifies as “other actions”. As these projects normally contribute to policy development goals, they should be considered as an additional contribution to the specific projects belonging to the first pillar.

2.1 Budget and management of the MAP 2001-2005

The MAP 2001-2005 budget amounts to around 450 million Euros, which cannot be considered as a very large amount if compared with the ambitious goals of the Programme and the huge number of SMEs operating in Europe. According to figures provided by annual implementation reports and by an external evaluation of the Programme, the percentage distribution of the budget between the three pillars during the 2001-2003 timeframe was unevenly divided among the three pillars, with the financial instruments getting the lion’s share of the funding (70,3%).⁹ Figure 3 illustrates the allocation of budget in the 2001-2003 period.

Figure 3 – MAP: Budget Allocated to each pillar, 2001-2003



The MAP is managed by the European Commission with the assistance of the Enterprise Programme Management Committee (EPMC), composed by the representative of the authorities of participating countries. As EFTA/EEA and Candidate Countries participate in the activities of the Programme, their representatives take part in the Committees meetings as observers. In addition, the Enterprise Policy Group (EPG) examines general enterprise policy issues and is in charge of identifying and disseminating good practices.

MAP activities are planned on an annual basis and are generally linked to one of the three pillars mentioned above. Planned activities are normally described in dedicated “fiches”, stating the objectives and the main evaluation indicators of each project.

⁹ For further details see INFYDE S.L./Lacave Allemand & Associés, *External evaluation of the Multiannual Programme for Enterprise and Entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) 2001-2005, final report*, September 2004, p. 18.

2.2 Indicators

Indicators play a fundamental role in the MAP, as they constitute one of the main tools to assess if the actions carried out contribute to the achievement of the overarching goals of the Programme. Moreover, they allow the monitoring of the level of implementation of each project and provide the necessary information to carry out interim and ex-post evaluations of the planned activities. Each intervention level has its own indicators, generally belonging to one of the following types:

- participation,
- deliverables (both in quantitative and qualitative terms),
- implementation, and
- effectiveness.

Such types are then further broken down in operational measurement instruments, according to the needs of specific projects.

A more in-depth analysis of the specific objectives and of the expected outputs of each pillar of intervention is presented below.

2.3 The three pillars in detail

2.3.1 Policy Development

As anticipated in the general introduction, this pillar groups all the projects aimed at enhancing growth and competitiveness of European enterprises, promoting entrepreneurship and simplifying and improving the administrative and regulatory environment in which SMEs operate. Activities under this heading are quite diversified and range from the assessment of administrative burdens in a particular sector to facilitating the transfer of businesses and promoting entrepreneurship in general.

Given that the underlying goal of the policy development pillar is to influence and improve enterprise and SMEs policies across Europe, planned projects generally target national administration officials and policy-makers, experts, EC projects managers and, to a lesser extent, business organisations and SMEs representatives. As a consequence, final beneficiaries – i.e. SMEs – benefit only indirectly from the initiatives carried out under this heading.

A comprehensive and detailed list of the projects implemented is provided by the MAP 2001-2005 implementation report. Such variety of actions and expected outputs mirrors the broad scope of the policy development heading. Most common initiatives undertaken include:

- The *production of ad hoc studies and reports*. This happens mostly in the field of administrative and regulatory burdens affecting enterprises. Some examples are a publication on obstacles to growth and the recruitment of the first employee, a study on alternative dispute resolution systems between businesses, or a study on self and co-regulatory practices.

- The organisation of *meetings and conferences on selected topics*, such as e-business, legal barriers for businesses, intellectual property issues, with the aim of raising awareness among relevant stakeholders on the most pressing concerns of European SMEs.
- Activities to promote entrepreneurship normally consist in the *exchange of best practices* and the *organisation of workshops* targeting special categories such as secondary school students, minorities, women entrepreneurs. Specific aspects of entrepreneurial activity such as tourist practices, corporate social responsibility and social entrepreneurship are also addressed.
- In some cases, more complex initiatives involving greater human and financial resources – such as the *creation and maintenance of databases* on business services, on business demography statistics – have been carried out.
- Finally, the so-called *Best Procedure Projects* deserve a special mention. Based on the Open Method of Coordination, the Best Procedure sets a framework for the exchange of best practices among member states in selected areas representing political priorities for enterprises, as agreed between national policymakers and the business community. Priorities are generally discussed within the Enterprise Policy Group.

The majority of activities carried out under the policy development pillar as well as projects implementing the Charter for Small Enterprises fall into the Best Procedure projects category.¹⁰ To achieve greater visibility, these projects are often linked to various initiatives undertaken by the country holding the Presidency of the European Union.

The main goals and expected outputs of the policy development pillar are summarised in the table below.

¹⁰ A complete list of the Best Projects carried out during the implementation of MAP 2001-2005 is available on the website of the Directorate General for Enterprise and Industry at the following link: http://ec.europa.eu/enterprise/enterprise_policy/best/best_procedure.htm

Table 1
Goals, project typology and outputs of the policy development pillar

General goals falling under the pillar	Type of project/action	Expected outputs
1. Enhancing growth and competitiveness of business in a knowledge-based international economy	<ul style="list-style-type: none"> • Benchmarking • Exchange of best practices • Awareness raising events • Service contracts • Surveys and data collection 	<ul style="list-style-type: none"> • Studies • Reports • Conference and related publications • Workshops • Databases and related publications
2. Promoting entrepreneurship	<ul style="list-style-type: none"> • Establishment of expert groups • Exchange of best practices • Studies • Impact Assessment • Data collection 	<ul style="list-style-type: none"> • Conferences and reports • Handbooks and self-evaluation tools for entrepreneurs • Courses for selected audiences • Dissemination of data
3. Simplifying and improving the administrative and regulatory framework for business, in particular to promote research, innovation and business creation	<ul style="list-style-type: none"> • Studies and methodology production • Consultations • Programmes to promote better regulation culture • Data collection 	<ul style="list-style-type: none"> • Publications and studies • Conferences for public administration, universities, etc.

2.3.2 Financial instruments

The three MAP financial instruments (ETF Start-up scheme, SME Guarantee Facility, Seed Capital Action) became fully operational in 2002. They are managed via a three-tiered system involving DG Enterprise, DG Economic and Financial Affairs and the European Investment Fund with the first two actors setting the programmatic priorities of the pillar, while the EIF manages the single financial facilities. An initial indicative budget of approximately EUR 319 million for the period 2001-2005 was proposed for the financial instruments managed by the EIF. The budget for this pillar should be exhausted at the end of 2006, due to the extension of the MAP.

As anticipated in the general overview of the MAP, a fourth instrument - the Joint European Venture programme (JEV) - is being phased out since December 2004, after a joint decision of the European Parliament and the Council.¹¹ Directly managed by the European Commission, the JEV was aimed at fostering the trans-national cooperation of European SMEs by financing the creation of joint ventures between enterprises from different member states operating in the same sector. In the attempt to avoid duplications in the allocation of funding because of potential overlapping with other Community programmes, JEV application procedures were conceived as extremely complex and ultimately were one of the main reasons of the programme's failure.¹²

¹¹ Decision 593/2004/EC of the European Parliament and of the Council of 21 July 2004.

¹² According to the European Commission, 323 applications were received by the end of 2005, 230 agreements were signed, with a total allocation of 19.8 million Euros. Given the high number of potential applicants to this programme, these results are quite disappointing.

According to Commission sources, 71 projects were approved by the end of 2005 under the financial pillar and only 8 were cancelled when applicants proved unable to raise the necessary private funding or could not fulfil their tasks. The budget for the remaining 63 projects amounts to approximately EUR 319 million, and was allocated as follows.

Table 2
Projects approved and budget allocation for the financial pillar

Facility	Approvals		Cancellations		Net approvals		Signatures	
	No	Amount EUR m	No	Amount EUR m	No	Amount EUR m	No	Amount EUR m
<i>ETF Start-up scheme</i>	12	105.1	2	13.3	10	91.8	9	67.7
<i>SME Guarantee Facility</i>	48	226.0	0	0	48	226.0	45	117.0
<i>Seed Capital Action</i>	11	2.0	6	1.2	5	0.8	2	0.3
Total	71	333.1	8	14.5	63	318.6	56	245.0

Source: European Commission, *Implementation Report*, March 2006, p.41

As emerges from Table 2, the *SME Guarantee Facility (SMEG)* is undoubtedly the largest of the financial instruments (around 71% of the budget of the second pillar) and was expected to exert a large quantitative impact on final beneficiaries. According to an external evaluation of the MAP, this instrument reached approximately 178,000 beneficiaries, of which about 166,000 SMEs, over a period of 4-5 years covered by the MAP and its predecessor, the Growth and Employment Initiative, which ran from 1998 to 2000. These figures continued to improve over time, with 192,000 SMEs beneficiaries in 2005.¹³

The SMEG is divided in four windows:

- the loan guarantee window;
- the micro-credit window;
- the equity guarantee window, and
- the ICT window.

Of these, the ICT window has almost never been used, as many projects potentially falling into its scope have been financed by the general loan window instead. To the contrary, the loan guarantee window is the most important in terms of resources allocated and number of financial beneficiaries. The micro-credit window, which provides for a “social inclusion” component directed at disadvantaged groups was less used. Finally, the full potential of the equity guarantee window has not been unleashed yet, as the take-up of this scheme was slower than expected.

¹³ For further details, see European Commission, *From the MAP to the CIP Programme*, presentation by Jean-Noël DURVY at the SME Guarantee Facility Conference, Luxembourg, 28 April 2005.

The second facility in terms of allocated resources is the *ETF-SU scheme*, accounting for approximately 29% of the pillar's budget. This scheme addresses the market gap for early stage venture capital funds and aims at increasing the amount of funds invested in start-ups across Europe. In some members states it is also meant to remedy to the weakness or absence of the venture capital market. At the end of 2005, the EIF had signed 21 deals under this facility. The criteria for the attribution of funding are purely market-based, in order to avoid potential distortions.

The *Seed Capital Action* has played only a minor role so far, due to the implosion of the internet bubble and to the general market downturn observed since the launching of this facility. Accordingly, only 2 deals were signed so far (see table above) and a few others are in the pipeline for the coming years.

Besides the projects funded by the facilities presented above, other actions have been carried out under the financial instruments pillar. These initiatives include the organisation of workshops and events for experts and representatives of the financial sector and SMEs to raise the awareness of relevant stakeholders on the problems of access to finance for SMEs. Another project foresees the provision of technical assistance to financial institutions and bodies providing guarantees to SMEs. These activities, which could also be considered as "policy development" projects, aim at ensuring that the goals and the benefits of the three financial facilities are understood and widespread across the EU.

2.3.3 The Euro Info Centres Network

Set up in 1987, the EuroInfoCentres (EIC) network aims to bridge the gap between the European and the local level by providing relevant assistance and information on EU related topics to SMEs and feedback on businesses' needs to the European Commission. Another function performed by EICs is to foster business cooperation between SMEs across Europe. This latter aspect is less relevant to the implementation of the MAP initiative, and thus will not be examined in detail in this study.

The EIC network currently consists in 282 points in 44 countries with 269 centres in the EU25, the EEA and candidate countries and other associated structures and relay points in third countries bringing added value to the network.¹⁴ The network existed well before and independently of the MAP, and has only later become the third pillar of the Programme: since then, EICs have been allocated the task to give businesses easier access to Community support services, programmes and networks and to improve the coordination of these facilities. Moreover, the MAP itself contributed to the maintenance of the network and to its growth both in terms of size and quality.

EICs are normally based in a host structure, i.e. public or private organisations such as chambers of commerce, professional federations, national or regional institutions. Host structures are selected on the basis of their comprehensive knowledge of the local economic environment, and generally sustain the majority of the financing of each EIC point. As a consequence, the direct EC contribution to this pillar could be very limited. It covers on average between 12% and 15% of the total budget of each centre.¹⁵

¹⁴ Data for 2004, as provided in the latest *Annual Report 2004* published by the Euro Info Centre Network.

¹⁵ As previously mentioned, the EU financing for the EIC pillar amounts to 18.4 % of the MAP budget. More specifically, in 2002 the EC contribution to EIC in the EU15 covered only 12% of the total EIC budget.

The EIC Network employs about 1,600 people and organises training and exchanges of best practices for its staff in order to update competences and ensure the quality of the service. In addition to this, an advanced intranet system connects all existing centres to facilitate the exchange of relevant information and the creation of feedback mechanisms to improve the quality and readiness of the network's response.

SMEs generally contact the EICs to receive information on EU related topics. The role of the network as the EU interface with the local level seems to be evolving over time, as many evaluations demonstrate, due to the growing complexity of SMEs needs in a fast-changing economic landscape. As a consequence, EICs also boost their advisory role on an increasing amount of topics and strategies related to the everyday life of SMEs. In 2005, the network received about 300,000 enquiries, mainly on business cooperation (50,000 questions), Community programmes and sources of finance (40,000 questions), internationalisation of SMEs (10,000 questions), EU legislation and public procurement (19,000 questions).¹⁶ Events, workshops, info days and publications are also organised by the network.

As far as the feedback to EU institutions is concerned, besides the normal reporting to Commission services dealing with EICs, the centres actively participate to the Interactive Policy Making (IPM) initiative by channelling relevant information on SMEs needs to the European Commission.

The main goals and activities of the EIC network are summarised in table 3 below.

Table 3
Goals, actions and outputs of the EIC network pillar

General goals falling under the pillar	Type of action	Expected outputs
5. Giving business easier access to Community support services, programmes and networks and improving the coordination of these facilities	<ul style="list-style-type: none"> • Informative and advisory role • Promotion of business cooperation 	<ul style="list-style-type: none"> • Information and advice to SMEs • Workshops, conferences, info-days • Publications • Signposting to other members of the network and other networks • IPM
	<ul style="list-style-type: none"> • Feedback to the European Commission 	<ul style="list-style-type: none"> • Reports and data on SMEs needs • IPM
	<ul style="list-style-type: none"> • Network management 	<ul style="list-style-type: none"> • Meetings and training activities • Intranet • Exchange of information and best practices

¹⁶ For further details, see *Multiannual Programme for Enterprise and Entrepreneurship 2001-2005, Implementation Report 2005*, (hereinafter *Implementation Report*), pag. 49.

2.3.4 Other actions

This category comprises a limited number of projects (6 in total, according to the latest MAP implementation report) that cannot be automatically linked to any of the specific pillars described so far. These actions, such as the Enterprise Europe newsletter or initiatives for the dissemination of information on the European Charter for Small Enterprises, generally contribute to raising the awareness on MAP activities.

Probably the best known project is the Observatory of European SMEs, established by the Commission in December 1992 in order to improve the monitoring of the economic performance of SMEs in Europe. Its task is to provide information on SMEs to policy-makers, researchers, economists and SMEs themselves. The project involves significant human and financial resources.

3 Ex post evaluation of the MAP 2001-2005

This section provides an *ex post* evaluation of the relevance, effectiveness, efficiency and utility of the practical implementation of the MAP in the period 2001-2005. Although the terms of reference required CEPS to cover the 2000-2005 timeframe, CEPS observe that more relevant information on the MAP initiative and better orientation for the forthcoming CIP can be drawn from the evaluation of activities carried out between 2001 and 2006. As a matter of fact, many projects implemented in 2000 cover the concluding phase of the 3rd MAP and were often continued under the 2001-2005 edition.

Section 3.1 illustrates the results of the *ex post* evaluations of the MAP programme carried out by the European Commission, by external evaluators and by ourselves, whereas in section 3.2 we provide an evaluation of the individual MAP pillars and their related actions.

3.1 General comments

Drawing from the lessons learned from its predecessor, the MAP 2001-2005 tried to remedy many of the shortcomings of the previous intervention and incorporated the majority of the suggestions proposed in the external evaluation of the 3rd MAP. In particular, efforts were devoted to achieve a better structuring of the Programme, an increase in the allocation of financial and human resources to policy development activities, a reduction in the number of ineffective and costly small-scale activities and pilot projects. Positive features of the 3rd MAP, such as the broad scope of the Programme addressing SMEs needs in various critical areas, were retained in the 2001-2005 Programme. Existing stakeholders' consultation mechanisms and the exchange of information between competent Commission DGs were strengthened. On the other hand, some of the shortcomings of the 3rd MAP (e.g. poor dissemination methods and a general lack of communication of implemented activities to final beneficiaries) were not sufficiently tackled. In addition, new weaknesses emerged during the implementation of the new edition, mostly related to the changing landscape in which enterprises operate and to some specific features of the Programme, as will be explained in the following sections.

An *ex post* evaluation of the MAP 2001-2005 was carried out both by the European Commission and external evaluators.¹⁷ The results of these reports portrait a mixed picture, with some actions being particularly effective and useful for SMEs, and others still exhibiting a significant margin for improvement. The most important findings are presented below:

- *MAP global objectives are generally relevant to SMEs.* The five goals cover some important areas that exert an impact on the life of European enterprises. Such an opinion was confirmed also by the interviewed stakeholders. Interestingly, however, policy makers and project managers are giving a more positive judgment than the final recipients of the Programme (SMEs). Activities within the policy development pillar reached an aggregate average score of 3.5 out of 5 in terms of perceived relevance and actual or expected impacts among policy makers, whereas they scored on average 3.2 among business sector representatives. These are not impressive scores, and in the case of business representatives the scores can be partly attributed to the low level of awareness

¹⁷ See European Commission, Enterprise Directorate-General, *Intermediate Evaluation, cit.*; and INFYDE S.L./Lacave Allemand & Associés, *cit.*

of the results obtained by the MAP – as a matter of fact, these economic actors are only indirectly affected by the Programme initiatives. A second reason that will be explained in greater detail below is linked to the dissemination strategy of MAP itself.

- However, *the three pillars seem to lack a holistic approach in supporting SMEs in their daily struggle to survive or to grow.* Within the triangle of SMEs, financiers and intermediaries, the crucial role played by accountants and administrative offices (AOs) in filling the finance gap was not sufficiently addressed. These intermediaries are key in solving the problem of building the much needed credit history and financial/cash flow forecasts, and could play an important role in the credit assessment process, especially for starters and young small companies. These procedures will become more important with the coming of Basel II. A greater attention to these intermediaries could significantly decrease overhead costs (which often represent prohibitive bottlenecks in the field of micro credits or small loans), at the same time substantially reducing the information asymmetry and the so-called agency problem.
- Furthermore, *a pillar aiming at providing a permanent education and information channel to SMEs could contribute strongly to the holistic approach adopted by the Commission.* E-learning modules may prove very effective in increasing the knowledge and understanding of new or young entrepreneurs about how the (international) business community thinks and works, how to get prepared and where to ask when there is a financing or other need, what kind of mechanisms can be activated, etc.
- *The degree of implementation of planned actions is in and of itself generally satisfactory and contributed to the achievement of the general and specific MAP goals. Nonetheless, results vary across and within pillars.* At the end of 2004, the Programme showed an advanced level of implementation with 171 policy development outcomes, 41 deals with financial intermediaries and 276 EICs receiving direct support.¹⁸ Implemented projects produced direct results whenever they contributed to change policy approaches or to the creation of new financial instruments. In addition to this, positive indirect effects were generated when the conditions of final beneficiaries improved after the implementation of a specific project.
- In terms of efficiency, MAP 2001-2005 had an initial estimated budget of about 450 million Euros. At the end of 2003, *95% of the resources were committed.*¹⁹ However, information is lacking on the rate of return on budgetary resources allocated to the different programmes.
- From a management perspective, *the use of the Open Method of Coordination (OMC) and the increased focus on benchmarking and exchange of best practices delivered the expected results and raised the awareness of key stakeholders at the national level.* The latter aspect is particularly crucial given that there is no exclusive Community competence for enterprise policy and thus decisions have to be taken and implemented both at the EU and member state level. Nonetheless, as emerged from the *ex post* evaluation carried out by INFYDE et al. (2005), *the complexity of the OMC might render this method too cumbersome and potentially ineffective in the long run,* if clear goals and objectives are not defined ex-ante.

¹⁸ For further details see INFYDE S.L./ Lacave Allemand & Associés, *cit.*

¹⁹ *Id.*, p. 18.

However, besides these encouraging findings, other aspects of the MAP were found to be more disappointing according to interviewed stakeholders and policymakers. Weaknesses are already evident at the general level, and their potentially negative impacts may affect the effectiveness and utility of the whole Programme.

- *The link between general and specific goals appears weak.* As also noted by the Commission itself, it is sometimes difficult to understand how specific goals contribute to the achievement of the general objectives.²⁰ For example, a closer look at the five general objectives shows that they cannot be considered all at the same level: while the first two seem to be very broad, the other three are more specific and already exhibit an operational focus, thus giving different levels of orientation to their respective pillars. This in turn is reflected at the intermediate level of the Programme, where the foundation of the operational part of MAP should be set:
 - when specific objectives are not clearly defined and do not provide a clear direction for the activities to be carried out at the lower levels of implementation, *effective and easily identifiable outputs are difficult to identify*. A telling example is the financial pillar. This pillar was mostly meant to assist innovative and high growth SMEs in financing their activities: however, the lion's share has been directed to traditional companies. This raises the issue of substitution of credit risks from the private sector to the community level. It is a well known market fact that traditional companies are often able to maintain a sustainable growth path and produce stable cash flows. These companies normally gain access to finance more easily than innovative or high growth companies with fluctuating cash flows.
 - *in some cases the objectives of planned actions did not go much beyond re-stating what was expressed by the general MAP goals* and thus projects delivered insufficient added value to the Programme.
 - *in some other cases, specific objectives were too narrowly defined and only weakly linked to the architecture of the MAP*. Thus, even if an implemented project had a positive impact when considered individually, its role in the overall MAP context was not always easily understandable. This way, potential synergies and positive spillovers effects were lost and the positive impact of the Programme was reduced.
- Another weakness of the general design of the MAP is linked to the *quality of the indicators used for evaluating the single projects*. Even though an assessment of the indicators does not strictly fall within the scope of this evaluation, they should be taken into account to the extent that they contribute to the effective implementation of the projects.²¹ As previously mentioned, indicators can be grouped in the following categories/typologies: participation, deliverables (both in quantitative and qualitative terms), implementation and effectiveness. These can be further broken down in sub-categories with a stronger operational focus, depending on the needs of the project at hand. Available evaluations pointed out that despite the fact that each indicator can be

²⁰ European Commission, Enterprise Directorate-General, *Intermediate Evaluation, cit.*, p. 18.

²¹ For further details, an *ad hoc* evaluation of the indicators used for the *Best Procedure* projects has been carried out and some of its conclusions could easily be extended to the indicators used in other actions within the MAP programme. European Commission, Enterprise and Industry Directorate General, *Best Report on the use of indicators in the monitoring and evaluation of SME-related actions*, Final Report of the Expert Group, March 2006.

traced back to one of the four categories mentioned above, their practical application was sometimes patchy or unclear. In some cases, they failed to reveal the real state of project implementation – for the 16 policy development projects surveyed in the Commission final report, as many as 12 out of 16 participation indicators did not reveal any relevant information – while in other situations they ended up being more objectives *per se* than measurement tools, because of the lack of operational focus of the project at hand.²² Finally, some indicators were not linked to any specific target and thus could not fulfil their measurement task.

- According to surveys carried out during the implementation of the Programme, *MAP scores poorly in terms of dissemination and communication to the wider public*. This is particularly true for final beneficiaries, as they are not directly targeted by MAP activities. Even if some progress has been made (e.g., the online publication of MAP annual work programmes, following the recommendations provided in the intermediate evaluation of the Programme), SMEs still exhibit limited knowledge of the Programme and of the opportunities it offers. Moreover, whenever the latter indirectly benefit from MAP actions they are not always aware of the role played by the Programme. This happens for example with the financial pillar: as reported by business representatives during an interview, some financial intermediaries fail to mention the EC contribution when they finance SMEs under one of the MAP schemes. In other cases, instead, an excess of uncoordinated communication initiatives diminished the impact of the information provided. Conversely, project officers, financial intermediaries and EU officials are for obvious reasons better informed on the Programme and its instruments, and were less affected by this shortcoming.
- Compared to the previous MAP, the 2001-2005 edition can count on improved coordination mechanisms both at the EU level (communication between Commission DGs) and at the national one. For example, the exchange of best practices and the increased organisation of training and dissemination activities constituted a valuable incentive for public administrations. Nonetheless, *the coordination between MAP and other Community initiatives targeting SMEs* (e.g. Structural Funds, RDT Framework Programmes) *was not always smooth*. In some cases, unnecessary overlapping has been observed, for example between existing support networks or between the scope of financial instruments and other Community funding schemes. In other cases, intervention gaps were not filled or there was insufficient feedback between complementary actions, for example between the projects implementing the Charter for Small Enterprises and other MAP activities. This can be partly attributed to a residual lack of communication between and within competent DGs in the European Commission, a shortcoming of previous programmes that has only been partially remedied in the current MAP.²³

As regards the quality of results, this varied noticeably among the pillars and is sometimes mixed, especially when outputs depended on external factors that could not be influenced by project managers. This is particularly true for the policy development pillar, where the political component is stronger: projects were often delayed or did not produce the expected outcomes. Conversely, the quality of outputs produced by long-established structures such as the EICs increased over time, thus showing the potential for lesson drawing for the whole

²² European Commission, Enterprise and Industry Directorate-General, *Intermediate Evaluation*, *cit.*, p. 19.

²³ For example, by the creation of the SME Envoy in 2004.

Programme. A more detailed analysis of the outcomes of the individual pillars is provided below.

3.2 Comments on individual pillars

3.2.1 Policy development pillar

Mainly because of its broad scope, this pillar produced mixed results. On the one hand it set the basis for some highly successful MAP actions, such as some of the Best Procedure Projects, on the other it also comprised many small-scale activities that did not really take up or were significantly delayed.

Relevance

Actions carried out under this heading can be qualified as relevant in general, as they targeted the problems affecting the administrative and regulatory environment in which businesses operate, and launched a series of initiatives aimed at promoting entrepreneurship.²⁴ The pillar has a horizontal function and addressed policy development issues in different fields affecting SMEs.

Effectiveness

Projects were effective as they increased the involvement of public administrations, raised the awareness of national officials on the main needs of SMEs and in some cases led to policy changes or targeted regulatory intervention at the national and local level. The 171 outcomes obtained by the end of 2004 include 39 meetings, 34 conferences and seminars, 62 studies and reports, 9 databases, and 27 dissemination materials.²⁵ As already mentioned, the focus on benchmarking techniques and exchange of best practices really hit the target among public administrations in the member states, thus multiplying the benefits of Community intervention in an area where the EU does not have exclusive competences. According to business representatives, these actions should be strengthened as the EU intervention is believed to play a catalytic role on SME-friendly policies at the national level.

The overall effectiveness of the policy development pillar was sometimes hampered by projects with weak specific objectives, poor operational targets or underperforming indicators that failed to remedy the shortcomings emerging during the implementation phase. In this respect, it has to be noted that in the policy development pillar, the general problem of the missing link between overarching and specific goals affecting the MAP is most evident. Moreover, some projects were too small and led to the fragmentation of both human and

²⁴ According to the European Commission's *Intermediate Evaluation* (pp. 26-30), 87% of respondents considered the subject of the policy development projects as relevant. The percentage is even higher (95%) for particularly successful initiatives such as *Benchmarking National Policies in support for e-business for SMEs*, *Transfer of Businesses*, *Support Services and Business Failures and Bankruptcy*. Conversely, the expected impact of projects on final beneficiaries scores only slightly above average: 3.2 in a 1-5 scale. Interviewees expected a small-to medium-level impact for 7 projects out of the surveyed 16, while 8 other projects were considered as having a potentially medium-level to strong-level impact. Only the project on *Factoring and Credit Insurance* scored extremely well. Data for each project are provided in Annex V of the *Intermediate Evaluation*.

²⁵ See INFYDE S.L./ Lacave Allemand & Associés (2005), *cit.*, p. 15.

financial resources, with a negative impact on the cost effectiveness of the pillar and the whole Programme.

Efficiency

In terms of efficiency, resources were generally correctly distributed among planned actions and successfully committed in many cases. The estimated average cost per output is €135,000, a figure that nevertheless hides the negative impact of small scale actions on the overall efficiency of the pillar.²⁶ Such actions should be avoided in the future as they reduced both the effectiveness and the efficiency of the intervention and exhibited a high opportunity cost, by depriving well-functioning projects of potentially useful resources. Excessive fragmentation had a negative impact also on the organisational level, as the threshold for projects that need to be approved by the EPMC was quite low: too many actions had to be scrutinised by limited human resources and the whole process was slowed down, with negative consequences on potentially effective projects calling for fast implementation. This problem has been remedied by raising the above-mentioned threshold.

Utility

As far as the utility of MAP is concerned, policy development projects generally corresponded to the needs identified and the problems to be solved. In particular, Best Projects contributed to improving the environment in which SMEs operate and set the basis for well-targeted future actions. Some of the projects are already a follow-up of previous activities and shall be continued in the future (e.g., projects promoting entrepreneurship) to reap the benefits of the lessons learned so far. Despite the fact that positive results are visible for single projects, it is impossible to draw a final judgment on the overall utility of the policy development pillar, as many of the actions will only have a visible impact in the long term. Moreover, as already recalled, the selected indicators do not provide sufficient information.

One point can nevertheless be made and was also confirmed by other evaluations and implementation reports: projects such as data collection and complex one-off studies are neither very effective nor efficient. The quality of outputs was not always satisfactory and the results achieved were sometimes too complex to be used for contributing to policy-making. Moreover, such projects are generally time consuming and – especially in the case of databases – require considerable human and financial resources to be created and updated overtime. A comparison of costs and benefits leads to the conclusion that such initiatives should be discontinued, as they do not really address the specific needs of final beneficiaries and use resources that could be better allocated elsewhere.

Finally, policy development initiatives suffer sometimes from the poor dissemination strategies that characterise most MAP projects. In some cases, successful projects lacked the visibility they deserved and their perceived impact was reduced, especially among final beneficiaries. An improved communication strategy could raise the awareness of relevant stakeholders and promote new initiatives with positive spillovers and multiplying effects in the long run.

²⁶ *Id.*, at page 18.

Table 4
Policy development pillar – summary of findings

Evaluation criteria	Positive aspects	Negative aspects
Relevance	<ul style="list-style-type: none"> • Appropriate objectives • Projects designed to improve business environment • Projects designed to promote entrepreneurship • Fulfils complementary horizontal functions • Generally appropriate allocation of budget 	<ul style="list-style-type: none"> • Some one-off measures and databases not adequately planned or did not deliver considerable net benefits
Effectiveness	<ul style="list-style-type: none"> • Involvement of public administration • Increased awareness among relevant stakeholders • Fostered some policy changes or targeted regulatory intervention • Added a European dimension to national SMEs policies 	<ul style="list-style-type: none"> • Lack of clear operational objectives in some cases • Some fragmentation of human and financial resources • Poor quality of indicators
Efficiency	<ul style="list-style-type: none"> • Balanced allocation of funding • Generally low spending/number of results ratio 	<ul style="list-style-type: none"> • Small projects led to inefficient and costly fragmentation of the budget and to slower implementation • Overstretching of limited human and financial resources at the management level leading to delay
Utility	<ul style="list-style-type: none"> • Better environment for SMEs • Promotion of entrepreneurial culture • Successful follow-up of existing projects • Introduction of benchmarking • Development of a best practice culture 	<ul style="list-style-type: none"> • Databases and complex studies not responding to specific needs • Poor dissemination reduced impact

3.2.2 Financial instruments pillar

As previously mentioned, this is the most important pillar in terms of budget allocation and expenditure, covering 70.3% of overall funds. This pillar is aimed at supporting SMEs over their lifecycle from the start-up phase (ETF-SU, Seed Capital Action) to the growth and expansion phases (SMEG). The approval of projects managed by the EIF only started in May 2002, following the end of the commitment period under the Growth and Employment Initiative. As far as the involvement of the new member states is concerned, the formal implementation notice for the participation to the financial instruments was published in February 2003. Budget commitments will last through 2006 and a part of 2007, as the concrete use of the CIP budget is likely to start in 2008.

When managing the financial schemes, the EIF has to follow specific criteria to ensure a balanced geographic coverage for the three financial instruments and a thorough consideration of country characteristics in each case.²⁷

²⁷ The Fiduciary and Management Agreements between the EIF and the European Commission set the following four criteria for a correct management of the financial instruments:

Relevance

The three financial instruments are undoubtedly relevant in addressing the need for finance over the life cycle of SMEs. The ETF start-up scheme and the seed financing facility are supposedly helping to bridge the so-called “valley of death” where SMEs find themselves in the first years of their lives (see Figure 2 in Section 2 above).

The SME guarantee facility is best positioned to provide finance in a later growth phase. As is suggested by the underlying loan volume supported (Euro 12.3 billion and a very high leverage rate) the scheme is in any case relevant to financial institutions. However, leverage ratios do not provide any information about whether the assisted companies were indeed unable to raise finance by other means. The fact that beneficiaries seem to be traditional companies raises the issue of risk substitution from the private sector to the Community level. Notwithstanding the positive opinion expressed by business representatives during the interviews, risk substitution is certainly not among the intended results of this instrument.

Moreover, the expansion of the SME guarantee facility under the MAP 2001-2005 – with the addition of the micro-credit, ICT and equity windows – led to mixed results.²⁸

The micro credit facility (very small loans) is quite different from the other schemes, as it is directed to disadvantaged social groups that are willing to start a company. In this credit domain, bottlenecks are hard to overcome without government intervention (background of the entrepreneur, prohibitive overhead costs of risk assessment and risk management, and questionable business cases). The fact that 11,200 small firms are already being supported by this scheme (with an allocated budget of €32 million) suggests that this scheme is quite successful in the implementation phase. Moreover, the whole pillar gave credibility to financed initiatives as the “Community brand” brings further added value on the market to both intermediaries and final beneficiaries. Additionally, the scheme could also lead to gaining expertise by financial institutions on how to deal with small firms and change their attitude over time. The micro credit facility could be judged as successful if future evidence shows that the survival rate of the financed firms is encouraging and their dependency on the facility is decreasing. On this, it is anyway too early to judge.

To the contrary, the introduction of the ICT and equity window was not successful. Programmes were not matching market needs (general loan schemes were more preferable than the special ICT window) or were executed in a non acceptable way for market participants). The conclusion, therefore, is that these new facilities were not relevant.

Effectiveness

At the end of 2003, the EIF had already signed SME Guarantee Facility contracts with 48 financial intermediaries for a total amount of EUR 308 millions, under the Growth and

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- To achieve a balanced global country coverage for the three financial instruments taken together;
 - To allow each member state to benefit from at least one financial instrument;
 - To respect a minimum size necessary for a specific operation to be viable;
 - To take into account the characteristics of the different markets.

For further details, see European Commission, *Report on the financial instruments of the multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises 2001-2005 as at 31 December 2003*, published 30.09.2004.

²⁸ The Scheme already existed under the Growth and Employment Initiative.

Employment programme 1998-2000 and the MAP. As a consequence in 2005, 192,000 SMEs had benefited from the facility, compared with 166,279 in December 2003 and 127,812 a year earlier. During the same period the EIF had signed 21 contracts with venture capital funds under the ETF-SU scheme, for a total amount of EUR 126 millions. As reported by the European Commission, these venture capital funds have raised an amount of EUR 602 million, providing a leverage effect that seems to deliver a tangible proof of the effectiveness of this type of schemes.²⁹

The activity of the EIF has continuously expanded in subsequent years. At the end of 2005, EIF had entered into 45 agreements in 27 countries, for a total guarantee commitment of EUR 6,328 million and the estimated underlying loan volume supported by these intermediaries under MAP and its predecessor was EUR 18,328 million to more than 260,000 businesses. In 2005 alone, EIF signed 25 guarantee operations, including extensions, amounting to EUR 1.2 billion.

More generally, the effectiveness of this pillar is usually measured by indicators of the leverage effect of funds allocated by the Commission (underlying loan volume supported divided by allocated budget).³⁰ In particular:

- 340 million Euros were allocated to the SMEG instrument, mobilising approximately €24 billion of investments, with a leverage effect of (70:1);
- Venture capital early stage investments under the ETF-SU scheme totalled 170 million and mobilised €0.85 billion investments, with a leverage effect of (5:1).

Overall, €510 million mobilised around €25 billions of investments, with an average leverage effect of (20.4:1).

Table 5 below shows the leverage effects of the loan, micro-credit and equity guarantee windows of the SMEG instrument at the end of 2005. These results suggest that the financial instruments pillar has proven to be effective over the 2000-2005 period.

Table 5

Leverage effect at 31 December 2005 in terms of estimated volume of loans

	Allocated budget (signed)	Estimated underlying loan volume supported	Maximum EIF Guarantee Amount	Leverage effect
	<i>EUR million</i>	<i>EUR million</i>	<i>EUR million</i>	
Loan guarantee window	173.8	12,352.5	3,624.1	75
Micro-credit window	32.1	259.1	177.6	8.1
Equity guarantee window	17.3	306.3	89.4	17.7
Total	223.2	12,917.9	3,891.1	60.34

Source: European Commission, MEMO/06/259, 30 June 2006

²⁹ For further details, see European Commission, *The activities of the European Union for small and medium-sized enterprises (SMEs) – SME Envoy report*, COM (2005) 30 final, p. 24-25.

³⁰ Defined as the capacity of MAP financial instruments to induce additional spending among financial intermediaries, and measured as “estimated underlying volume of funds or loans supported / ETF-SU or SMEG allocated budget (signed)” ratio. For more details, see INFYDE S.L./ Lacave Allemand & Associés (2005), *cit.*

The leverage effect of the financial instruments pillar has also improved over time. In 2003, the leverage effect for the SMEG instrument was 50:1, whereas the Commission reported an overall leverage of 70:1 by the end of 2005. Likewise, the gearing for the ETF-SU scheme was 4:1 in 2003, and had risen to 5:1 in 2005. Figures provided by the EIF state that by the end of 2004, an initial capital allocation of EUR 165.9 million generated a guarantee volume of EUR 2,702.9 million, a loan volume of EUR 10,150 million and an investment volume of EUR 17,400 million.³¹ On this issue, however, it is worth recalling that leverage effects would appear lower if the estimated underlying loan volume were benchmarked against the maximum guarantee liabilities of the Community arising from these guarantees (the real economic risks).

However, the fact that the lion's share of funding is flowing to the traditional companies deserves further comments. In particular, as already recalled, it has to be seen whether these companies were not able to get funding otherwise. If the answer is negative an undesirable substitution of credit risk from the private sector to the Community level might have taken place. Furthermore, not much is known about the contribution of these schemes to growth, employment or productivity for the economy as a whole. There are also no indicators to measure the innovativeness of new capital investments and the competitive position of the firms involved. As a result, while access to finance was most probably made significantly easier, it is impossible to conclude that financial intermediaries actually took more risks than they would have done without the existence of the Programme and that a significant number of companies with significant potential could enter the market thanks to the MAP financial instruments.

The ICT guarantee and equity window showed that facilities that are not in line with market needs or with the way in which markets normally carry out business are doomed to fail. To the contrary, a broader instrument like the SMEG equity window was only hit by a slower take-up but is expected to be effective in the medium and long term. Thus, one can conclude that *the most effective way of intervening is to keep facilities as broad in scope and as flexible as possible, in order to fill arising gaps in financial markets and answer in a timely manner to the changing needs of European SMEs.*

As regards the effectiveness of the ETF start-up facility, it is still too early to draw a definitive judgment. Despite the satisfactory leverage effects reported, interviewed business representatives pointed out that the MAP did not solve the problems of European venture capital markets. The main shortcoming lies in the rules that discipline the allocation of EU funding. The EIF participation can reach 50% of the fund thus putting this institution in the same position as private investors. This *pari passu* approach constitutes a disincentive for private investors to mobilize more capital in funds supporting SMEs. Moreover, the market offers other attractive investment opportunities for private capital and only a limited number of projects have been funded so far. According to one interviewee, more effective and efficient results could be obtained by changing the *pari passu* approach and using Community funding to support projects, including information activities, that stimulate private investment in venture capital instruments targeting SMEs.

As far as the geographic coverage of the financial instruments is concerned, results were not fully satisfactory in the first years of the MAP's implementation. Greece, Portugal and

³¹ See EIF, *Multiannual Programme 2001-2005*, presentation by Christa KARIS at the SME Guarantee Facility Conference 2005, Luxembourg 28 April, 2005.

Luxembourg were not covered under the MAP at the end of 2003, and could only benefit from schemes inherited from the MAP's predecessor. Germany accounted for 28% of the budgetary commitments under the three facilities, France for 18%, followed by Italy (13%) and Spain (10%), the United Kingdom and Sweden (4%), Finland, Denmark and the Netherlands (3%). Among the new member states, only the Czech Republic and Latvia had a share of the funding accounting for 2% and 1% of the budgetary commitments, respectively. The situation has evolved over the years and in 2005 all EU member states plus Bulgaria, Norway, Romania and Turkey benefited from at least one of the MAP financial instruments.³² National differences are partly caused by the structure of the local financial markets and, especially in the case of the new member states from Central and Eastern Europe, by a lower number of financial intermediaries and the small size of national venture capital markets. According to one interviewee, until institutional structures are not sufficiently developed the potential of guarantee schemes cannot be fully exploited. Against this background, training activities financed under this pillar before EU enlargement proved very effective and generated positive spillover effects on the management of structural funds in the targeted countries.

Over half of the loans granted under the MAP 2001-2005 were below EUR 25,000. More data on this aspect are provided in the table below.

Table 6
Size and breakdown of loans

Loan Size (EUR)	Breakdown
0-25k	59%
25-50k	17%
50-75k	7%
75-100 k	5%
100-200k	7%
200-500k	4%
500-1000k	1%
1000-2500k	0%
Over 2500k	0%

Source: EIF (2005)

More specific data on the size and geographical distribution of the single facilities are available only for the guarantee facility and for the years 2002 and 2003. The data are not really comparable as in 2002 the SMEG facility was not yet broken into different windows. Nonetheless, it appears that in both cases, Italy has the highest number of beneficiary SMEs receiving an average loan amount of EUR 61,000 in 2002 and 58,000 in 2003.³³

³² See KARIS C. (2005), *cit.*

³³ For further details, see European Commission, Report from the Commission to the European Parliament and the Council, *Measures on financial assistance for innovative and job creating small and medium-sized*

According to data available for 9 member states³⁴, in 2003 the majority of beneficiaries SMEs (90.5%) under the guarantee scheme had between 0 and 5 employees. This proportion slightly changed in the following years and now SMEs with 0 to 5 employees represent 83% of the beneficiaries, followed by those with up to 10 employees (8%) and up to 20 employees (5%). From the distribution of loans according to size and staff numbers, we can conclude that loans are indeed distributed to the target group of SMEs. Nonetheless, as already recalled it must be ascertained whether the loan scheme was the only source of finance for these companies, or whether significant risk substitution has taken place as an undesired consequence of Community loans.

As far as the sectoral distribution is concerned, manufacturing gets the lion's share of the funding under the loan guarantee facility (39%), followed by wholesale and retail trade (14%) and construction (12%), while transport and telecommunications enterprises account for 7% of the beneficiaries. For the microcredit window, SMEs involved in wholesale and trade activities constitute 28% of beneficiaries, followed by real estates and other business activities (19%) and community service activities (13%). The majority of final beneficiaries (66%) were established since one or two years. Thus, we conclude that the guarantee window is mainly supporting traditional enterprises with less than 10 employees and in the early stages of their lives.

Under the ETF-SU schemes, France was the country with the highest number of deals (5) at the end of 2005, followed by Germany and Belgium (2). Two deals were launched on a pan-European basis. 19 contractual agreements out of 21 are in the technological sector.

As far as the impact on employment is concerned, data are available only for the Guarantee Facility until December 2003 and only state the aggregate number (100,800) of staff employed by the beneficiaries when loans were granted.³⁵ The lack of data on employment growth for the following years makes it impossible to draw a final conclusion on the effectiveness of such financial scheme. For the ETF-SU little information was available, while the JEV, as confirmed by the Commission, had a much lower impact than expected, and was considered to be "demonstrably ineffective and inefficient"³⁶

Efficiency

As far as efficiency is concerned, financial instruments score positively. The budget of each instrument was allocated and distributed efficiently. The implementation chain DG

enterprises (1998 Growth and employment Initiative) as at 31 December 2002, COM (2003) 480 final, p. 33 and European Commission Report on Financial Instruments, *cit.*, p.36.

³⁴ Belgium, Denmark, Germany, France, Finland, Italy, Spain, Sweden, UK. Data refer to the micro-credit and the loan guarantee windows. The rest of the funding is distributed as follows: 5% to SMEs with 6-10 employees, 3% to SMEs with 11-20 employees, 1.0% to SMEs with 21-50 employees and 0.5% to enterprises with up to 100 employees. For further details, refer to European Commission, Report on Financial Instruments, *cit.*, p.37.

³⁵ See INFYDE S.L./ Lacave Allemand & Associés (2005), *cit.*, at 6. More detailed information is available for the Growth and Employment Initiative. According to the European Commission, beneficiaries targeted by the Guarantee Facility had a total of 464,839 employees in June 2002 and forecasted the creation of 98,438 new jobs in the following two years.

³⁶ European Commission, Report on Financial Instruments, *cit.* p. 19-20.

Enterprise-DG Ecfm-EIF was praised both by institutional and financial stakeholders, as it is a well functioning mechanism that scrutinises the market attentively before distributing funds in order to avoid distortions. The initial allocation between the three financial schemes managed by the EIF had to be corrected due to the overestimated demand for the Seed Capital Action scheme, which turned out being a minor instrument³⁷. The budgetary appropriations for 2002 and 2003 (EUR 5.6 million and EUR 5.11 million) were thus reallocated to the two other schemes.³⁸

Initiatives like the JEV were not found to be highly efficient, but this seems to be related more to the administrative side of the facility than to the choices in the budget distribution *per se*. In the JEV case, the need to control that the same enterprise did not abuse the system by benefiting twice from funding opportunities both under the MAP and the structural funds, led to complex and expensive bureaucracy procedures that hampered the functioning of the facility itself and used many financial resources that could have been allocated more efficiently elsewhere.

Utility

The financial instruments proved useful as they managed to partially bridge the gap between SMEs financial needs and funding opportunities available on the market, in some cases anticipating the expected positive outcomes of other Community initiatives such as the Basel II framework. The need for easier access to finance will remain a real priority for European SMEs, thus this pillar will and should be continued and constantly improved in the future generations of programmes.

According to some representatives from the business community, one of the shortcomings of the MAP financial pillar was the excessive focus on innovative sectors, while traditional SMEs – that still constitute the majority of European enterprises – were somehow left behind. This perception, however, is not fully confirmed by observed data. More importantly, a real challenge of the MAP is to stimulate these companies, which represent a major part of the business society (80 to 90%), to leave their sustainable growth path and to become fast growing companies. This could partly be achieved by opening new (public) sources of equity finance (new financial instruments) and opening new management perspectives by supporting the role of intermediaries. In this respect, the contribution of traditional businesses to growth and employment should not be underestimated. In this particular case, the lack of financial facilities supporting enterprises in later stages of their lives was often underlined, as access to finance, especially in traditional sectors or even for innovative but capital intensive SMEs (i.e. biotech enterprises), is crucial for the survival of successful enterprises. As will be explained below in Section 4, this shortcoming has been partially remedied by the CIP.

Again, the financial instruments pillar scores poorly in terms of dissemination. Communicating and marketing implemented actions in the case of financial facilities is essential and has a tangible and direct impact on the effectiveness and utility of the pillar itself. For example, some interviewed financial intermediaries declared that they would have taken part in the existing programmes, had they known that such initiatives existed. Moreover, SMEs themselves are not always aware of the fact that some of the support they

³⁷ See INFYDE S.L./ Lacave Allemand & Associés (2005), *cit.*, at 5.

³⁸ European Commission, Report on the Financial Instruments, *cit.*

receive has a Community origin or that their local financial intermediary could receive funding to facilitate access to finance for SMEs. Thus, because of insufficient information and dissemination strategies many potential beneficiaries of projects within the financial pillar have not been reached by MAP.

Table 7
Summary of findings – Financial instruments pillar

Evaluation criteria	Positive aspects	Negative aspects
Relevance	<ul style="list-style-type: none"> • Appropriate objectives • Coherent budget allocation mechanisms • Coherent budget distribution • Appropriate choice of beneficiaries 	<ul style="list-style-type: none"> • Insufficient action on traditional SMEs for the financial needs arising in the growth and expansion stages
Effectiveness	<ul style="list-style-type: none"> • High leverage effects for SMEG • Satisfactory leverage effects for ETF-SU • High number of final beneficiaries reached (260,000) • Micro-credit window increased access to finance and bankability • Increased investment by intermediaries • Enhanced credibility for targeted actors 	<ul style="list-style-type: none"> • Failure of JEV project • ICT-loan guarantee window was not used • The <i>pari passu</i> approach failed to stimulate private investment in venture capital instruments • Potential of SCA could be exploited better • Poor dissemination diminished positive spillovers • Some lack of flexibility
Efficiency	<ul style="list-style-type: none"> • Balanced allocation of funding • Accurate analysis of the market • Significant distortions avoided 	<ul style="list-style-type: none"> • Some resources were lost in complex bureaucratic procedures • SCA budget initially overestimated
Utility	<ul style="list-style-type: none"> • Easier access to finance • Pro- and counter-cyclical effects • Solid base for follow-up actions 	<ul style="list-style-type: none"> • Excessive focus on innovative enterprises penalized traditional sector • Missed support for later stage finance needs of SMEs

3.2.3 Euro Info Centres

A challenging task for the MAP was to adapt the already existing EIC network (since 1987) to the increasingly complex demands of SMEs and the specific problems of the EU enlargement. The nature of the network itself has also changed, and many points are now not only providing information to final beneficiaries but have also developed advising roles in specific areas that are of particular interest for SMEs, such as internationalisation, public procurement, tendering procedures, etc. As a consequence, it is often impossible to distinguish progress achieved thanks to the MAP from those fostered by the needs of an enlarged EU.

In connection with the MAP, the EIC network plays two main roles: on the one hand, informing and advising SMEs on EU-related matters; on the other, providing feedback about SMEs to relevant Commission services. These two activities will be evaluated separately.

EIC: the informative role

As already mentioned, the network received about 300,000 enquiries in 2005, mainly on business cooperation (50,000 questions), Community programmes and sources of finance (40,000 questions), internationalisation of SMEs (10,000 questions), EU legislation and public procurement (19,000 questions).³⁹ However, the number of requests handled decreased by approximately 20% from 2002 to 2005. According to the European Commission, this trend is related to the changing nature of SMEs needs caused by the evolution of the Internal Market and by the increased awareness of final beneficiaries. Significant request decreases are observable in the EU15 where EICs have been present for a longer time and are now playing a more specialised advisory role.⁴⁰ Conversely, before accession the number of request in the EU10 was very high and the type of questions very basic. This has been changing after the enlargement and the requests handled in the new member states are becoming more complex and technical. A similar pattern is expected for Bulgaria and Romania in the next few years. Finally, another reason for the decrease in the number of inquiries is the growing use of Internet and online information services among SMEs.

The expertise of the network is also made available to European companies through seminars, workshops, conferences, training sessions and trade fairs. More than 4,700 events were organised by EICs all over Europe in 2004 (up 48% from 2003), with an average of 19 events for every working day.

Overall, these results suggest that the informative role played by EICs is in principle *relevant, effective* and *useful*. EICs offer an adequate response to the expectation of SMEs. Results vary between the single centres, with some being extremely proactive while others significantly lagged behind in terms of visibility and quality of outputs.

Below, we provide more details on the relevance, effectiveness, efficiency and usefulness of EICs

Relevance and usefulness

The relevance of EICs can be assessed by collecting available information on the extent to which the Network is pursuing the overarching policy goal to which it is meant to contribute. This is the fifth objective of the MAP, i.e. “giving business easier access to Community support services, programmes and networks and improving the coordination of these facilities”. Indicators relevant to this objective are:

- The awareness of SMEs of the existence of EICs and of the services they can provide;
- Actual contacts between SMEs and EICs;
- Reduction of transaction and information costs, e.g. whether EICs act as a one-stop-shop for SMEs with a European vocation located in their territory of competence.

³⁹ MAP Implementation Report, *supra*, pag. 49.

⁴⁰ For example, the requests of information on public procurement and tenders were 9% of total requests in 2003, and only 4.7% in 2005. This decrease is attributable, at least partly, to the expansion of the Tender Alert services, which reportedly benefited 20,904 firms in 2003, and as many as 270,000 clients in 2004. For further details, *EIC Annual reports*, 2003 and 2004.

Based on data from the EIC 2004 Annual Report and the Commission's MAP Implementation Report, it can be inferred that *much efforts has been devoted to increase the level of SMEs awareness*. EIC publications reportedly reached 5,800,000 clients out of a total population of 23 million SMEs. These include leaflets, brochures, guides, bulletins, CD-ROMs and other publications. At the same time, however, the percentage of firms reached (approximately 21%) could be improved.

Furthermore, according to a survey conducted by INFYDE et al. (2005), there seems to be a significant gap between the awareness level reported by EICs (score: average 5 out of 6) and the level reported by business organisations (3.5 out of 6). In addition, the awareness of SMEs seems to depend highly on the reputation of the local host organisation, and consequently varies significantly across EICs.

In terms of actual contacts between SMEs and EICs, as already recalled, the latter replied to around 300,000 requests in 2005, a figure that has been significantly decreasing compared with previous years. All in all, this means that the EIC Network is adapting itself to the more complex needs of SMEs while maintaining its basic advisory role in less advanced markets, as the number and type of questions handled by each Info point demonstrates.

In some occasions, EICs seem to act as real one-stop-shops for SMEs, whereas in other cases their role was depicted more as that of a "first-stop-shop". The use of Tender Alert services also seems relevant to the achievement of the objective.

Effectiveness and efficiency

The main dimensions that seem to affect the effectiveness and efficiency of EIC's activities are the following:

- *Reputation*: the more the structure is rooted and reputed at the local level, the better the service;
- *Local characteristics*: as centres are mainly financed with own resources, the level of development and the number of enterprises in the region concerned can influence the performance of a centre.
- *Internal management*: the performance of a centre also depends on its internal management. Sometimes even small structures can be very proactive, depending on the human resources and significant variations in the performance of single points have been observed after a change in the management structure. However, it must also be observed that the priority setting of EICs is difficult to influence, as the centres are mainly dependent on own sources of revenues.

According to the European Commission, the distribution of well performing and weak centres is not differentiated on a national basis even though countries like France, Germany and Ireland are praised for their effective EIC networks. In general every national network has its weak links whose shortcomings are remedied by other structures, while there are cases with weak national networks including very proactive info points.

Nonetheless, the effectiveness of the network could be improved by *strengthening feedback mechanisms, training activities and exchange of best practices at the national level and communication mechanism to increase the awareness of SMEs about Community programmes*. This is even more important as the complexity of SMEs requests is increasing

over the years and thus the exchange of best practice or intensified signposting activities can contribute to a growing quality of the service and adequate time response.

A further element of complexity stems from the multiplication of Community networks similar to EICs, although less focused on SMEs. The 2003 EIC annual conference was widened to the participation of the IRC and BIC networks⁴¹ as a first concrete activity to bring the networks closer together and to exchange experiences and best practices. Moreover, the b2Europe initiative connecting the important networks⁴² to increase and coordinate support services to SMEs was launched in 2001 and its activities are welcomed by the business community.⁴³ In spite of such initiatives, the evaluation by INFYDE et al. (2005) found that “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”.⁴⁴ This means that the potential for inefficiencies related to overlapping networks should be kept under control in the coming years, especially in light of the broader scope of the MAP’s successor.

INFYDE et al. (2005) also performed a cost-benefit analysis of the EIC network for one year, 2002. Based on the direct contribution for 2002 (8,960,000 EUR) and data on outputs provided by EICs themselves, efficiency indicators for the EICs were calculated as illustrated below, in Table 8.

Table 8
Efficiency indicators for the EIC network (2002)

OUTPUTS	COSTS	INDIVIDUAL OUTPUTS*
Approx. 1,200 people working for EICs at local level	8,960,000 EUR	7,466.67 EUR
5,682,391 clients received EIC information materials	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
222,371 participated at events organised by EICs	8,960,000 EUR	40.29 EUR
361,053 total questions handled	8,960,000 EUR	24.82 EUR

**Outputs are calculated under the assumption that the whole budget is allocated to the selected activity.*

Source: INFYDE et al. (2005)

Similar figures can be provided also for subsequent years. In the MAP 2004 Work Programme, a number of performance indicators for the EIC network were identified. Table 9

⁴¹ The Innovation Relay Centres (IRCs) constitute a EU network whose activities are complementary and in some cases overlapping with those of the EICs. IRCs mainly target SMEs and facilitate transnational technology transfer by providing partner finding services, assistance in accessing innovation financing, organisation of technology brokerage events, and expert guidance. Business Innovation Centres (BICs) contribute to regional and local economic development through the creation of new innovative SMEs and innovative projects in existing SMEs.

⁴² Participating Networks are: the EICs, IRCs, BICs, and other networks such as the European Employments Services (EURES) or FP6 national contact points. For further information, see <http://ec.europa.eu/enterprise/networks/b2europe/b2europe.html>

⁴³ See, for example, UEAPME, *Work Paper on the future of existing Community business support networks*, December 2004.

⁴⁴ See INFYDE S.L./ Lacave Allemand & Associés (2005), *cit.*, at 4.

below reports the scores for each performance indicator, based on the budget committed at the end of 2005 (18,994,669 EUR).

Based on available data, EICs normally seem to obtain efficient results at a reasonable cost, as the centres also benefit from the host structure. The efficiency received a high score from the responsible unit within the Commission, as even poor performing centres manage to provide some information that the Commission would not access otherwise or with such a small incidence on Community budget (on average only 12-15% of an EIC's financial needs are covered by EU financing).

Nonetheless, the increased complexity of SMEs demands is starting to put EICs resources under strain. In other words, the funding of EICs has not really changed since 1987, while the quality and complexity of the services provided and thus their cost increased in many cases. As a consequence, every year some Info Centres (4 to 5 per year according to the responsible unit within the European Commission) have to close because the host structure has insufficient funding to continue the service. Moreover, contracts with each centre are signed on an annual basis a feature that influences the stability of the network and provides further incentive to close a centre when it becomes too burdensome for the host structure.⁴⁵ The European Commission is aware of this problem, but the situation could not be changed within the context of the MAP due to existing Community financial rules. This won't be the case after 2008, under the forthcoming Competitiveness and Innovation Framework Programme that will combine higher budgetary commitments with the use of "action grant" agreements with each EIC lasting more than one year. Against this background, it is important that the level of financial support reflects the changes occurred in the function of the network and that EICs delivering high quality and comprehensive advice to final beneficiaries receive adequate funding. For such reason, the ongoing projects for the rationalisation of the business support structures will be of crucial importance in light of the "SMEs Growth and Jobs strategy" and of the forthcoming CIP project.

⁴⁵ Since 2004 Community funding for the EICs is regulated by an annual framework agreement that has been extended until 2006 together with the MAP and will probably be prolonged until the end of 2007, as the commitments under the CIP will start in 2008. This agreement sets the basis for specific one-year agreements (operating grants) with each Info Centre that establish the annual activities planning and the financing for the Centre. From 2008 these operating grants should become "action grants" and could last for more than one year.

Table 9
Performance indicators for the EIC network (2005)

CATEGORY	INDICATOR(S)	RESULT
1. Participation	No. of companies in the EICs client database	3,000*
	Clients who receive the EIC info documents	5,000,000 copies sent
2. Deliverables/quantity	Number of awareness-raising initiatives	4,700*
	Specialised advise services provided by EICs	n.a
	No. of questions handled by EICs	300,000
	IPM cases encoded	5,700
	Press articles and interviews	2,000
3. Deliverables/quality	% of EICs carrying out client satisfaction studies	80%
	% of EICs which have a response time policy	18%
	Participants to staff training sessions	650 (out of 1,650)
4. Implementation	a) network management	
	▪ <i>Deadline for contracts</i>	Respected
	▪ <i>Deadline for EIC extension</i>	Delayed
	▪ <i>Organisation of network campaigns</i>	20 network events
	▪ <i>Steering/Working group meetings</i>	3 S.G. meetings
	▪ <i>Organisation of Annual conference</i>	Respected
	b) training	
	▪ <i>No. of training session (and participants)</i>	37 (750)
	c) Promotion	
	▪ <i>No. of promotional materials distributed</i>	5,000,000
▪ <i>Number of EIC website hits</i>	110,000 on EIC intranet	
5. Effectiveness The indicator of effectiveness of the project is based on a non-exhaustive list of deliverables obtained with an expenditure of 100.000 EUR of the Commission budget (calculated as if 100,000EUR were dedicated exclusively to one action).	Number of questions replied	1,579
	Number of Internet sites related to EU matters	4.74
	Number of Info Watch services	3.69
	Number of copies of information documents delivered	30,535
	Number of Tender Alert services provided	1,421
	Number of events organised	0.11
	Number of articles or interviews in the media	10.53
	Number of companies which have received assistance in:	
	▪ <i>European programmes and projects</i>	211
	▪ <i>Public procurement</i>	100
	▪ <i>Legal and fiscal matters**</i>	205
	▪ <i>Business co-operation projects</i>	263
	Number of cases submitted in the IPM initiative	30

* As of December 2004

** Based on the percentage of questions related to EU legislation + Customs and taxation in the EIC Annual Report 2004 (13%).

EIC: the feedback role

The feedback mechanism seems to be the weakest link in the generally satisfactory performance of EICs. In terms of relevance, the interface role between the EU and the local level is undisputed, but the results obtained so far are mixed and disappointing in many respects.

A positive aspect to be mentioned is the support and coordination provided to the EICs by DG Enterprise and by the Technical Assistance Office (TAO). Their role is generally appreciated by EICs and considered effective. Moreover, the TAO has an *ad hoc* team in charge of the regular evaluation of InfoCentres, which provides additional guidance to centres and ensures the follow-up of difficult cases.⁴⁶ So far, the relatively small amount of human resources allocated to these tasks has generally managed to deliver the expected results, but the increasing complexity of an expanding network will soon require administrative and financial adjustments to ensure a smooth and effective functioning of these support services.

To the contrary, the quality and – most importantly – the use made by Commission services of the information collected by EICs is quite unsatisfactory. There are some structural reasons behind this problem, which have hardly been overcome in the period covered by this study. Such problems are briefly illustrated below.

Although the feedback role of the EICs was embedded in the network since the outset, concrete implementing measures and tools have been developed mostly during the last 5 years, together with other similar Community feedback initiatives such as the Interactive Policy Making. Databases and data collection mechanisms were redesigned, new analytical tools were introduced, the number of stakeholder consultations on policy initiatives increased. As a consequence, a considerable administrative cultural change is taking place in the Commission and the results are not yet observable or quantifiable.

In the specific case of EICs, general shortcomings are only partially related to the quality of the information collected by the Network or the need to adapt to the new instruments. Only in the first years there were some cases where the quality of information was sometimes poor, mainly because EICs were not given clear guidelines on which data to collect and on how to encode them in the system. The main problem until very recently is the lack of familiarity with the new databases and the use of different sources of information by Commission services. The ex-post evaluation of the MAP's predecessor had already pointed out that there was insufficient knowledge of the activities of EICs in other DGs and even among DG Enterprise officials that are not directly involved in the Network's activities. This problem has only been partially overcome under the MAP 2001-2005; therefore there is a considerable amount of information on SMEs that is now correctly encoded in the new databases but still underexploited. The responsible unit expects the first visible positive results in 2008, when the CIP will be implemented.

Finally, as previously mentioned there is a risk that the EIC network overlaps with other Community networks and this problem is amplified by the lack of awareness on EIC activities in other Commission DGs. In the long run, ineffective feedback mechanisms could have a negative impact on the efficiency of the network: as EU funding strategies need to be reformulated in order to increase the ability of EICs to meet evolving SMEs demands, a lack of awareness on the actual features and limits of the existing networks among EU officials could lead to inefficient decisions on budget allocation.

⁴⁶ Evaluation are carried out through various means such as data collection, monitoring of EIC websites and the quality of information provided online, visits to single centres, etc.

Table 10
Summary of findings – EIC network

Evaluation criteria	Positive aspects	Negative aspects
Relevance	<ul style="list-style-type: none"> • Appropriate objectives • Adequate use of budget • High potential of network structure • Responds to information gap between EU and local level 	<ul style="list-style-type: none"> • Funding allocation potentially underestimated for future needs • Feedback to EU level not sufficiently tackled • Administrative architecture and support structure potentially inadequate for the future
Effectiveness	<ul style="list-style-type: none"> • Information delivered on time • Update of staff competences & skills • Expansion of the network • Flexibility and adaptation to SMEs needs • Interactive Policy Making • Creation of a proactive attitude in some centres 	<ul style="list-style-type: none"> • Insufficient feedback to EU institutions • Some centres underperforming • Poor dissemination reduced potential positive impacts
Efficiency	<ul style="list-style-type: none"> • Balanced use of funding • Ability to survive on the market independently of EU support 	<ul style="list-style-type: none"> • Allocation of funding should reflect evolving needs of EICs • Advanced EICs insufficiently supported
Utility	<ul style="list-style-type: none"> • Adequate response to SMEs information needs • Provision of informed advisory services • Internationalisation of enterprises and business activities 	<ul style="list-style-type: none"> • Insufficient feedback to Commission services

3.3 Concluding remarks

On the basis of the data and evaluation provided in this section, it is possible to draw some conclusions on the relevance, effectiveness, efficiency and utility of the MAP running from 2001 until the end 2006. The main findings of our evaluation can be summarised as follows:

Relevance: overall the MAP is generally satisfactory, as the structure of the Programme covers the majority of SMEs needs and left only some aspects uncovered (e.g. the financial needs of firms in the pre-seed and expansion stages of their lives, e-learning initiatives).

More specifically, the policy development pillar was generally relevant: the planned actions addressed areas that are relevant for the everyday life of European SMEs, with the only exception of some activities – such as one-off studies or the creation of complex databases – that did not respond to any specific needs among final beneficiaries, though mobilising a considerable amount of resources.

Finally, the EIC network is a highly relevant structure as it responds to information needs of both SMEs and the European Commission.

Effectiveness: from the standpoint of effectiveness, the Programme achieved satisfactory results, and did not leave significant areas uncovered. In this respect, the policy development pillar appears as the less performing one for a number of reasons: first, because its effectiveness was affected by the presence of some small-scale measures or costly databases that did not deliver the expected results. Secondly, because some of the actions carried under this heading, in particular those with a strong political component, were often delayed or did not work out as expected. Finally, policy development indicators can be significantly improved, and often failed to fulfil their monitoring role, nor could serve as effective correction mechanisms for poorly performing projects. Nonetheless, very successful Best Projects were carried out under this heading: accordingly, these initiatives should be supported under the forthcoming CIP.

The financial instruments that were concretely used such as the loan and microcredit guarantee windows and the ETF-SU scheme proved effective and exhibited high leverage ratios. Nonetheless, in the latter case the *pari passu* position of the EIF in targeted venture capital funds diminished their attractiveness for private investors.

The ICT and equity guarantee windows and the Seed Capital Action performed less than initially forecasted. In terms of effectiveness, the most significant failure of this pillar is certainly the JEV, which reached a very limited number of final beneficiaries and is thus being phased out. Such failure is not without consequences: business representatives have pointed out that the role of the JEV in promoting international cooperation among European SMEs has not been replaced yet.

Finally, the EIC pillar proved to be quite effective as far as its informative role towards SMEs is concerned; the Network is gradually improving and updating the services provided and increasingly plays a central role as a ‘one-stop-shop’ between SMEs and EU institutions. Such a positive judgement, however, cannot be applied to the EICs feedback mechanism to the Commission: this is probably due – at least partly – to the administrative cultural change taking place within the European Commission, but most of all because of an internal lack of awareness on the informative potential of the Network among Commission services.

Efficiency: in terms of cost-effectiveness, the MAP produced mixed results. As often occurs with complex programmes, every pillar can be said to include both efficient projects with well-managed resources, and actions whose cost greatly exceeded the final output.

Evaluating the policy development pillar in terms of cost-effectiveness is often difficult, as its expected outputs are of a qualitative nature (promoting entrepreneurship, fostering policy changes, etc.) and in most cases should be appraised in the long term. Committed resources were judged as being generally adequate by interviewed stakeholders, with the exception of one-off studies and databases that should be discontinued in the future, as they employed a considerable amount of financial resources without reaching many final beneficiaries.

The average score of the financial pillar can be explained by the failure of the JEV programme and of the ICT guarantee window and the slower take up of the equity guarantee window and of the Seed Capital Action. In the latter case, an overestimated budget had to be reallocated, thus showing the importance of designing flexible financial instruments that can be adapted overtime to the changing needs of SMEs.

The EIC network scores better in terms of efficiency as only 12-15% of a centre’s financial needs are covered by Community Funding, while the informative gains for the European Commission are potentially very high, as reported by the responsible unit. In order to reach

fully satisfactory results in terms of cost-effectiveness, the Commission should ensure a better use and dissemination of the information provided and encoded by the Centres.

Utility: the contribution of the MAP as a response to the different needs of European SMEs varies across the three policy pillars and is overall only partially satisfactory. If one focuses on the schemes that were actually used, the financial pillar was very useful: access to finance was made easier for SMEs and financial intermediaries took more risks than they would have done without Community intervention in this area. As previously mentioned, more could have been achieved for SMEs venture capital needs by changing the EIF's *pari passu* position into targeted funds. Other drawbacks of the financial pillar, besides the failure of the JEV Programme, were the lack of success of the ICT guarantee window and the slow take up of the SCA. The former was too narrowly designed, but this problem was overcome by making relevant projects fall within the broader scope of the loan guarantee window. The disappointing performance of the SCA in terms of number of approved projects is compensated by the success of the two financed initiatives: this proves that the facility addresses specific needs of growing SMEs and is expected to deliver better outcomes under favourable market conditions.

On a more general note, we would like to stress again that two factors played a crucial role in the overall performance of the MAP: the links between the different levels of the Programme's structure and the general communication strategy.

On the first point, in some cases the lack of a clear link between the general goals of the Programme and the specific pillars failed to provide sufficient guidance during the implementation phase. Shortcomings were not always identifiable in time, especially within the policy development pillar, and thus could not be corrected. As previously mentioned, when clear action guidelines were missing this was also observable in the quality and performance of selected indicators that did not manage to fulfil their task.

One of the main shortcomings of the previous MAP was the ineffective communication and dissemination strategy both within the European Commission and to the outside world. Even though progress has been made, especially in the first case (with some notable exception such as the under-exploitation of the information provided by EICs), too often final beneficiaries were unaware of the existence of the MAP. Besides generating a lack of visibility of implemented policies and thus lower appreciation scores among final beneficiaries, the lack of communication resulted sometimes in missed opportunities. Thus, the full potential of the Programme and the positive spillover effects resulting from successful action have been underexploited.

The results of this evaluation are summarised in table 11 below.

Table 11
Summary of findings – MAP 2001/2005

Pillar	Relevance	Effectiveness	Efficiency	Utility	Total
Policy development	●	◐	◐	◐	◐
Financial instruments	●	◐	◐	◐	◐
EIC Network	●	●	●	◐	●
OVERALL MAP	●	◐	◐	◐	◐

● = Fully satisfactory

◐ = Generally satisfactory

◑ = Partially satisfactory

◒ = Insufficient

○ = Failure

4 The CIP 2007-2013

The Competitiveness and Innovation Framework Programme (CIP) will bring together several existing EU initiatives that support competitiveness, productivity and innovation. Designed within the framework of the revised Lisbon strategy, termed “partnership for growth and employment”, the CIP complements other EU actions such as cohesion activities, research activities, and the EU programme for lifelong learning, with the aim of simplifying Community interventions and making them more effective. The Programme’s aims are to generate economic growth, create more jobs and boost productivity, competitiveness and innovation capacity. The CIP will cover the 2007-2013 timeframe and has a total budget of €3,621 billion, as approved by the European Parliament on June 1, 2006. On an annual basis, this represents a budget increase of 60% compared to 2006 under the various equivalent predecessor programmes. It is estimated that more than 350,000 enterprises will benefit from the new Financial Instruments under CIP.

The structure of the CIP was designed on the basis of ex-post evaluations of previous initiatives and draws from the results of a public consultation.⁴⁷ The aim is to create a comprehensive framework while ensuring at the same time the necessary continuity with previous Community interventions.⁴⁸

The CIP will be implemented through three specific sub-programmes⁴⁹:

- the Entrepreneurship and Innovation Programme (EIP)
- the ICT Policy Support Programme and
- the Intelligent Energy Europe Programme.

In particular, the EIP is the direct follow-up of the activities carried out under the MAP 2001-2005, and will address enterprises’ needs in terms of access to finance, SMEs cooperation and support services; in addition, it will promote eco-innovation among enterprises, and will foster administrative and economic reforms. Moreover the EIP is also built on the LIFE_environment programme and the innovation activities of the 6th Framework Programme for Research and Technological Development (FP-RTD). This way, it should be possible to coordinate CIP actions with upcoming RTD/FP7 activities for industrial competitiveness and eco-innovation, in order to stimulate SMEs participation to research projects.

Whilst building on tried and tested programmes, the CIP also includes many new elements specifically targeting SMEs such as:

- the possibility for SMEs to access direct funding;

⁴⁷ For more details, see European Commission, *Community Competitiveness and Innovation Framework Programme – Summary of the results of the public consultation*, Commission staff working document, annex 2, SEC(2005) 433.

⁴⁸ For example, the MAP, some of the actions carried out under the 5th and 6th RTD Framework Programmes, activities on the promotion and demonstration of environmental technologies covered by the Life Programme, ICT-focused programmes such as Modinis, eContent and eTen, the multiannual programme for action in the field of energy, Intelligent Energy – Europe. For further details, see European Commission, Commission staff working document, *Annex to the Proposal for a Decision of the European Parliament and of the Council establishing a Competitiveness and Innovation Framework Programme (2007-2013)*, COM (2005) 121 final, p.11.

⁴⁹ In addition, Eco-innovation will be a transversal theme of the whole programme with a budget of € 430 million.

- a risk capital instrument for high growth and innovative companies to bridge the “valley of death”;
- “securitisation” of banks’ SME loan portfolios to free up lending capacity;
- leverage venture capital for innovative SMEs to commercialise their research results;
- incentives for joint actions grouping public and semi-public business innovation programmes at the national or regional level;
- enhanced role for innovation and business support networks, with the creation of one-stop-shops combining the EIC and the Innovation Relay Centres (IRC) networks.

The majority of innovative elements are linked to the financial instruments conceived to facilitate access to finance for SMEs. In this respect, clear guidelines for future schemes and criteria for intervention have already been provided both by the European Commission and the European Investment Fund.

The three existing financial schemes have been modified on the basis of the experience gained throughout the years. Thus, the budget for the SMEG facility has been increased to about EUR 468 million and will comprise four specific windows: the existing loan and microcredit windows will be continued, while the ICT and the equity ones will be replaced by an equity and mezzanine guarantee facility and by an SME loan securitisation risk-sharing scheme. The ETF-SU has been redesigned with a stronger focus on the needs of innovative companies and an increased budget of EUR 518m, in line with the strong innovation goals of the CIP itself.⁵⁰ As a consequence, established venture capital facilities will be complemented by funding for the expansion stage of innovative companies and co-investment in side-funds with business angels. Nonetheless, the *pari passu* approach followed by the EIF has not been changed under the CIP: according to interviewed business representatives, this is one of the most significant missed opportunities for boosting private investment in risk capital instruments targeting SMEs. Finally, as far as capacity building is concerned, the SCA will be continued and complemented by the financing of partnerships with International Financial Institutions, an initiative that should prove particularly useful in countries where banking intermediation and credit to the private sector is significantly lower than the EU average.

As regards the leverage effect, the Commission has estimated that in the CIP programme the figure for SMEG will fall from (70:1) down to (60:1), and that the leverage of VC funds will remain approximately at (5:1). Table 12 summarises the main differences between the MAP and CIP programmes as far as the financial instruments pillar is concerned.

⁵⁰ The facility has been renamed “High Growth and Innovative SME Facility (GIF)”.

Table 12
MAP and CIP financial instruments: a comparison

MAP 2000-2006 Budget: € 400 million	CIP 2007-2013 Budget: € +/-1 billion	
ETF-Start-ups (€ 170 m) <ul style="list-style-type: none"> ▪ VC early-stage investments Leverage effect: 5:1 Mobilised funds: approx €0.85 bn	High Growth and Innovative SME Facility (€ 518 m) <ul style="list-style-type: none"> ▪ VC funds: <ul style="list-style-type: none"> – Early stages – Expansion stages for innovative companies ▪ Co-investments in side-funds with business angels Leverage effect: 5:1 Mobilised funds: approx. €2.5 bn	CIP and EIB risk capital mandate for the period 2007-2013 (est.): 10% of the European VC market (base: 2005 early-stage investments EVCA Annual Report).
SME Guarantee Facility (€ 340 m) <ul style="list-style-type: none"> • loan guarantee window • micro-credit window • equity guarantee window • ICT window Leverage effect: 70:1 Mobilised funds: approx. €24 bn.	SME Guarantee Facility (€ 468 m) <ul style="list-style-type: none"> • loan guarantee window • micro-credit window • equity and mezzanine guarantee window • SMEs securitisation Leverage effect: 60:1 Mobilised funds: approx. €30 bn.	
Capacity Building (€ 60 m) <ul style="list-style-type: none"> • Seed Capital Action 	Capacity Building (€ +/- 100 m) <ul style="list-style-type: none"> • Seed Capital Action • Financing of partnerships with international financial institutions. 	

Source: Elaboration on European Commission, MEMO/06/259, 30 June 2006

4.1 A first assessment of the CIP: problems tackled and areas for improvement

The information available on the planned functioning of the CIP financial instruments shows how the relevance and the effectiveness of these types of programmes depend on past experience and lesson-drawing. The existence of the praised three-tiered implementation chain DG Enterprise-DG Ecfm-EIF and the availability of indicators and adequate monitoring and feedback mechanisms facilitate the design of effective and efficient instruments. As a result, existing schemes have been made more flexible, in accordance with SMEs needs; initially inefficient funding allocation – as happened with the SCA – could be corrected over time; and inefficient windows of the SMEG facility have been closed and replaced with equity and securitisation schemes, which appear more tailored to the needs of final

beneficiaries. More importantly, the need to boost innovation and the importance of high-tech start-ups for the European economy is reflected in the fact that the budget allocated to venture capital funds has been significantly increased. These modifications are expected to close the gaps in access to finance that are still open in the market, with the hope of fostering the creation of a well-functioning venture capital market in Europe.

The potential of these innovations will be visible only after 2008, when real implementation will start. Nonetheless, the objective to triplicate the European early-stage venture capital market to EUR 6bn by the end of 2013 could already serve as an indicator to evaluate the effectiveness of the new instruments when they will be implemented.⁵¹ A possible obstacle to the achievement of this goal lies in the *pari passu* approach applied to the participation of the EIF in targeted funds. According to business representatives, the shortcomings of this approach might be partially compensated by other Community programmes such as JEREMIE⁵², but could have been solved more effectively by changing the size of the EIF participation into venture capital funds (up to 50% and 70% in the case of eco-innovation).

Conversely, the innovative components linked to the policy development area do not seem as clearly defined:

- During the consultations, some stakeholders, especially SMEs representatives, expressed the fear that the creation of a comprehensive framework programme gathering all pre-existing actions might be confusing and weaken the impact of the single components. Thus, a clear request for a sharper focus on key activities and structured guidelines for their implementation was expressed.⁵³
- Moreover, SMEs representatives pointed out that the CIP refers only marginally to some crucial and appreciated initiatives such as the European Charter for Small Enterprises and the Action Plan on Entrepreneurship, a fact that might give the impression that positive results achieved so far through these instruments could be weakened by the CIP.⁵⁴
- There seems to be a strong need for an initiative on e-learning for SMEs. Such gap already existed in the MAP, as mentioned above in Section 3, and was not addressed so far in the CIP.

Against this background, some of the critics and recommendations contained in the ex-post evaluation of the MAP become even more important in the context of the “holistic” approach adopted by the CIP. In particular, *the link between overall objectives and specific goals should be carefully substantiated by providing clear guidelines for the different actions*. In some cases the possibility of introducing multiannual planning with some flexibility and room for change should be considered, rather than sticking to a strict annual programming

⁵¹ According to the European Commission, Memo (2006) cit., this expectation is based on the following assumptions: this is the level that leading member states such as UK, Sweden and Denmark have already achieved and exceeded and it is the level where the Us is already in its early-stage investment.

⁵² JEREMIE stand for Joint European Resources for Micro to Medium Enterprises. The programme will enable EU member states and regions to use part of their structural funds to obtain a set of financial instruments specifically designed to support micro enterprises and SMEs. If appropriately coordinated with CIP initiatives, JEREMIE could contribute to the development of European early-stage venture capital markets.

⁵³ For more details, see European Commission, *Community Competitiveness and Innovation Framework Programme – Summary of the results of the public consultation*, Commission staff working document, annex 2, SEC(2005) 433.

⁵⁴ See for example, UEAPME, *UEAPME’s Position Paper on the Consultation Document on a Framework Programme for Competitiveness and Innovation*, February 2005.

timetable, especially as far as complex projects are concerned (for example, the Observatory on European SMEs). The shortcomings found in the identification and use of indicators have been underlined many times both by the Commission and external evaluators. There is a clear indication that these tools can play a key role during the implementation of the single actions and thus their functionality should be accordingly ensured. This means that, for each project, specific goals and measurable benchmarks should be set in advance in order to ensure that problems are detected and corrected in time.⁵⁵ As already stated, the observed smoother functioning of the financial pillar can be attributed to its better internal and inter-institutional communication mechanisms, which could be replicated in the other components of the CIP.

The role of the EICs will remain crucial during the 2007-2013 period and the expected positive changes deriving from the recent redesign of the network's feedback function will probably be observable during this timeframe. As far as the informational role of the EICs is concerned, *it is essential that adequate human and financial resources are dedicated to the EIC network and that its most effective centres are adequately supported.* Some stakeholders suggested that the EICs should be given a broader mandate in implementing the Programme, for example contributing to enhance the visibility of the financial instruments to remedy some of the informational gaps observed in the past.⁵⁶ This suggestion should be taken into account. Most importantly, the Commission should ensure that the feedback contribution provided by the EICs is used and fulfils its potential as a tool to monitor the effectiveness and efficiency of implemented activities and inspire future policy orientations. *We recommend that the launching of the CIP be used as an opportunity to communicate effectively and strongly the role of EICs within the Commission,* to prevent the loss or misuse of precious information on European SMEs and ensure that the potential of the network is fully exploited.

Furthermore, the MAP 2001-2005 only partially remedied to the communication and dissemination problems exhibited by its predecessor; against this backdrop, it is not yet clear whether and how the CIP intends to score better in this field. As previously mentioned, weak communication not only affected the visibility of the Programme and the perception of final beneficiaries on the relevance of EU intervention in this area, but in some cases was one of the main causes of missed opportunities. Some financial beneficiaries failed to take part to existing schemes and did not support local SMEs by lack of information on existing programmes. In the case of the EIC Network, the best results in terms of SMEs support and feedback mechanisms to the Commission were obtained by pro-active centres that were directly approaching and involving SMEs. When this did not happen, opportunities were missed. *The possibility of setting up an ad hoc "communications" budget line in addition to*

⁵⁵ A positive signal in this direction is already observable in the Communication establishing the Programme. Annex II on the implementation arrangements for the Community financial instruments for SMEs states (point 5) that "The external evaluations shall assess the impact of the Community financial instruments for SMEs and provide a qualitative analysis of achieved results, in particular, by assessing the leverage effect and cost-benefit of each instrument. The evaluation reports shall present statistical data, including:

- for the GIF, the number of SMEs reached and the number of jobs created; for the SMEG Facility, the total volume of loans provided by the financial intermediaries to SMEs and the number of SMEs reached;
- for the Seed Capital action, the number of organisations supported and the volume of seed capital investments;
- for the Partnership action, the number of intermediaries supported and SMEs reached;
- any specific outputs relating to eco-innovation.

Appropriate visibility shall be given to the results and lessons learned from the reports of the external evaluators and to the sharing of best practices among stakeholders".

⁵⁶ See the results of the public consultation, *cit.*

the dissemination initiatives foreseen under the different components of the Programme should be considered. An adequate communication strategy should not only focus on the description and presentation of the Programme and its objectives, but also on the effective presentations of implemented activities and their results. In particular business organisations should be the primary target of these informative campaigns, as their potential as a communication channel with final beneficiaries is underexploited. In this respect, one interviewee suggested that *the CIP foresees specific calls for tenders directed to business organisations for promoting the Programme among their national member organisations and SMEs.*⁵⁷ Here again, the importance of setting clear implementation guidelines for the operational level of the Programme is key to ensure that concrete results, rather than mere declarations of good intentions, reach the targeted audience.

The ex-ante impact assessment carried out by the European Commission for the CIP mentions some possible drawbacks in terms of employment in traditional sectors, as a result of the forecasted shift of resources towards innovative and “gazelle” enterprises. The data provided by the Commission on the entity and nature of such problem is not extensive, and there is no indication about potential remedies and adjustments in case such situations occur. In this respect, business associations stress the fact that the needs of traditional sectors, that still constitute the majority of European SMEs and account for a significant share of total employment, might be insufficiently addressed by the CIP.⁵⁸ Such concerns have been taken into account by accepting the OECD definition of innovation, which covers also traditional SMEs undergoing innovative changes.

The impact of Community support to facilitate the international cooperation of SMEs has progressively weakened after programmes such as the JEV, JOOP and Interprise have been terminated. Even though this function is partially carried out by the EICs Network, business organisations suggest that *new direct support projects for SMEs in this field should be foreseen under the CIP as trans-national cooperation increases SMEs’ abilities to face the challenges of globalisation.*⁵⁹ This would also increase the European Union’s visibility among final beneficiaries, which is one of the missed targets of the previous MAPs.

Finally, the strengthened focus on research and the proposed coordination with other relevant Community measures such as the RTD Framework Programme must be welcomed as the right approach for achieving Europe’s growth and employments goals. SMEs need to participate more actively in research programmes and the results of finalised activities funded under the RTD Framework Programme need to be more effectively disseminated and exploited. This view is shared by SMEs representatives, who advocate for a greater involvement of SMEs into research as a crucial step to strengthen the link between innovation and its market uptake. They clarify that greater coordination between the CIP and RTD programmes should not imply the transfer into the CIP of the portion of the RTD budget reserved for SMEs. As a matter of fact, the two programmes support different aspects of innovation: the CIP addresses both technological as well as non-technological aspects of innovation and focuses on the downstream stages of the research and innovation process, by

⁵⁷ CGPME, the French SMEs association.

⁵⁸ See for example, UEAPME (2005), *cit.*

⁵⁹ According to UEAPME, *cit.*, such programmes “should facilitate the organisation of transnational co-operation events and entrepreneurial days (e.g., in the area of financial and technical cooperation or marketing and purchasing cooperation) and support SMEs and Skilled Craft enterprises wishing to access European neighbouring markets”.

facilitating technology transfer and use and the market uptake of existing new technologies. The FP7-RTD, instead, will support trans-national cooperation in research, technological development and demonstration, in particular between enterprises and public research organisations, of specific RTD schemes in favour of SMEs, and of researcher's mobility between firms and academia.⁶⁰ Both community actions are needed to strengthen the link between research outputs and SMEs needs and should not be weakened by merging different activities with differing goals.

⁶⁰ For further details, see the European Commission's Communication on the CIP, *cit.*

Conclusion and summary of findings

Community programmes targeting SMEs proved to be generally relevant as they are normally very broad in scope and thus include different areas of intervention. This characteristic has been an asset so far, but should be dealt with carefully under the CIP in order to prevent a decrease in the effectiveness and impact of the single components/pillars of the Programme. In this respect, as pointed out many times in this report, sound intervention logic with clearly defined specific and operational objectives is a crucial ingredient for the Programme's success. Thus, *focusing on key objectives should be a priority of the forthcoming CIP and this strategy should be backed by the use of well-designed and performing indicators.*

Another aspect that emerged through this evaluation is the value of lesson-drawing and its positive impact both on the efficiency and effectiveness of the actions carried out under the MAP. For example, the informative role of the EICs emerges as one of the most useful and effective actions of the MAP: this is mainly attributable to the fact that the EIC Network is established since 1987 and acquired a thorough knowledge of final beneficiaries and evolved in line with their needs. Conversely, the feedback role of the EICs scored poorly, as its functioning has only recently been redesigned and potential benefits have not been internalised yet. The lesson-drawing component is also visible within the financial pillar and has been confirmed by interviewed stakeholders. In this respect, *adequate internal feedback mechanisms and the exchange of best practices at the level of project management should be ensured to increase the impact of the lesson-drawing component of the implemented actions.* Increased familiarity with the Programme and its components could also have an impact on the flexibility of interventions, an element that was key for the successful initiatives carried out under the financial pillar: the possibility of detecting the overestimation of the SCA budget in a timely manner allowed the reallocation of resources in an efficient manner.

As stated above in section 3, the MAP 2001-2005 remedied many of the shortcomings of its predecessor, but did not deliver satisfactory results in terms of communication and dissemination strategy. As far as the communication between Commission's DGs is concerned, progress has been made and even in the most critical areas, such as the EICs feedback mechanism, Commission Services have introduced significant changes, whose results will only be visible in the medium-long term. The same cannot be said of the external communication strategy of the MAP. Despite successful initiatives such as the Europe Enterprise Newsletter and the increased availability of relevant information online, the Programme's visibility is still weak among final beneficiaries. Such a problem could be aggravated by the even broader scope of the CIP and by the fact that individual components might be perceived as weaker by their targeted beneficiaries. An adequate communication strategy should be one of the priorities of the CIP. *The possibility of setting up a dedicated budget line for this purpose should be foreseen together with the possibility of increasing the involvement of business associations in the dissemination strategy.*

Table 13
Summary of findings – MAP 2001/2005

PILLAR	RELEVANCE	EFFECTIVENESS	EFFICIENCY	UTILITY
Policy development	<p><u>Generally high</u></p> <ul style="list-style-type: none"> - Successful coverage of many SMEs needs - Insufficient consideration of e-learning aspects - One-off studies and databases not responding to specific needs of final beneficiaries 	<p><u>Mixed</u></p> <ul style="list-style-type: none"> - Highly effective best projects - Ineffective one-off studies and databases - Strong influence of the political dimension on some projects - Impact of weak indicators strongly felt in this pillar 	<p><u>Mixed</u></p> <p>with some results visible only in the long term:</p> <ul style="list-style-type: none"> - On average projects were efficient with an acceptable average cost <p>Small scale measures, one-off studies and databases mobilised considerable resources without reaching many final beneficiaries</p>	<p><u>Very high</u></p> <p>for best projects with clearly defined goals</p> <p><u>Mixed</u></p> <p>for measures with a strong political component or with weak indicators</p> <p><u>Low</u></p> <p>for one-off studies, databases and some small scale measures</p>
Financial instruments	<p><u>Mixed</u></p> <p>High for loan and good for microcredit guarantee schemes and ETF-SU facility as they addressed the need for easier access to finance of SMEs.</p> <p>SMEs financial needs in the pre-seed and expansion phase not covered</p> <p>The role of intermediaries is insufficiently considered</p>	<p><u>Mixed</u></p> <p>High for loan guarantee window. Satisfactory for microcredit guarantee window. Partially disappointing for ETF-SU scheme, due to <i>pari passu</i> approach</p> <p>Slow take up of equity guarantee window and SCA</p> <p>Failure of JEV and ICT guarantee window</p>	<p><u>Mixed</u></p> <p>High for loan and microcredit guarantee windows and ETF-SU scheme</p> <p>Flexibility allowed efficient reallocation of overestimated SCA budget</p> <p>Slow take up of equity guarantee window</p> <p>Failure of JEV</p>	<p><u>Very high</u></p> <p>for successful schemes: increased access to finance and FI taking higher risks</p> <p><u>Low</u> for the disappointing initial performance of SCA</p> <p>JEV not yet replaced, while SMEs international cooperation still needs to be supported</p> <p>Need to change the EIF <i>pari passu</i> approach</p>
EIC Network	<p><u>Very high</u></p> <p>The Network responds to information needs of both SMEs and the European Commission, however the percentage of SMEs reached could be improved</p>	<p><u>High</u></p> <p>for informative role to SMEs, provision of advisory services, adequate compensation of weak centres</p> <p><u>Lower</u> but promising for feedback function due to undergoing cultural change within the EC</p>	<p><u>High</u></p> <p>The EC covers only a small portion of EICs funding needs while informative gains are potentially very high. A better exploitation of the feedback function would ensure an even higher score in terms of efficiency</p>	<p><u>High</u></p> <p>for the informative role towards SMEs. Weak centres should be reinforced</p> <p><u>Low</u> but promising for the feedback function as encoded information is already available</p>

As regards the forthcoming CIP, the most positive findings include the greater flexibility introduced in the budget allocation, the significant increase in the budget allocated to venture capital funds and the strengthened focus on research. However, there seem to remain important areas for improvement, which can be summarised in the following suggestions.

1. The creation of a comprehensive framework programme gathering as many as nine pre-existing programmes might be confusing and weaken the impact of the single components.
2. The CIP seems to be referring only marginally to crucial and appreciated initiatives such as the European Charter for Small Enterprises and the Action Plan on Entrepreneurship.
3. Projects should be launched to foster trust between money-seeking companies, financial actors and intermediaries (accountants and AOs) to promote stronger cooperation in assessing credit risks, building credit histories and future financial development.
4. An initiative on e-learning for SMEs should be foreseen, to help all SMEs (both high-tech and traditional) go digital.
5. The link between overall objectives and specific goals should be carefully substantiated by providing clear guidelines for the different actions.
6. There is a strong need for identifying measurable indicators and benchmarks, to facilitate the monitoring of project outcomes.
7. The internal and inter-institutional communication mechanisms of the policy development pillar could be streamlined and made more effective by borrowing from the organisational arrangements set for the financial instruments pillar.
8. Adequate human and financial resources should be dedicated to the EIC Network, especially to its most effective centres. This also implies the setting up of monitoring tools to identify best and worst performing EICs.
9. The EICs should be given a broader mandate in enhancing the visibility of the financial instruments.
10. The Commission should ensure that the feedback contribution provided by the EICs is used and fulfils its potential as a tool to monitor the effectiveness and efficiency of implemented activities.
11. The possibility of setting up an ad hoc “communications” budget line in addition to the dissemination initiatives foreseen under the different components of the Programme should be considered.
12. The CIP foresees specific calls for tenders directed to business organisations for promoting the Programme among their national member organisations and SMEs.
13. New direct support projects for the internationalisation of SMEs should be included in the CIP Work Programme.
14. There should be stronger coordination (but not overlap) between the CIP and the RTD Framework Programme.
15. Strong coordination with the JEREMIE programme should be ensured to magnify the impact of Community intervention on the development of early-stage venture capital markets in Europe.

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