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REPORT TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

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

(pursuant to Article 5(1) of Council Decision 2000/819/EC of 20.12.2000, as amended by Decision 593/2004/EC of the European Parliament and of the Council of 21.7.2004)

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1. GENERAL INTRODUCTION

This is the third annual report on the progress achieved in the implementation of financial instruments under MAP, the multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises-SMEs.

It is drawn up in accordance with Article 5 (1) of the Council Decision 2000/819/EC (OJ L 333, 29.12.2000, p.84) adopted on 20.12.2000, as modified by decision 593/2004/EC of the European Parliament and of the Council of 21 July 2004 (OJ L 268, 16.8.2004, p. 4).

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

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

This report covers three financial instruments under MAP, i.e. SME Guarantee Facility, ETF Start-up Facility and the Seed Capital Action. It provides an overview of **progress achieved as at 31.12.2005** and is broken down into one chapter for each of the financial instruments (chapters 3, 4 and 5).

All the financial instruments are managed by the European Investment Fund (EIF) and aim to address recognised market failures in order to improve SMEs' access to finance.

The approval of projects using budgetary funds available under MAP effectively started on 25.3.2002. Projects submitted prior to that date were approved under Growth and Employment.

2. OVERVIEW

2.1. Implementation

On 10.12.2001, the Commission adopted its Decision C(2001) 3973 on the implementation of the financial instruments of MAP. Following this, on 18.12.2001, the Commission signed with the EIF the Fiduciary and Management Agreements for the ETF Start-up Facility, SME Guarantee Facility and Seed Capital Action.

These agreements were revised on 22.12.2005 in order to take into account the extension of MAP.

An indicative budget of EUR 317 million for the period 2001-2005 was initially proposed for the MAP financial instruments. Taking into account the extension of MAP by one year, the increases decided by the budgetary authorities, the transfers made from other budget lines, the indicative MAP budget for the period 2001-2006 amounts to EUR 512 million.

In addition to the EU Member States, Bulgaria, Romania and Turkey are also eligible under the MAP. Furthermore, the agreement on the European Economic Area (EEA) concluded with the EFTA/EEA countries provides for the possibility of participation by the EEA countries in the MAP.

2.2. Take-up

In accordance with the Fiduciary and Management Agreements between the EIF and the Commission, the EIF shall endeavour to achieve a balanced geographic distribution of the three MAP financial instruments, taking into account, in no specific order of priority, the following 4 criteria:

- the aim to achieve a balanced global country coverage for the three financial instruments taken together;
- the aim to allow each Member State to benefit from at least one financial instrument;
- the minimum size necessary for a specific operation to be viable;
- the characteristics of the different markets.

The different needs, market conditions and macro-economic circumstances in the various participating countries have an impact on the absorption capacity and the take-up of the various financial instruments. Sufficient flexibility is therefore foreseen to allow for the necessary adjustments, for example shifts between the different financial instruments. Based on the experience gained in the implementation of the instruments, the Commission considers that appropriate geographical distribution should be achieved across the various financial instruments considered globally, rather than individually, for each of them.

The table in Annex 1 shows the geographical coverage of the MAP, based on the approvals made by the Commission as at 31.12.2005, all three financial instruments taken together.

3. SME GUARANTEE FACILITY

3.1. Description of the Facility

The objective of this Facility is to promote entrepreneurship, enhance growth and competitiveness, improve the financial environment and give business easier access to Community support services and programmes by supporting SMEs with growth and employment creation potential through increased availability of debt financing. The Facility provides support for higher volumes of guarantees for the existing guarantee products of the Financial Intermediaries (FIs), access to financing for a larger number of small companies for a wider variety of investments and guarantees for riskier loans. It also supports the creation and development of new guarantee schemes. The Facility covers part of the losses incurred under the guarantees up to a pre-determined amount (the “cap"[1].)

The Facility is managed by the EIF on behalf of the European Union. The EIF identifies, evaluates and selects potential FIs for the Facility in accordance with the relevant Guarantee Policy.

The SME Guarantee Facility applies to companies with up to 100 employees. The FIs may have stricter SME eligibility criteria depending on their specific guarantee or loan products. In any case, the origination and risk assessment as well as monitoring and recovery actions with regard to the final SME beneficiaries are the full responsibility of the selected Financial Intermediaries.

The MAP extends the coverage of the Facility to new products and countries. Compared to the Growth and Employment initiative, three new sub-windows were added to the Facility under MAP in order to expand the range of available guarantee instruments: micro-loans, equity investments and loans to cover IT equipment, software and training in the area of internet and e-commerce.

The following **windows** are available:

- **Loan Guarantees**: support enterprises with growth potential and up to 100 employees. Under this window, the EIF issues partial guarantees or counter-guarantees to cover portfolios of loans or guarantees.

- **Micro-credit Guarantees**: support micro-loans for very small enterprises with up to 10 employees. Under this window, the EIF issues partial guarantees to cover portfolios of micro-loans.

- **Equity Guarantees**: counter- or co-guarantees to guarantee schemes to cover equity investments in SMEs (no direct guarantees to VC funds).

- **ICT Guarantees**: cover portfolios of loans for the financing of IT equipment, software and training to promote the use of the internet and e-commerce. Priority is given to small enterprises with up to 50 employees.

3.2. Budgetary situation

3.2.1. Overview

As at 31.12.2005, the budgetary resources committed under SME Guarantee Facility amounted to EUR 267.50 million, which represents 64.3% of the total MAP budget committed until the end of 2005.

In addition, according to the Council Decision 2000/819/EC, Annex II, point II.G, “interest earned on the trust account shall be added to the resources of the Facility”. This total budget

[1] The cap is a pre-set amount in EUR (and percentage) and corresponds to EIF’s maximum liability towards an FI to pay its share of the losses regarding the FI's specific portfolio. The cap is based on expected losses. The financial risk to the Community’s budget is limited first by the cap and secondly by the guarantee rate approved by the Commission for a given intermediary (typically 50%).

shall then cover the full cost of the Facility, including guarantee losses and any other eligible costs or expenses. The table below shows the breakdown of budget, interest and other income and expenditure.

Table 1 *- Budgetary data as of 31.12.2005*

Resources	*(EUR million)*
Budget appropriations	*267.01*
Interest & other income	*0.49*
Total resources *(1)*	***267.50***
Utilisation	
EIF commitments to Financial Intermediaries (basis: approvals by Commission services)	*226.00*
Reserve for EIF management fees and other eligible expenses	*24.53*
Total utilisation *(2)*	***250.539***
Available budget *(1) – (2)*	*16.96*

3.2.2. Commitments

Figure 1 shows the evolution of the EIF guarantee commitments (EUR 226.0 million at 31.12.2005) compared to the available budget until the end of 2005 of EUR 242.96 million (EUR 267.50 million minus EUR 24.53 million for EIF cumulative fees under the Facility and other eligible expenses, at 31.12.2005). The commitments approved by the Commission are shown per quarter.

Figure 1. *EIF commitments to Financial Intermediaries (per quarter).*

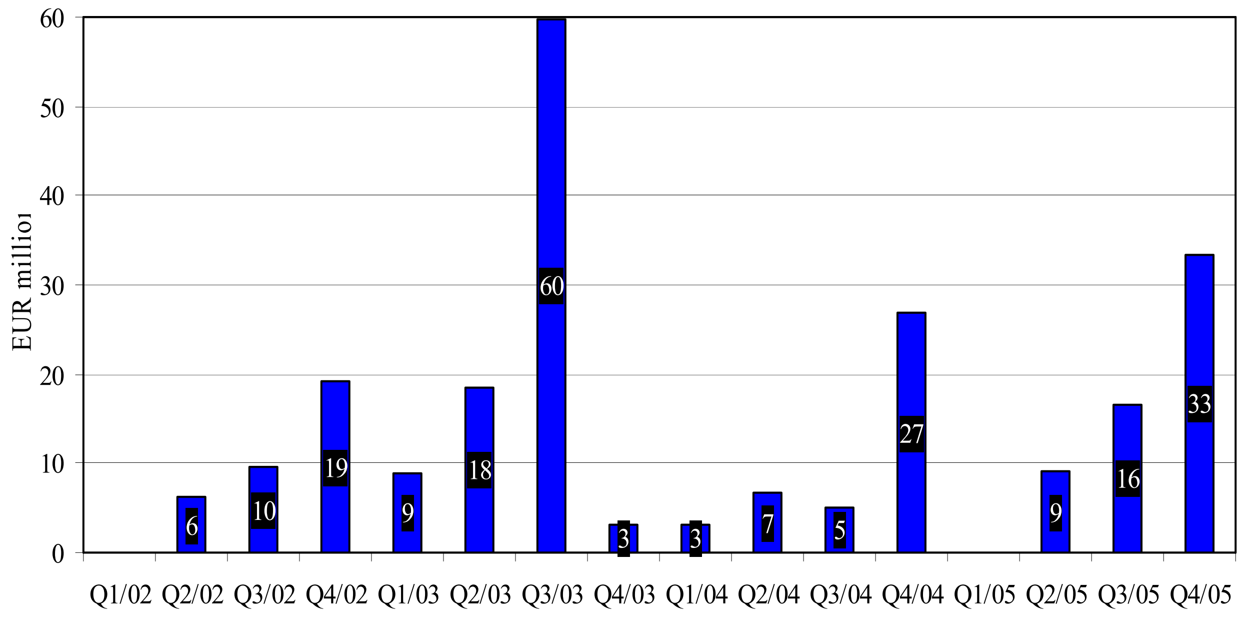
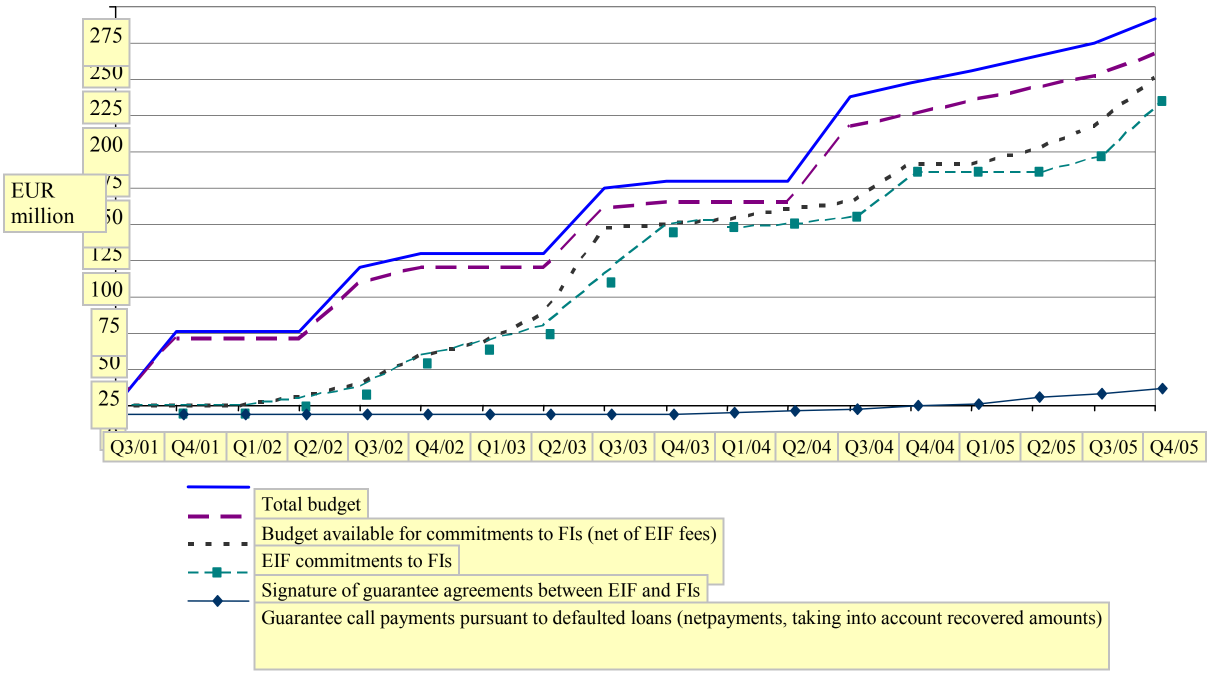


Figure 2 shows the cumulative evolution of operations as at December 2005 concerning the budget, the commitments, the actual utilisation and the guarantee calls.

Figure 2. *Cumulative evolution of EIF operations (per quarter).*



3.2.3. Utilisation

Utilisation means the aggregate volume of guarantees issued by the EIF in relation to the signed agreements between the EIF and the FIs under the Facility. At 31.12.2005, the average utilisation reached 67% for the Loan Guarantee window, 66% for the Micro-credit window and 65% for the Equity window.

The actual utilisation is fully in line with expectations. It should be recalled that following the signature of the guarantee agreement between the EIF and the FIs, there is an availability period during which FIs may provide guarantees to sub-intermediaries or loans to SMEs and include the corresponding SME loans in the portfolio guaranteed by the EIF.

As shown in Annex 3, the availability period for most FIs ends either on 31.12.2006 or on 30.6.2007, thus allowing for a smooth transition to the MAP successor programme, called CIP (Competitiveness and Innovation Framework Programme), that will cover the period from 1 January 2007 until 31 December 2013.

Following the decision of the European Parliament and the Council to extend the MAP by one year, commitments by the EIF to FIs may be made until the end of 2006. However, the Facility will continue after the last Community commitment in 2006 as the guarantee agreements between the EIF and each FI could stipulate availability periods beyond 2006. Furthermore, the guarantees issued by the EIF under the Facility have maturities up to 10 years. This means that payments with respect to defaulted loans will be made for up to 10 years following the end of the last availability period, but in no case beyond the Expiry

Date of the MAP on 31.12.2016, and that reporting, monitoring and control by the various actors involved will continue during that time.

The utilisation of the SME Guarantee Facility under MAP (SMEG01) appears to follow a similar pattern to the SME Guarantee Facility under the Growth and Employment Initiative (SMEG98). As of 31.12.2005, the results achieved under SME01 were already comparable to those achieved under SMEG98 in terms of number of loans covered, guarantee amounts signed, etc[2].

There is a high demand for both the Loan Guarantee window and the Micro-credit window. The Equity Guarantee window has been used to a limited extent so far, since the target population in terms of existing equity guarantee schemes is limited. Furthermore, technical issues, including State aid, have imposed some constraints on the implementation of this window.

No deals have been approved under the ICT window. It appears that there is no demand for a sectoral window of this nature. ICT loans can also be guaranteed under the Loan Guarantee window. It is not foreseen to continue with this window under the future CIP programme.

3.2.4. Leverage effect

Guarantee schemes in general have a very high leverage effect. Loan guarantees have high leverage as they are often provided in the form of counter-guarantees to institutions that in turn provide guarantees to other actors such as intermediaries and banks. Due to the risk-sharing between these various actors, the leverage in terms of volume of loans supported is very high (71.1 for the Loan Guarantee window). On the other hand, monitoring, reporting and visibility requirements must be transposed all the way down to the final beneficiaries.

In the EU-15 the Facility has been implemented with guarantee schemes. In the new Member States, however, where agreements could not been concluded with guarantee institutions (either because such schemes were not yet operational or not able to comply with the additionality requirements) agreements with banks were signed. The leverage is therefore lower: in the EU-15 a leverage of currently 78.6 is achieved, in the New Member States 36.0 and in the remaining countries Norway, Romania, Bulgaria and Turkey 23.0.

For micro-loans, the situation is usually different, in that most EIF guarantees are direct guarantees to the intermediaries who typically provide loans directly to the Final Beneficiaries. In addition there is a focus on high-risk SMEs for micro-loans, which results in higher cap rates. The higher risk means that with the same budgetary resources smaller volumes can be financed for micro-loan guarantees than for loan guarantees, so the leverage is generally lower than for the loan guarantees (8.1:1).

Specific information about the leverage effect is provided in Annex 2.

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[2] As of 31.12.2005 115,690 Final Beneficiaries (compared to 137,271 for SMEG98), EUR 173.8 million of committed budget allocation (compared to 177.5 for SMEG98) and EUR 12,352.5 million of underlying loan volume supported (compared to 10,328.7 for SMEG98).

3.2.5. State aid

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

3.2.6. Loss payments

By 31.12.2005, EUR 17.9 million had been paid, corresponding to the EIF´s share of loss payments for defaulted loans net of loss recoveries. More detailed information can be found in Annex 5.

As shown previously in figure 2, the cumulative amount of call payments is still very small compared to the cumulative volume of EIF commitments.

3.2.7. Accounts

The financial statements of the Facility are enclosed in Annex 8.

3.3. Financial Intermediaries

3.3.1. Overview

As at 31.12.2005, 45 contracts had been signed with 41 FIs, covering 23 of the 25 Member States as well as Bulgaria, Romania, Turkey and Norway. The contracts concern three different windows: Loan Guarantee, Micro-credit and Equity Guarantee. Most of the FIs are guarantee institutions.

All EU Member States are now covered under the MAP, with the exception of Luxembourg and Cyprus. However, a request for approval for an agreement with a FI in Cyprus was submitted in December 2005 (and signed in the first quarter 2006). Luxembourg had two agreements under the ETF Start-up Facility of the Growth and Employment Initiative.

An overview by window and country can be found in Annex 3, table 1. The description in table 2 of the same Annex gives more detailed information per country on the FIs, their contracts and the financing products that are guaranteed under the SME Guarantee Facility.

3.4. Beneficiary SMEs and employment

As already mentioned, the approval of projects under MAP started in May 2002. The number of final beneficiaries increased progressively and it stood at nearly 140,000 at the end of 2005 (of which more than 115,000 under the Loan Guarantee window).

More detailed information on beneficiary SMEs as at 30.6.2005 is available in Annex 4.

Information on employment in the final beneficiaries is available at the date of the loan issue. Some sample based analyses show that employment at the end of the year is likely to be some 20% higher. In 2005 about 570,000 persons were recorded as employed at the date of the loan issue, against less than 310,000 in 2004.

Details concerning investments by SME Guarantee window as at the end of 2005 are presented in table 2.

Table 2 *– SME Guarantee estimated investment volume by window at 31.12.2005*

	Estimated investment EUR million
Loan Guarantee	15459
Micro credit	362
Equity Guarantee	203
Total MAP	**16024**

At the end of 2005 Final Beneficiaries with up to 10 employees made up 91% of the total number of SMEs under the Loan Guarantee window, 100% under the Micro-credit window (it should be noted that the policy guidelines for this window target small SMEs with up to 10 employees) and 64% under the Equity Guarantee window.

It is interesting to compare the distribution of SMEs by size under the Facility with that of the EU in general. According to the most recent statistics available (source: Eurostat), about 92% of SMEs in the EU are micro-enterprises (0-9 employees), 7% are small enterprises (10-49) and 1% are medium-sized enterprises (50-249). This clearly demonstrates that the SME Guarantee Facility is firmly focused on the target population of the European Union *Charter for small enterprises***.**

4. ETF START-UP FACILITY

4.1. Description of the Facility

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

The EIF invests in specialised venture capital (VC) funds established specifically to provide equity or other forms of risk capital to SMEs. The funds considered under this Facility are small or newly established ones, including funds operating at regional level, those focusing on specific industries or technologies and funds that finance the exploitation of R&D results.

Investments are made on equal terms (‘pari passu’) with other equity investors. The ETF Start-up Investment Guidelines specify that investments must represent between 10% and 25% of the total capital of a VC fund or business incubator, or 50% in exceptional cases such as new funds which are likely to have a particularly strong catalytic role in the development of VC markets for a specific technology or in a specific region. Investments can be made up to a maximum amount of EUR 10 million. In exceptional, duly substantiated cases the amount committed may be higher, but will not in any case exceed EUR 15 million.

The new Investment Guidelines also foresee the possibility of co-investments in VC funds with other Community facilities, EIF’s own resources or other resources under mandate. Co-investments are allowed provided that the aggregate amount does not exceed 50% of the capital of the fund.

VC fund managers are required to maximise private sector participation and will normally be expected to obtain an amount of at least 50% of total fund size from private sources. For funds mainly operating in assisted regions (Objectives 1 and 2) or in candidate countries, up to 70% of public funding may be authorised in line with State aid rules where appropriate.

Where the investment policy of a VC fund foresees investments outside the eligible countries, the EIF's participation is reduced by the corresponding percentage of such investments. In such cases, however, the majority of the capital must be invested in the eligible countries.

The EIF examines the fund proposals based on criteria which include size, level of involvement from the private sector, investment strategy, target market, deal flow, proposed terms, expected rate of return, management team and the extent to which the EIF investment in the VC fund is expected to have a catalytic effect in raising funds.

Following the approval of a VC fund proposal by the Commission, the EIF signs contractual agreements with the fund managers and the other equity investors in the fund. Thereafter EIF disburses the amounts committed to the VC funds in accordance with their investment opportunities and corresponding financing needs.

4.2. Budgetary situation

4.2.1. Overview

As at 31.12.2005, the budgetary resources committed under ETF Start-up amounted to EUR 143.20 million, which represents 34.4% of the MAP budget committed until the end of 2005.

This total budget shall cover the full cost of the Facility, including investments in VC funds and any other eligible costs. Table 3 below shows the breakdown of the budget appropriations, interest and other income as well as their utilisation:

Table 3 *Budgetary data as of 31.12.2005*

Resources	*(EUR million)*
Budget appropriations	*142.11*
Interest & other income	*1.09*
Total resources *(1)*	***143.20***
Utilisation	
EIF commitments to financial intermediaries (basis: approvals by Commission services)	*91.76*
Reserve for EIF management fees and other eligible expenses	*12.58*
Total utilisation *(2)*	***104.34***
Available budget *(1)-(2)*	*38.86*

4.2.2. Commitments

Since the start of the MAP, 12 requests for approval have been submitted to the European Commission services. 9 contracts have been signed by the EIF with VC funds. One investment of EUR 15 million in Germany is still under negotiation. For the remaining 2 approved proposals, the operations have not materialised. It should be noted that 5 out of the aforementioned 10 contracts were signed in 2005. Moreover, EIF has several deals in the pipeline which are in the due diligence process and, if successful, could materialise in 2006. One of the possible operations concern a VC fund whose investment focus includes Bulgaria, Romania, Turkey and Croatia.

As in the past, the EIF has made significant efforts to achieve a broad uptake. Especially in 2003 and 2004, it has been difficult to attract private capital for a number of reasons:

- difficult market situation especially for early stage financing which represents the most risky market segment. VC funds eligible under ETF Start-up belong to the most risky sub segment of this market (seed and start-up). Private investors have continued to show some risk-aversion and, as a result, several funds have not been able to achieve a first closing;

- different stages of development of the venture capital market in the various countries;

- difficulties in securing at least 50% of capital from the private sector;

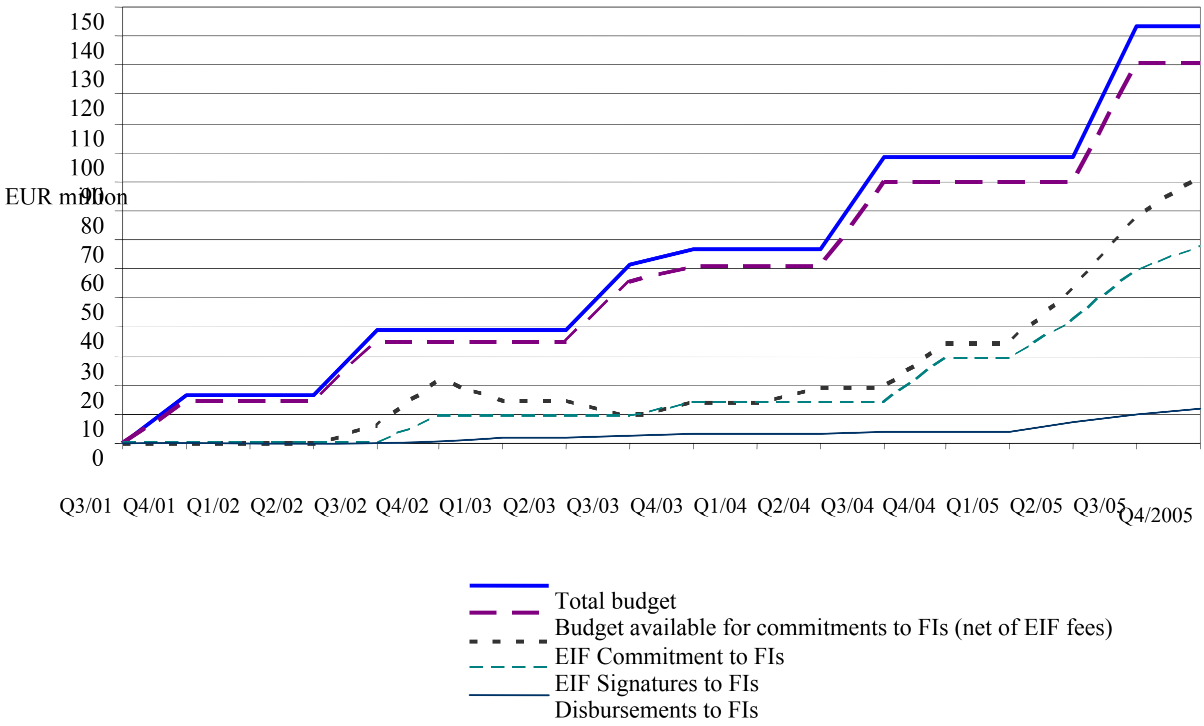
- national tax regulations.

In addition to that, the downturn of the stock exchanges and the reassessment of innovative fast-growing businesses have had an impact on the number of new EIF investment proposals in 2003 and 2004. This situation improved in 2005, as 5 new contracts were signed under ETF Start-up. The EIF pipeline for 2006 foresees a sharp increase in the number of projects, confirming that the early stage venture capital market targeted by the Facility is benefiting from the recovery and positive outlook in the private equity market reported on by the European Private Equity & Venture Capital Association (EVCA).

Figure 3 shows the cumulative evolution of the total amount committed, corresponding to EUR 91.8 million, compared to the available budget for commitments to VC funds (EUR 130.62 million as at the end of 2005). As at 31.12.05, the total disbursements to VC funds amounted to EUR 11.68 million. Total proceeds (repayments and dividends) received from VC funds amounted to EUR 153,656.25[3].

[3] To be compared to proceeds of EUR 36,150,104.58 received under ESU98 - Growth and Employment initiative

Figure 3 *Cumulative evolution of EIF operations (per quarter)*



The years 2001 until 2004 were characterised by a strong decrease in investment activity in the European venture capital market compared to the year 2000. This situation changed in 2005.

2005 has been a record year for European private equity. The figures published by EVCA in their press release of 15 June 2006 show that "fundraising in 2005 reached 71.8 billion euros, a record for the industry in Europe and over two and a half times the 27.5 billion euros raised in 2004". According to EVCA figures EUR 10.9 billion was raised for early stage and expansion stage venture capital. This represents an increase of 24% from the year 2004.

Fund raising in the high-tech area doubled in size. The allocation to early stage high-tech funds increased from EUR 1.3 billion in 2004 to EUR 3.6 billion in 2005.

According to EVCA, 2005 was also "a record year for investment, with 47 billion euros of equity capital invested". Buyouts represent the majority (68%) of the total amount invested while venture activity increased from EUR 10.3 billion in 2004 to EUR 12.7 billion in 2005 (+23%), accounting for 74.7% of the total number of deals made. The EVCA figures show that after years of lagging fundraising, 2005 marked a clear change in the outlook for the industry, and a revival of growth in venture capital, which is increasingly becoming attractive.

4.2.3. Accounts

The financial statements of the Facility are enclosed in Annex 8.

4.3. Financial Intermediaries

In general, the VC funds in which EIF has invested have an international, national or regional focus. Funds are mainly oriented towards early stage investments in high technology sectors, such as information and communication technologies, internet, healthcare and life sciences. This is in line with the investment policy of ETF Start-up.

A short description of the VC funds in which EIF has invested can be found in Annex 6.

4.4. Beneficiary SMEs

Two investments under MAP were made at the end of 2002, one was made at the end of 2003, another investment was made in 2004 and another 5 in 2005. The VC funds are still in the early stages of their respective investment periods and it is therefore too early to provide any representative information about employment. Up to December 2005, the VC funds under the Facility had invested in 35 portfolio companies, which reported a total of 568 employees as at June 2005.

5. SEED CAPITAL ACTION

5.1. Description of the Facility

The Seed Capital Action (SCA) aims to stimulate the supply of capital for the creation of innovative new businesses with growth and job-creation potential, including those in the traditional economy, through support for seed funds, incubators or similar.

The SCA is managed on behalf of the European Community by the EIF. The action provides support for the long-term recruitment of additional investment managers to reinforce the capacity of the venture capital industry to cater for investments in seed capital. The grant provided under SCA supports new funds or incubators, which include seed capital in their global investment programme, to cover part of the management cost linked to these labour-intensive investments. SCA provides grants covering management costs up to EUR 100,000 per newly recruited manager and for a maximum of 3 new staff per beneficiary. Beneficiaries are selected exclusively amongst those in which the EIF participates through own resources or through funds mandated by the European Investment Bank (EIB) or the Commission.

5.2. Budgetary situation

5.2.1. Overview

As at 31.12.2005, the budgetary resources committed under SCA amounted to EUR 5.6 million, which represents 1.3% of the MAP budget committed until the end of 2005.

The total budget covers the full cost of the action, including grants paid to the beneficiaries and any other eligible costs. The table below shows the breakdown of the budget appropriations and the corresponding utilisation:

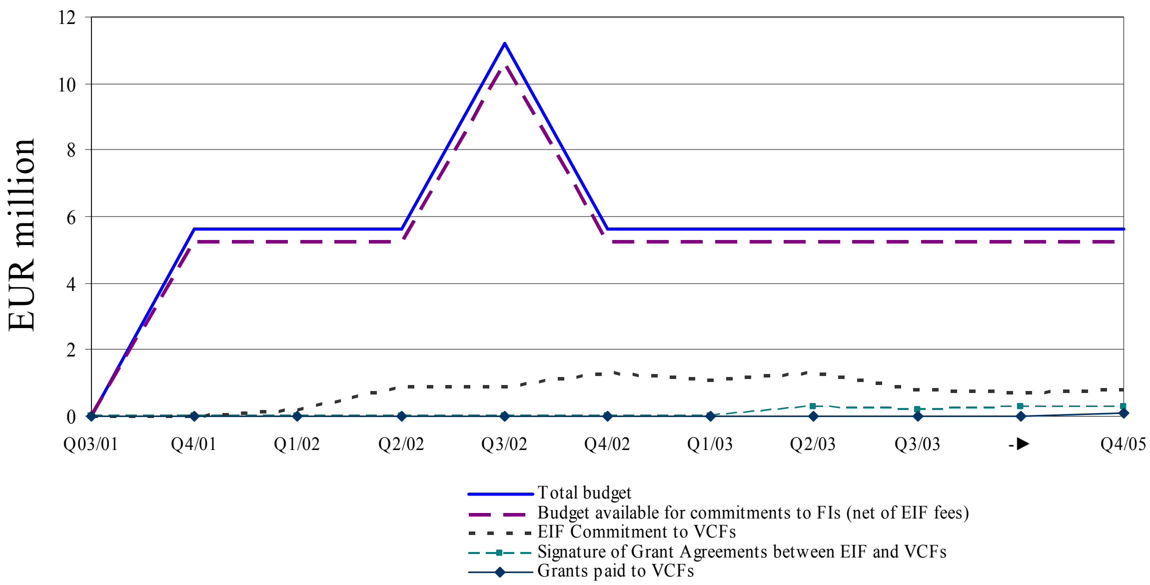
__Table 4__ Budgetary data as of 31.12.2005

Resources	*(EUR million)*
Budget appropriations	*5.60*
***Total resources** (1)*	***5.60***
Utilisation	
EIF approvals to Financial Intermediaries	*0.80*
Maximum EIF fees and other eligible expenses	*0.36*
***Total utilisation** (2)*	***1.16***
***Available budget** (1)-(2)*	***4.44***

5.2.2. Commitments and disbursements

Figure 4 shows the cumulative evolution of the total amount of grants to VC funds (EUR 0.80 million as at 31.12.2005), of which 0.10 million were paid in 2005. This is in accordance with the schedule and conditions set out in the grant agreements, which foresee grants to be paid in two instalments, the first payable at the earliest 18 months and at the latest 36 months following the signature of the grant agreement.

__Figure 4__ Cumulative evolution of EIF operations (per quarter)



5.2.3. Accounts

The financial statements of the Facility are enclosed in Annex 8.

5.3. Financial Intermediaries

The VC funds approved under SCA have contractual agreements with the EIF under ETF Start-up (MAP and Growth and Employment initiative). As at 31.12.05, three grant agreements were signed with two VC funds. More information can be found in Annex 7.

6. CONCLUSIONS

The SME Guarantee Facility is being very well taken up by the market. The Loan Guarantee and Micro-credit windows have been particularly successful, allowing the participating Financial Intermediaries to increase volumes and to take on more risk. At 31.12.2005, the SME Guarantee Facility covered 27 Countries and 45 portfolios of 41 Financial Intermediaries. Almost all Member States were covered (with the exception of Cyprus and Luxembourg), plus Bulgaria, Romania, Turkey and Norway. A transaction concerning Cyprus was approved in January 2006.

The leverage is very high, as shown in various independent evaluations. At the end of 2005, over 277,000 enterprises had benefited from the Facility under Growth and Employment and MAP. The SME Guarantee Facility is the second most important EU programme in terms of number of final SME beneficiaries. It is second only to the Structural Funds, which have significantly higher budgetary resources and a different focus.

The SME Guarantee Facility closely follows market needs and has been designed from the start to adapt harmoniously to each country's specific market conditions. The Facility is available and accessible to SMEs in all Member States of the Union, the EEA countries and candidate countries. Moreover, the Facility targets mainly SMEs with up to 100 staff, that is, the sub-group which is most vulnerable to adverse economic conditions.

The implementation of the ETF Start-up Facility has faced some difficulties in the period 2002 to 2003, due to the difficult fundraising situation prevailing on the EU venture capital market. It is necessary to stress that precisely in these difficult market conditions, ETF Start-up had a key role to play, as a unique and important European financial instrument fostering investments in strategic sectors in the context of the Lisbon strategy. The demand for early stage funding remains important, and European technology centres (especially research centres and universities) continue to generate valuable results in terms of concepts and intellectual property rights.

The EVCA June press release[4] shows that 2005 has been a particularly good year for European private equity in terms of fundraising, investments and divestments. VC professionals are confident about the positive outlook for the asset class and consider that "the positive momentum will continue well into and beyond 2006".

Regarding the Seed Capital Action, due to its constraints in terms of eligibility criteria and to the difficult market conditions for venture capital in the MAP starting period, this programme has not been as successful as expected. Only three grant agreements have been signed so far.

The evaluation of the EC Financial Assistance Schemes for SMEs[5] indicated that the MAP financial instruments are effective and efficient. Their management by the EIF was considered as a best practice for their proximity to the market. According to the evaluators, the instruments respond to market failures (such as the supply of finance for high tech), score highly in terms of additionality and complement schemes at Member State level, while tending to make better use of financial engineering techniques. They play a catalytic role in increasing the supply of finance to SMEs throughout the EU, including in those countries

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4 Thomson, PriceWaterhouseCoopers, EVCA: Press release of 15 June 2005, Monte-Carlo

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

where national financial instruments are less developed. The more recent external evaluation of the MAP[6] reinforces the conclusions of the Financial Assistance Schemes evaluation.

The evaluation concludes that SME Guarantee Facility and ETF Start-up have made a major contribution to improving the financial environment for business as instruments of a public policy supporting access to finance for SMEs. The evaluators consider that the financial instruments are efficiently implemented through the "chain" consisting of DG Enterprise—DG Economic and Financial Affairs—European Investment Fund (EIF). The report confirms that the "no one-size-fits-all" approach taken is appropriate: both the venture capital and the guarantee instruments can be easily adapted to different and evolving market conditions. The main recommendations for the current MAP concern the visibility of the Community support. It is felt that there is a need to promote the "MAP brand" (alongside that of the EIF) with Financial Intermediaries and national financial and business organisations in order to enhance the visibility of Community financial instruments.

- The MAP successor programme, called CIP (Competitiveness and Innovation Programme), was adopted by Council and Parliament on 24 October 2006[7] CIP will be a tool contributing to the implementation of the political priorities set out in the Lisbon agenda, the European Charter for SMEs and of new initiatives such as entrepreneurial innovation, competitiveness of enterprises and industrial policy. A particular aim will be to help SMEs, especially high-growth, innovative companies in their early and expansion stage of development, to access appropriate financial instruments.

- For the VC instruments the market-oriented approach will be maintained but with a few changes: CIP will provide support and cover a more significant part of the life cycle of usinesses with high growth potential; there will be support for co-investments with business angels, through early stage investments; the existence of two instruments (GIF1 focusing on early stage investments, and GIF2 targeting expansion stage investments) is expected to somewhat smoothen the effect of macro-economic cycles (ETF Start-up and the early stage VC market in general suffered particularly from the downturn, whereas later stage VC is less affected). VC funds whose main investment focus is on eco-innovation will be supported with higher intervention rates.

In the area of financial guarantees, the Loan and Micro-credit windows will be maintained. Mezzanine financing will be eligible under the Facility. The equity window will also be continued. Furthermore, a new securitisation window is envisaged. Its objective is to enable originators to raise funding at attractive conditions, reduce their regulatory and economic capital requirements, facilitate access to capital markets especially for unrated or low rated entities (e.g. smaller banks) and support the launching of new products (e.g. granting loans with the aim to securitise) with the aim to enable those originators to provide further SME financing.

The Capacity Building Scheme encompass the Seed Capital Action and the Partnership Action.

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

7 Decision No 1639, OJ L 310/15 of 9.11.2006

The Seed Capital Action covers grants for the long-term recruitment of additional staff by VC funds with specific investment or technology expertise and has a broader scope compared to MAP.

The Partnership Action (PA) builds on the PHARE SME Finance Facility and the Preparatory Action (2004-2006). The PA will provide grants to Financial Intermediaries to cover the cost of technical assistance to improve their credit appraisal procedures for SME debt financing. The Action will be limited to countries with low banking intermediation. A significant part of the action will relate to improving banks' capacity to assess the commercial viability of projects with a significant eco-innovation component.

The CIP will bring together into a coherent framework specific Community support programmes and relevant parts of other Community programmes in the fields most critical to boosting European productivity, innovation capacity and sustainable growth, whilst also addressing environmental concerns. It will combine Community actions in the fields of entrepreneurship, SMEs, industrial competitiveness, innovation, ICT development and use, environmental technologies and intelligent energy.

The Community financial instruments within the CIP will support SMEs in traditional sectors, and those investing in ICTs and innovation, including eco-innovation.

The CIP is proposed to become one of the main Community measures contributing to competitiveness and supporting the Lisbon agenda.

Annex 1: Geographical distribution - all financial instruments

Table *Breakdown by country of the commitments approved at the end of 2005, all three financial instruments taken together:*

COUNTRY	**%**	**COUNTRY**	**%**
Austria	4.3%	Malta	0.1%
Belgium	4.3%	Netherlands	2.5%
Cyprus	0.0%	Poland	1.8%
Czech Republic	1.6%	Portugal	0.5%
Denmark	1.3%	Slovakia	0.8%
Estonia	0.4%	Slovenia	0.2%
Finland	1.8%	Spain	13.3%
France	12.4%	Sweden	3.7%
Germany	18.6%	United Kingdom	10.0%
Greece	0.4%	Bulgaria	0.8%
Hungary	0.8%	Romania	1.0%
Ireland	0.2%	Turkey	0.1%
Italy	12.9%	Iceland	0.0%
Latvia	0.3%	Liechtenstein	0.0%
Lithuania	0.4%	Norway	0.7%
Luxembourg	4.7%	**TOTAL**	**100.0%**

Annex 2: SME Guarantee Facility– Leverage (gearing)

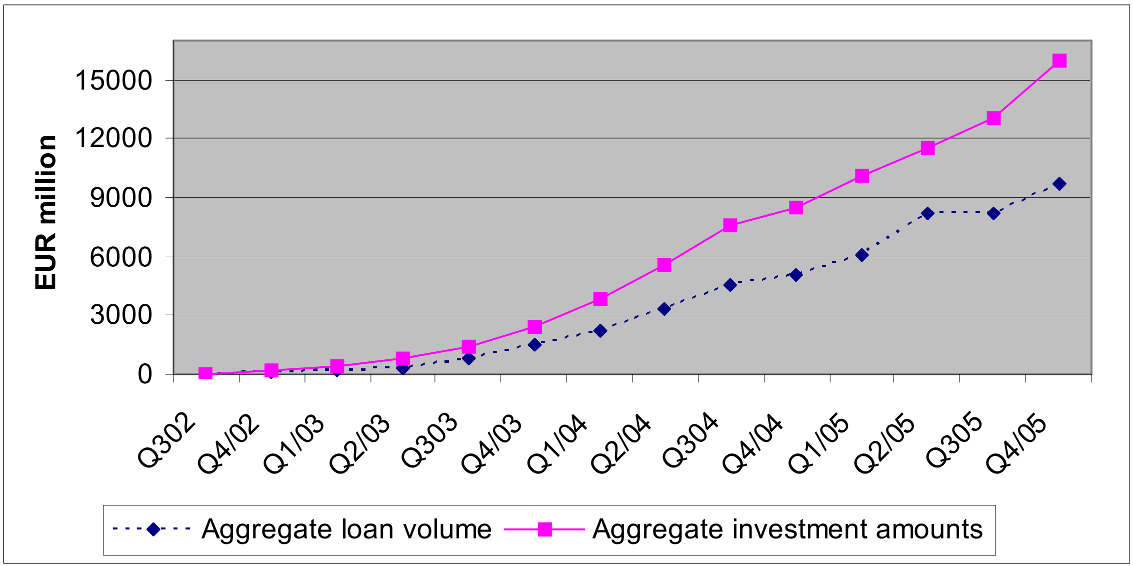
Table *Leverage effect (gearing) achieved at 31.12.2005 with the Community funds in terms of:*

(a) estimated volume of loans,

(b) guaranteed amounts.

	Allocated budget (signed)	Maximum underlying loan volume supported (estimate)	Maximum EIF Guarantee Amount	Leverage effect	Leverage effect
	EUR million	***EUR million***	***EUR million***	***(a)***	***(b)***
Loan guarantee window	173.8	12,352.5	3,624.1	71.1	20.9
Micro-credit window	32.1	259.1	177.6	8.1	5.5
Equity guarantee window	17.3	306.3	89.4	17.7	5.2
Total	**223.2**	**12,917.9**	**3,891.1**	**57.9**	**17.4**

Figure *Actual loan volume granted to SMEs and corresponding amounts that the beneficiary SMEs have declared to have invested; period: third quarter 2002, fourth quarter 2005.*



Annex 3: SME Guarantee Facility– Financial intermediaries

***Table 1 -** Overview of Financial Intermediaries by country and window – Approvals*

Name	Country	Cap amount (1) EUR million	Max EIF guarantee amount EUR million	Fis with contract under previous Growth and Employment initiative
LOAN				
Austria Wirtschaftsservice (AWS)	Austria	5,6	163,3	Yes
Fonds de Participation (FdP)	Belgium	6,4	42,5	Yes
Encouragement Bank	Bulgaria	2,5	21,0	No
Czech Moravian Bank	Czech Rep	3,6	51,4	No
Ceska Sporitelna	Czech Rep	1,6	40,0	No
Growth Fund	Denmark	4,1	39,6	Yes
KredEx	Estonia	1,2	16,0	No
Finnvera	Finland	4,7	93,7	Yes
SOCAMA	France	4,1	205,6	No
Sofaris	France	11,7	124,4	Yes
KfW	Germany	23,4	156,0	Yes
TEMPME	Greece	1,3	14,6	No
Hungarian Development Bank (MFB)	Hungary	1,2	19,4	No
HVB Bank	Hungary	1,2	30,0	No
CIB Hungary	Hungary	0,3	5,0	No
ATI Allenza di Garanzia	Italy	10,2	320,0	No
ATI Controgaranzia /APEROL	Italy	8,3	415,0	No
ATI Garanzia Diretta	Italy	2,7	135,0	No
ATI Sistema Garanzia	Italy	1,7	85,0	No
Mediocredito Centrale	Italy	11,8	295,0	Yes
Mortgage and Land Bank	Latvia	1,1	15,0	No
INVEGA	Lithuania	1,2	13,6	No
Malta Enterprise	Malta	0,4	6,0	No
BBMKB	Netherlands	8,0	320,0	Yes
Innovation Norway	Norway	2,0	10,3	No
Bank BPH SA	Poland	5,6	84,2	No
Polfund	Poland	0,1	1,3	No
Sociedade de Investimento	Portugal	1,5	29,0	Yes
BRD	Romania	1,9	31,0	No
Raiffeisen Bank	Romania	1,2	20,0	No
Tatra Banka AS	Slovakia	1,0	25,0	No
SZRB	Slovakia	0,0	0,0	No
Slovene Enterprise Fund	Slovenia	0,8	5,5	No
CERSA	Spain	19,8	395,0	No
Almi	Sweden	11,7	140,2	Yes
KGF	Turkey	0,3	5,5	No
MICRO CREDIT				
Fonds de Participation (FdP)	Belgium	2,6	12,8	Yes
ADIE	France	2,4	22,5	No
KfW	Germany	15,6	78,0	Yes
First Step	Ireland	0,1	1,1	No
Cultura	Norway	0,1	0,9	No
ICO	Spain	3,3	22,2	No
Prince's Trust and Prince's Scottish Youth Business	UK	8,0	40,9	Yes
EQUITY				
Austria Wirtschaftsservice (AWS)	Austria	1,9	12,5	Yes
Sofaris	France	15,4	76,9	Yes

[1]Including amounts to cover technical support (for micro-credits only), marketing costs and collection of information

Table 2 - Overview of the financing products

Country	Financial Intermediary	Financing products under MAP
Austria	Austria Wirtschaftsservice (AWS)	Austria Wirtschaftsservice (AWS) is the result of the merger of Bürges Förderungsbank GmbH (Bürges), Innovationsagentur GmbH and Finanzierungsgarantie-Gesellschaft mbH (FGG). The Austria Wirtschaftsservice GmbH (AWS) is 100% owned by the Republic of Austria and operates the public guarantee activities in Austria. Bürges had an agreement with the EIF under the Growth and Employment programme. Under the MAP Loan Guarantee window, two guarantee programmes are counter-guaranteed by EIF: • The programme for young entrepreneurs *Jungunternehmer-Förderungsaktion* supports start-ups and ownership transfer of small SMEs in all sectors, except agriculture and tourism. Eligible SMEs are start-ups that have a business history of up to 24 months and in the case of transfer of ownership not more than 50 employees. Guarantees cover loans for working capital and investment financing, including intangible assets. Maximum loan amount is EUR 300,000 for up to 10 years. • The programme for structural development *Unternehmensdynamik* supports innovative SMEs, i.e. the development of new products, services or significant improvement of existing products or services in all sectors, except agriculture and tourism. Eligible SMEs are those with less than 100 employees. Guarantees cover loans for investment financing. The maximum loan amount is EUR 750,000 and the maturity is up to 10 years. The EIF guarantee has supported an increase in the loan volumes and also facilitated the access to finance as AWS is waiving the collateral requirements for amounts up to EUR 75,000. The cap amount has been increased and the availability period for the intermediary has been prolonged and will end on 30.06.2007. Since the signing of the agreement under the MAP Loan Guarantee Facility window, 2,185 loans have been guaranteed with an average loan amount of EUR 56,653 and EUR 242,733 respectively. Under the MAP Equity Guarantee window, one guarantee programme is counter-guaranteed by EIF.

		The equity programme was introduced in 1997 and aims at stimulating direct private equity investments in Austrian SMEs in order to improve their financial structure. The guarantee covers the invested capital only. Small investments (amounts up to EUR 20.000) of individuals are guaranteed up to 100%, higher amounts of other investors are covered up to 50%. AWS enters into a tri-partite guarantee agreement with the SME and the investor. AWS guarantees either equity participation (shares or similar) or quasi-equity (risk-capital which is subordinated to other creditors, has a minimum term of 10 years and no fixed interest, interest depending exclusively on the profit generated by the SME). Guaranteed equity must be in the form of additional cash (no substitution of already existing equity). Take-overs are excluded (guaranteed equity investments must be a minority of the voting capital). The guarantee covers the invested capital but not the return. The guarantee is callable in the event of insolvency of the investee. The maximum maturity is 10 years. The availability period for the equity agreement will end on 30.6.2007. Since the signing of the agreement under the MAP Equity Guarantee window in 2004, 52 investments have been guaranteed, with an average amount of EUR 219,047. No losses have been reported as of 30/06/2005
Belgium	Fonds de Participation, (FdP)	Fonds de Participation, FdP, is a public institution, operating on a national basis. It already had an agreement under the Growth and Employment programme and under the MAP it currently has two agreements, one under the Loan Guarantee window and one under the Micro-credit Guarantee window. The utilisation of the FdP programmes has been rapidly growing under the Facility. Therefore, the contract was amended under the Micro-credit Guarantee window, the volumes were increased and the availability period extended until 30.6.2007. In September 2003 a new agreement under the Loan Guarantee window was signed and the availability period was extended to 30.6.2007. FdP offers different loan products to start-ups: • Prêts lancement - subordinated loans to unemployed people who wish to create a business; • Prêts création - subordinated loans to entrepreneurs who have conducted their business activity for less than 4 years or who wish to establish their own business and are not unemployed;

		• Prêts solidaires - granted to financially excluded persons such as unemployed persons without any income or immigrants waiting for a regularisation of their status, wishing to become entrepreneur; • Prêts BA+ - a newly launched lending programme targeting entrepreneurs or SMEs with no access to the classic banking system and whose business has reached a critical development stage or whose companies are developing innovative technologies. Borrowers of *BA+* must benefit from the support of a Business Angel. The EIF guarantee enhances the access to finance with higher guarantee cover, reduced cost of financing and start-up financing. The extension of *prêts lancement* and *prêts création* are facilitated by the financial support of MAP. The availability period for both contracts will end on 30.6.2007.
Bulgaria	Encouragement Bank AD	Encouragement Bank AD (EB) is a state-owned bank operating nation-wide (promotional bank) based in Sofia. Its role is to provide access to long-term financing to SMEs and to stimulate export activities. EB is the only promotional institution for SMEs in Bulgaria, acting as a complement to banking financing. The contract with EB was the first in the newly eligible countries following the notification in February 2003. Thanks to the Facility EB provides enhanced access to finance by waiving partly its collateral requirements. EB has an agreement with the EIF under the Loan Guarantee window. All loans granted under the EB programmes for investment financing (without limitations in terms of tangible assets, intangible assets and/or working capital) and with a minimum maturity of 3 years are eligible for cover under the Facility. Loans are provided to finance start-up, development as well as modernisation of a company. Eligible borrowers are SMEs, including start-ups, with up to 100 employees. The availability period for the intermediary will end on 30.06.2007.
Czech Republic	Czech Moravian Guarantee and Development Bank	The Czech–Moravian Guarantee and Development Bank (CMZR Bank) was incorporated in 1992 as a financial institution of the Czechoslovak State. It is a promotional bank, based in Prague.

		It has an agreement with the EIF under the Loan guarantee window. Loans for investment financing and with a minimum maturity of 3 years are eligible for cover under the Facility. Eligible borrowers are SMEs, including start-ups, with up to 100 employees. With the help of the Facility, volumes are increased. After a slow start, utilisation increased in 2005 and volumes were consequently increased. The availability period for the intermediary has been extended and will end on 30.6.2007.
	Ceska Sporitelna (CS)	CS was established in 1991 and is a private financial institution based in Prague. Erste Bank owns almost 98% of the share capital. It operates as a commercial bank offering the full range of banking services. Due to its history as a savings bank CS operates mainly as a retail and SME bank. The business segment is seen as an important source for growth for the bank over the next few years. CS is the largest retail bank in the Czech Republic with a total of 667 branches. It currently has an agreement with the EIF under the Loan Guarantee window. Eligible borrowers are SMEs, including start-ups, with up to 100 employees; the portfolio covers investment financing with a minimum maturity of 3 years. With the help of the Facility, collateral requirements are reduced and lending to start-ups is increased. The availability period for the intermediary will end on 30.6.2007 .
Denmark	Growth Fund (Vaekstfonden)	The Growth Fund (Vaekstfonden) is a public scheme providing guarantees and venture capital in Denmark. The Growth Fund already had an agreement under the Growth and Employment initiative. It currently has an agreement with the EIF under the Loan Guarantee window. The scheme provides guarantees for various financing needs: start-ups, innovation, ownership succession, business growth, market development and job creation for the disabled. Start-ups represent the most important category, with more than one third of the total guarantee volume. Furthermore, micro enterprises (i.e. companies with up to 5 employees) represent 95% of the portfolio currently guaranteed by EIF. It is the only SME loan guarantee scheme operating in Denmark.

		Eligible companies are those with growth potential and up to 100 employees. The maximum loan amount is EUR 675,000 and the maturity is up to 10 years. Thanks to the Facility, the Growth Fund has been able to increase its guarantee volumes. The availability period for the intermediary will end on 30.6.2007. During the first two years, all eligible loans were guaranteed automatically, without sharing collateral with the banks. This caused heavy losses. Growth Fund therefore implemented a new strategy starting its independent risk assessment and demanding collateral to the borrowers. It also launched a marketing campaign to boost demand. Working with banking and SME experts led to an increase of activities during the last two years.
Estonia	Estonian Credit and Export Guarantee Fund (KredEx)	KredEx was founded by the Estonian Ministry of Economic Affairs and Communications in July 2000. It is a guarantee fund which aims to support the development of SMEs as well as export and housing. KredEx is based in Tallinn. Its operations are supervised by the Ministry of Economic Affairs and Communications. KredEx is the only organisation in Estonia providing guarantees for SME loans and it has signed co-operation agreements with all commercial banks in Estonia. Eligible borrowers are SMEs, including start-ups, with up to 100 employees. Guarantees are provided for investment loans and leases with a maturity of up to 10 years. It currently has an agreement with the EIF under the Loan Guarantee window. The availability period for the intermediary will end on 30.6.2007. The maximum portfolio volume and the counter-guarantee cap have been increased in November 2005, clear signal of a very positive performance.
Finland	Finnvera	Finnvera is a public institution providing loans and guarantees to SMEs. It already had an agreement under the Growth and Employment initiative. Under the MAP Loan Guarantee window, EIF counter-guarantees two different programmes. The two different programmes were created thanks to the Facility: 1. “Growth and Employment Guarantee Scheme”, targeted at companies with up to 100 employees, job creation potential and an element of innovation in the products offered.

		2. “Small Enterprise Guarantee Scheme”, targeted at companies with up to 50 employees and with a specific window for entrepreneurs between 18 and 30 years. Guarantees issued for debt finance (loans, leasing and hire purchase financing) are eligible for the EIF guarantee and both existing and new companies can be supported. The guarantee volume was already increased and the availability period of the existing agreement was extended. The current availability period will end on 30.6.2007.
France	ADIE	ADIE (Association pour le Droit à l'Initiative Economique) is a non-profit organisation. Through its activity, ADIE enables unemployed and disadvantaged people to have access to bank financing in order to set up their own business. It also provides mentoring services to SMEs through a network of more than 650 volunteers. It has an agreement with EIF under the Micro-credit Guarantee window and since the signing of the agreement in 2002 7,413 loans have been guaranteed with an average amount of EUR 3,510. The products covered are: *prêts solidaires* (74% of ADIE's loan portfolio) and *prêts de développement* (in both cases guarantees for loans extended by banks), *prêts solidaires progressifs* and *prêts d'honneurs* (both granted on ADIE's own funds). The availability period was extended and will end on 30.6.2007. The cap amount as well as the maximum portfolio volume have been increased in December 2005. This is a signal of very positive performance.
	SOCAMA	SOCAMA is a network of mutual guarantee societies in France belonging to Groupe Banques Populaires. The counter party of EIF is the Banque Fédérale des Banques Populaires which is responsible for implementing the agreement through the network of regional banks with their more than 2,000 branches in France. Under the Facility, SOCAMA was able to create a new programme that targets existing SMEs and start-ups and finances small investments without any collateral requirements. It has an agreement with the EIF under the Loan Guarantee window. The “Prêt Express SOCAMA Europe” consists of medium-term loans (2-7 years) granted to finance a wide range of investment projects. The maximum loan amount is EUR 30,000, guaranteed up to 100% by SOCAMA. SOCAMA waives all collateral requirements with the exception of the request to the borrower to subscribe a life insurance. Eligible SMEs are companies with up to 100 employees, including start-ups.

		A new programme supporting business transfers has been added and is covered under the Facility. Amounts were increased and the availability period was extended to 31.12.2006.
	SOFARIS	SOFARIS is a national public guarantee institution. The scheme targets mainly young SMEs or those that are developing innovative technologies, irrespective of the date of their establishment. SOFARIS cooperated already under the Loan Guarantee window with the EIF under the Growth and Employment programme. Currently, it has two agreements under MAP. One agreement has been entered into under the Loan Guarantee window, the second one has been signed under the Equity Guarantee window. For the Loan Guarantee window, the covered sub-portfolio consists of guarantees for micro enterprises issued under the SOFARIS programme *Création*, that supports medium and long term financing for starting up new enterprises, new enterprises established by existing enterprises for the development of new activities or investment activities of enterprises with a business history of less than 3 years. Small SMEs with up to 9 employees are eligible for the EIF guarantee. SOFARIS was able to increase its volumes thanks to the Facility. The cap amount was increased and the availability period was extended and will end on 30.6.2007. 4,580 loans were included as of 30.6.2005. The Equity scheme finances equity and quasi equity investments (shares, convertible bonds, participating loans and participation in limited partnerships) made by venture capital funds in SMEs established in France. The scheme is open to all venture capital funds. The scheme targets mainly young SMEs or those that are developing innovative technologies, irrespective of the date of their establishment. Guarantees have a maximum term of 10 years and are callable after a 9 month grace period in the case of bankruptcy or of disinvestments with a loss if the company's equity has fallen below 50% of the original amount. Thanks to the Facility, SOFARIS was in a position to launch a new programme focusing on innovative technology and specifically designed to meet in full the objectives and requirements of the Equity Guarantee Facility. The cap amount was increased and the availability period was extended to 30.6.2007.

Germany	Kreditanstalt für Wiederaufbau, (KfW)	At the end of December 2002, the German government decided to fully integrate Deutsche Ausgleichsbank, DtA, into Kreditanstalt für Wiederaufbau, KfW. KfW is the largest promotional bank in Germany, offering a variety of programmes for the support of companies. KfW and DtA already had agreements with the EIF under the Growth and Employment programme. Under the MAP, it has two contracts with the EIF, one under the Micro-credit guarantee window and one under the Loan Guarantee window. The micro-lending programme was the first one operating at national level and providing strong incentives to banks to enter into this segment of the market. Under the Loan programme, the bank provides slightly larger loans to starters. Taking into account the low utilisation, the contract for the micro-lending programme was amended: the volumes were reduced and the availability period extended. The *Startgeld programme* supports people setting up their own business and therefore job creation. Eligible SMEs are those with up to 100 employees. The maximum eligible loan amount under the *Startgeld programme* may not exceed EUR 50,000 with a maturity of 10 years. Due to the large number of start-ups requesting finance under the *Startgeld programme*, DtA decided to launch a micro-lending facility specifically designed to meet the requirements of the Micro-credit Guarantee window under MAP. In accordance with the eligibility criteria of the Micro-credit Guarantee window, SMEs with up to 10 employees are eligible for the loans provided by DtA under its micro-lending programme. The programme targets entrepreneurs setting up their own business (either for the first time or entrepreneurs who previously failed) and part-time businesses. The target group includes legal immigrants and financially excluded people. The incentive for on-lending banks to enter into this segment of the market is stronger with the EIF support, due to the risk sharing arrangements. Amounts under the Startgeld programme were increased. The availability period for the Loan Guarantee window will end on 30.12.2006, while the agreement under the Micro-credit Guarantee window is extended until 30.6.2007.

Greece	Credit Guarantee Fund of Small and Very Small Enterprises (TEMPME)	TEMPME is a financial institution based in Athens. The initial share capital was co-financed by the European Union/ERDF 67% and the Greek state 33%. Established in 2002 and having started its activity in 2004, TEMPME is the only Greek Guarantee Scheme that provides guarantees to financial institutions covering SME loans. Its main objective is to support the establishment, growth and development of SMEs by facilitating their access to financing, especially when they cannot offer sufficient collateral. Guarantees are provided for micro-loans with a maturity of minimum 18 months and loans with a maturity of minimum 3 years. The maximum loan amount supported is capped at EUR 320,000. TEMPME covers 70% of the bank loan. Guarantees are offered to the 15 commercial banks that have already signed co-operation contracts, thus covering all the 13 regions of Greece. Eligible borrowers are SMEs, including start-ups, with up to 30 employees and with an annual turnover of up to EUR 7 million. TEMPME currently has an agreement with the EIF under the Loan Guarantee window which leads to an increased guarantee rate and provides additional incentives to the banks to use the guarantee in order to help the implementation of the guarantee scheme in Greece. The availability period for the intermediary will end on 30.6.2007.
Hungary	CIB Bank Lt.	CIB Bank was set up by a consortium of European and Japanese banks as well as the National Bank of Hungary and it was authorised to carry out commercial business activities in December 1995. At present it is a member of BancaIntesa Group, an Italian bank. The bank and its subsidiaries (CIB group) offer universal banking services. As of 31.3.2004 it had a nation-wide network of 62 branches. As of 31.12.2004 CIB Bank ranks 4th in the country by total assets and it pays particular attention to increasing its market share in the SME sector. SME lending is a rather new activity for the bank and thanks to the MAP guarantee under the Loan Guarantee window, the bank launched a new programme to provide enhanced access to finance especially to small and micro companies. It includes reduced collateral requirements, extended loan maturities and a higher financing rate. The availability period will end on 31.12.2006
	Hungarian Development Bank Ltd. (MFB)	The Hungarian Development Bank (MFB) is a 100% government-owned bank with the objective to develop and modernise the Hungarian economy. It is focusing on long-term financing to SMEs and on infrastructure projects.

		Loans have a minimum maturity of 3 years (and up to 10 years) and a grace period of up to 2 years. Eligible investments include the establishment of new premises, the extension of existing premises and the start of new activities that . Thanks to the Facility, on-lending banks only keep part of the risk and therefore lower the collateral requirements (or price). MFB had an agreement with the EIF under the Loan Guarantee window with nil utilisation. Therefore, the cooperation has not been extended and stopped on 31.12.2005.
	HVB Bank Hungary Rt.	HVB is the result of a merger between Bank Austria Creditanstalt Hungary Rt. and Hypo Vereinsbank Hungaria Rt. in September 2001. It provides the full range of financial services to corporate clients and consumers, with a particular attention to SMEs. Loans for investment financing with a minimum maturity of 3 years are eligible for cover under the Facility. Eligible borrowers are SMEs with up to 100 employees. HVB can finance up to 75% of the investment cost. Thanks to the Facility, collateral requirements were reduced. It currently has an agreement with the EIF under the Loan Guarantee window. Due to a good take up amounts have been increased. The availability period for the intermediary will end on 30.6.2007 and the maximum portfolio volume has been doubled.
Ireland	First Step	The agreement signed with First Step Limited under the Micro-credit Guarantee window is the first deal in Ireland, since there was no agreement under the Growth and Employment initiative. First Step is a non-profit private company with charitable status. It is the only private sector organisation in Ireland providing micro-lending nation-wide with a mentoring programme. It has an agreement with the EIF under the Micro-credit Guarantee window. The programme’s main objective is to provide access to finance for start-ups with loans for investments and working capital. Borrowers must have tried, but failed, to obtain financing elsewhere. Only companies with up to 10 employees are eligible and EUR 25,000 is the maximum amount lent to the Final Beneficiary. All loans have a maturity of 3 years and First Step does not require collateral. Up to 100% of the project cost can be financed. Furthermore, First Step provides

		mentoring services. With the help of the Facility, First Step can substantially increase its loan activity. The availability period of the intermediary will end on 30.6.2007 and both the guarantee cap and the maximum portfolio volume have been reduced in December because of the low utilisation of the Facility. This is due to the fact that the cooperation with the two largest Irish banks did not materialise.
Italy	Under the Growth and Employment programme the EIF signed contracts with a number of Italian mutual guarantee schemes, "Confidi". Under the MAP some of those Confidi formed joint ventures as temporary business associations with the aim to jointly apply for the MAP Loan Guarantee window. Although those Confidi operate in different regions, they apply similar standards and it was therefore possible to group them and establish uniform cap rates. One member of each joint venture is the general co-ordinator responsible vis à vis the EIF for reporting and the management of the Facility (guarantee calls etc.). The members of these "Confidi" associations are companies, chambers of commerce and entrepreneurial associations.	
	ATI Allenza di Garanzia (ALL.GAR)	ALL. GAR is a joint venture set up as a temporary association of business and consists of 7 "Confidi" (Mutual Guarantee Funds). It has an agreement with the EIF under the Loan Guarantee window. It offers collective guarantees and facilitates access to credit and bank loans, particularly for SMEs. The geographical area covered is Piemonte, Lombardia, Trentino Alto Adige, Veneto and Emilia Romagna. Under the Facility, the EIF counter-guarantees all investment loans and leasing transactions with a maturity of at least 3 years, as well as mezzanine loans and loans granted to directly support the recruitment of new staff by the borrower in connection with an investment plan. Thanks to the EIF, guarantee volumes can be increased and access to finance can be enhanced (higher guarantee cover, reduced cost of financing, start-up financing). The counter-guarantee cap and the maximum portfolio volume were revised in July 2005 and the availability period for the current contract was extended by another year until 31.12.2006. The utilisation under the Facility is very high and over 3,100 SMEs has so far benefited from a counter-guarantee.
	ATI Controgaranzia/ APEROL	ATI Controgaranzia represents three Italian mutual guarantee schemes whose main geographical area of activity is Lombardia, Emilia Romagna and Piemonte. They extend counter-guarantees to the benefit of their members, local Confidis that in turn guarantee debt finance given to

		SMEs through local banks. It has an agreement with the EIF under the Loan Guarantee window. By applying for the Loan Guarantee Window, the ATI members are able to provide better access to finance to artisan SMEs through local Confidis at acceptable costs since the interest rates are lowered for SMEs not having adequate collateral. SMEs with up to 100 employees are eligible for the EIF guarantee, although most companies are micro-enterprises. The counter-guarantee cap as well as the maximum portfolio volume have been increased and the availability period has been extended to 31.6.2007.
	ATI Garanzia Diretta	ATI Garanzia Diretta consists of two mutual regional guarantee schemes Artigiancredito Toscano ("ACT") and Fidart Calabria ("FIDCAL"). It operates in the Tuscany region and in Calabria. EIF counter-guarantees all investment and start-up loans with a maturity of at least 3 years and loans granted to directly support the recruitment of new staff by the borrower linked to an investment plan. Thanks to the Facility, enhanced access to finance for SMEs (higher volumes, reduced cost of financing, start-up financing) is provided, in particular in Calabria, which is an Objective 1 region and where access to debt financing for SMEs is even more difficult. The counter-guarantee cap and the maximum portfolio volume have been increased. The availability period of the agreement signed under the Loan Guarantee Window will end on 30.6.2007. So far, 7,591 loans have been guaranteed.
	ATI Sistema Garanzia Umbria-Marche (SIS.GAR)	ATI Sistema Garanzia Umbria-Marche (SIS.GAR) represents three Italian mutual guarantee schemes and a financial institution whose main geographical areas of activity are Umbria and Marche. It has an agreement with the EIF under the Loan Guarantee window. It provides better access to finance to artisan and industrial SMEs at acceptable costs: thanks to theguarantee, companies without adequate collateral gain access to medium and long-term bank loans. SIS.GAR provides either direct or co-guarantees to financial institutions or counter-guarantees to local Confidis. The guarantees cover all investment loans with a maturity of at least 3 years and loans granted to directly support the recruitment of new staff by the borrower. SMEs with up to 100 employees are eligible, although most companies are expected to be micro-enterprises. The operation provides for increased access to finance for SMEs through higher guarantee volumes and more favourable financing conditions.

		The cap amount was further increased and the availability period for the intermediary was extended and will end on 30.6.2007.
	Mediocredito Centrale (MCC)	MCC is a public, national guarantee fund. MCC issues direct loan guarantees to banks and counter-guarantees to guarantee schemes for long-term investment loans with a maturity of at least 3 years. It already had an agreement under the Growth and Employment Initiative. In the context of MAP, it has an agreement with the EIF under the Loan Guarantee window. Eligible loans are long-term investment loans as well as start-up financing to SMEs with up to 100 employees. Thanks to the Facility MCC is able to increase its loan volumes: 2,293 loans have been guaranteed since the signing of the agreement . Volumes were increased and the availability period was extended until 30.6.2007.
Latvia	Mortgage and Land Bank	The Mortgage and Land Bank of Latvia - *Mortgage Bank*, established in 1993, is 100% owned by the Government of Latvia and operates in practice as a national development bank. Under the Facility, the bank is providing enhanced access to finance by lowering its collateral requirements, financing a higher portion of the investment cost and by providing loans to SMEs that would otherwise not have access to bank loan finance. It was expected that the portfolio would mainly target start-ups and micro-enterprises, but during 2005, as utilisation was low, the bank decided to widen the scope of its operations under the Loan Guarantee window. Eligible borrowers are SMEs, including start-ups, with up to 100 employees, with a particular focus on start-up companies, micro-enterprises and companies proposing risky, but innovative and viable projects. The availability period has been extended and will end on 30.6.2007.
Lithuania	INVEGA	INVEGA is a limited liability company established in November 2001, 100% owned by the Lithuanian state and based in Vilnius. The preliminary role of INVEGA is to support Lithuanian SMEs by extending guarantees on investment loans provided by banks to micro and small companies with up to 50 employees. INVEGA is the only institution with such a mission in Lithuania. Eligible borrowers are SMEs, including start-ups, with up to 50 employees. The EIF guarantees investment financing with a minimum maturity of 2 years. The average maturity of loans covered is at least 3 years. Thanks to the Facility, INVEGA can increase its guarantee volumes.

		It currently has an agreement with the EIF under the Loan Guarantee window. After a slow start, utilisation has picked up; it is expected that INVEGA will reach full utilisation by the end of the availability period, i.e. 30.6.2007.
Malta	Malta Enterprise (ME)	ME was set up in January 2004 as the Maltese corporation to promote the establishment and expansion of business enterprises of Malta. It took over activities from three former government agencies. It supports a whole range of promotional activities and tailor-made assistance to SMEs. ME is the only guarantee institution in Malta issuing SME Loan Guarantees. It co-operates with all major banks in Malta. Guarantees issued by ME under the three product categories – SME loan guarantee scheme, loan guarantee scheme for new entrepreneurs and loan guarantee scheme for crafts and artisans - are eligible under the Facility, as long as they refer to loans granted by banks to SMEs with up to 100 employees for i) investment financing and ii) with a minimum maturity of 3 years. It currently has an agreement with the EIF under the Loan Guarantee window which enables ME to increase its guarantee activity. The availability period for the intermediary will end on 31.12.06.
Netherlands	SME Credit Guarantee Scheme (“BBMKB Scheme”),	BBMKB is a public guarantee scheme, operated on a national basis and managed by the Ministry of Economic Affairs of the Netherlands on behalf of the Dutch state. It already had an agreement with the EIF under the Growth and Employment initiative. BBMKB offers three guarantee products: standard guarantees, guarantees for start-ups and special guarantees for innovative companies. The BBMKB scheme is an established national guarantee scheme for the support of SMEs and has a diversified portfolio with national coverage. The guarantees are provided with a particular attention to the job creation potential. Eligible SMEs are those with up to 100 employees. Loans between EUR 70,000 and EUR 700,000 and a maturity of less than 6 years are eligible for cover. Start-ups are defined as entrepreneurs who have operated in a business for less than 5 years. Thanks to the Facility BBMKB is able to increase the guarantee volumes. As of June 2005, 1,672 loans have been guaranteed and no losses have been reported.

		The availability period of the intermediary will end on 30.6.2007. Both the counter-guarantee cap and the maximum portfolio volume were increased in December 2005.
Norway	Innovation Norway	Innovation Norway is a public organisation owned by the Ministry of Trade and Industry. It was established on 1 January 2004 by merging four institutions with the aim to create an efficient and transparent company servicing SMEs. IN is based in Oslo and has branches in all Norwegian counties. IN provides loans, guarantees and grants. Eligible borrowers are start-ups and small companies with growth potential and established small and innovative enterprises that plan to expand and present a higher risk. Eligible investments relate to the establishment, reorganisation or development of a company, as well as the introduction of new technology and the implementation of research and development results. Loans have maturities between 3 and 8 years. It currently has an agreement with the EIF under the Loan Guarantee window that helps IN to increase its volumes for those risky SMEs. The availability period for the intermediary will end on 31.12.2006.
	Cultura Bank	Cultura Sparebank is a savings bank that provides micro loans for sound projects that have a positive impact on society and added value from a social, ecological or cultural point of view. It was one of the founding members of Microinvest in 2003. Both formed in 2005 a cooperation. Since then, Cultura Bank provides loans on behalf of Microinvest that are in turn guaranteed by Microinvest. The latter offers mentoring services. The cooperation under the MAP Micro-credit Guarantee window allows the intermediary to expand its activity. The availability period for the intermediary will end on 30.6.2007.
Poland	Bank BPH S.A.	BPH is part of the HVB banking group. It was established in December 2001. It has a nation-wide network of over 460 branches and it ranks third in Poland. BPH has a market share of 11% in the SME segment. Investment loans (standard and simplified) as well as commercial vehicles financed under the “Auto Sezam” loan programme with a minimum maturity of three years and

		granted to SMEs with up to 100 employees are eligible. The Facility provides enhanced access to finance through reduced collateral requirements, increased financing rates, etc. The bank currently has an agreement with the EIF under the Loan Guarantee window. The availability period for the intermediary will end on 30.6.2007. Taking into account the strong utilisation under the Facility, both the guarantee cap and the maximum portfolio volume were increased .
	Polfund SA	Polfund is a private guarantee fund supporting SMEs that due to a lack of collateral do not have access to commercial bank financing. It started its activities at the end of 2001. It operates nation-wide and is open to all banks in Poland. So far, guarantees have only been provided to its shareholder BZ WBK and to the state-owned bank BGK. The activity was limited to short term and working capital financing. Under the MAP Loan Guarantee window, the maximum guarantee maturity is extended to 7 years, the guarantee rate is increased and fees are reduced. The availability period will end on 31.12.2006.
Portugal	Sociedade de Investimento, (SPGM)	Sociedade de Investimento SA, SPGM, was established to set up a mutual guarantee scheme for SMEs in Portugal. It is a financial institution regulated by the Portuguese bank act. SPGM manages the public guarantee fund, FCGM, that counter-guarantees the mutual guarantee societies, MGS, in Portugal. The EIF had an agreement with SPGM under the Growth and Employment initiative. All SMEs active in the manufacturing, tourism, commerce, services and construction sector can apply for a guarantee. Only medium and long-term investment loans (minimum 3 years maturity) are eligible. It currently has an agreement with the EIF under the Loan Guarantee window, which provides for higher guarantee rates. The availability period for the intermediary will end on 31.12.06.
Romania	BRD Groupe Société Générale (BRD)	BRD is a joint stock company and the majority shareholder is Société Générale Group which holds 51% of the shares. BRD is the largest private financial institution in the country. It provides the full range of financial services to corporate clients and consumers. Particular attention is paid

		to SMEs. BRDintends to expand in this segment of the market. The bank has a nation-wide network of 179 branches and agencies. It currently has an agreement with the EIF under the Loan Guarantee window. Eligible borrowers are SMEs, including start-ups, with up to 100 employees. Loans cover investment financing with a minimum maturity of 3 years. Thanks to the MAP, BRD has designed a specific programme with reduced collateral requirements. Depending on the quality of the customer, loans with maturities of up to 10 years are offered. The guaranteed amounts were increased and the availability period was extended until 30.06.2007.
	Raiffeisen Bank SA (RB)	Raiffeisen Bank SA (RB) is the result of the merger between the former Bank Agricola - taken over by Raiffeisen Zentralbank Österreich AG (RZB) in April 2001 - and Raiffeisenbank Romania, the corporate subsidiary of RZB in Romania. Particular attention is paid to SMEs and RB has the intention to expand in this segment of the market. RB offers a wide range of lending products to SMEs including investment loans, working capital facilities, overdrafts and internal factoring. It currently has an agreement with the EIF under the Loan Guarantee window. The Facility supports a new RB programme specifically designed to match the objectives of the Facility (by extending loan maturities, accept start-ups, lower collateral requirements The guaranteed portfolio covers loans granted to SMEs with up to 100 employees for investment financing with a minimum maturity of 3 years.. Target SMEs include start-up companies. The availability period for the intermediary will end on 30.6.2007.
Slovakia	Tatra Banka A.S.	Tatra Banka AS (TB) was established in 1990 as the first privately owned bank in Slovakia. The Raiffeisen group owns 86.4%. TB is the third largest bank in the Slovak Republic. TB provides the full range of corporate and retail banking services. All loans granted to SMEs with up to 100 employees for investment financing with a minimum maturity of 3 years are eligible for cover.

		It currently has an agreement with the EIF under the Loan Guarantee window. Additionality is achieved by extended loan maturities, lower collateral requirements and increased volumes. The availability period for the intermediary will end on 30.6.2007. The guarantee cap as well as the maximum portfolio amounts were increased in December 2005 to meet the strong.
Slovenia	Slovene Enterprise Fund (SEF)	The Slovene Enterprise Fund (SEF) is a financial institution based in Maribor. Established in 2000, it is the legal successor to the Small Business Development Fund of the Republic of Slovenia, which was founded in 1991. It is fully owned by the government of the Republic of Slovenia. SEF is the only public financial fund promoting investment projects by SMEs in Slovenia and the sole financial institution in Slovenia that grants direct loans to start-ups. Eligible borrowers are SMEs, including start-ups, with up to 100 employees. Thanks to MAP, SEF started a new guarantee activity. Guarantees are provided for investment loans with a maturity of up to 10 years. The maximum investment amount supported is capped at EUR 130,000, with a maximum loan amount of 75%, which in turn is guaranteed by SEF at 50%. It currently has an agreement with the EIF under the Loan Guarantee window. The availability period for the intermediary will end on 30.6.2007.
Spain	CERSA	Compañia Española de Reafianziamiento (Cersa) was created as a result of a restructuring of Spain's national guarantee schemes. It became operational in 1994. The State holds 92% of its capital, 68% directly and 24% through Instituto de Crédito Oficial – ICO. Cersa counter-guarantees loans with a minimum maturity of three years. It already had an agreement with the EIF under the Growth and Employment initiative. It has an agreement with the EIF under the Loan Guarantee window. CERSA offers counter-guarantees and guarantees for all medium and long-term loans, including loans granted by the Ministry for Science and Technology, for new investments and start-up financing with a maturity of at least 3 years. EIF's counter-guarantee has permitted CERSA to issue effective counter-guarantees with no loss cap. Eligible SMEs are those with up to 100 employees.

		Utilisation is constantly strong and the availability period will end on 31.12.2006. The counter-guarantee cap and the maximum portfolio volume were extended in July 2005.
	Instituto de Crédito Oficial (ICO)	Instituto de Crédito Oficial (ICO) is a state-owned credit institution of the Ministry of Economy. The Micro-credit programme which was established thanks to the Facility is the only one operating at national level. . ICO has an agreement with the EIF under the Micro-credit Guarantee window. The final beneficiaries are financially excluded people who want to start an independent activity, i.e. people that do not have access to finance through the banking system since they cannot offer adequate collateral. Only companies with up to 10 employees are eligible. In most cases, however, financial beneficiaries are self-employed starters. This is a new programme that was launched thanks to the MAP guarantee. The availability period ended on 31.12.05 and ICO decided not to further offer the programme.
Sweden	ALMI Företagspartner	ALMI Företagspartner is a public development agency whose mission is to increase the number of start-ups and to support the growth of companies. It already had an agreement with the EIF under the Growth and Employment intitiative. Under the Facility, EIF covers different lending programmes. In order to meet the high demand and ensure on-going support, a contract under the MAP Loan Guarantee window was signed. ALMI offers long-term financing to SMEs that lack sufficient collateral, but have growth and job creation potential. ALMI mainly supports micro enterprises with up to 10 employees. Under the Facility, EIF covers two programmes, the” SME Loan Programme” and the *Growth Loan Programme*. The *SME Loan Programme* is covering start-ups, female entrepreneurs with less than 100 employees at all stages of the business life, young entrepreneurs and SMEs with growth potential. The *Growth Loan Programme* is for growing companies with a business life of more than 3 years. ALMI is able to increase the loan volumes thanks to the Facility. At the end of 2005, the cap amount as well as the maximum portfolio volume were increased, and the availability period was extended until 30.06.2007.

Turkey	Credit Guarantee Fund, KGF.	KGF was founded as a joint stock company under private law in 1991 by a number of Turkish SME organisations; it became operational in 1994. Its mission is to provide guarantees to existing SMEs and start-ups that are unable to obtain sufficient financing due to their insufficient collateral or operational history. KGF operates nation-wide through its headquarters in Ankara and its branch office in Istanbul. The portfolio covers guarantees provided for investment loans with a minimum maturity of 36 months, granted to SMEs with up to 100 employees. Thanks to MAP, guarantee volumes can be increased and guarantee fees are lowered. KGF currently has an agreement with the EIF under the Loan Guarantee window. The availability period for the intermediary will end on 31.12.2006.
UK	The Prince's Trust and Prince's Scottish Youth Business Trust	The Prince's Trust and Prince's Scottish Youth Business Trust is a private charity organisation in the UK. The Prince’s Trust (although not Prince's Scottish Youth Business Trust at the time) already had an agreement with the EIF under the Growth and Employment initiative. It benefits from a direct guarantee by the EIF for its micro-lending programme and is therefore able to provide significantly higher volumes of micro-loans. It offers a variety of programmes addressed to young and underprivileged people. The start-up scheme supports young people, between 18 and 30, in setting up their own business through a combination of soft loans, grants and mentoring. The cap amount was increased in 2004 and the availability period was extended by two years and will end on 31.12.2006.

Annex 4: SME Guarantee Facility – Beneficiary SMEs

Tables 1 to 3 in this Annex include data as at 30 June 2005. They provide detailed information on beneficiary SMEs by country, size of the enterprise and by year of establishment.

The breakdown of sectors of the SME beneficiaries under the three windows as at 31.12.2005 is shown in figures 1 to 3.

Table 1 *Breakdown by country of beneficiary SMEs for the Loan Guarantee window, the Micro-credit window and the Equity window as at 30.06.2005.*

Country	**Number of beneficiary SMEs**	**Average loan amount** (EUR 000)
Austria	2,145	136,373.7
Belgium	1,036	31,431.4
Bulgaria	60	338,092.2
Czech republic	788	168,720.2
Germany	8,808	21,319.0
Denmark	422	176,846.4
Estonia	116	180,050.1
Spain	11,844	93,642.6
Finland	1,709	209,244.2
France	24,333	32,179.2
Greece	107	48,704.7
Hungary	35	194,464.2
Ireland	47	10,481.6
Italy	43,328	72,628.2
Lithuania	183	87,704.3
Latvia	65	108,657.7
Malta	6	92,592.6
The Netherlands	1,633	154,788.7

Norway	5	200,871.7
Poland	547	41,129.3
Portugal	75	270,059.9
Romania	411	92,726.0
Sweden	4,393	46,740.1
Slovenija	20	118,008.4
Slovak Republic	140	207,606.5
Turkey	30	146,606.6
United Kingdom	8,802	2,704.3
Total	**111,088**	**61,620.7**

Table 2 *Beneficiary SMEs per size class as at 30.06.05 for the Loan Guarantee window, the Micro-credit window and the Equity window*

	0-5	6-10	11-20	21-50	51-100	
Austria	1,703.00	182.00	132.00	100.00	28.00	2,145.00
Belgium	1,019.00	12.00	3.00	2.00	-	1,036.00
Bulgaria	27.00	7.00	12.00	10.00	4.00	60.00
Czech republic	404.00	97.00	107.00	115.00	65.00	788.00
Germany	8,473.00	265.00	56.00	14.00	-	8,808.00
Denmark	328.00	44.00	28.00	19.00	3.00	422.00
Estonia	55.00	16.00	24.00	15.00	6.00	116.00
Spain	9,550.00	1,097.00	620.00	437.00	140.00	11,844.00
Finland	1,265.00	195.00	132.00	95.00	22.00	1,709.00
France	22,067.00	1,667.00	492.00	96.00	11.00	24,333.00
Greece	85.00	16.00	4.0	2.00	-	107.00
Hungary	11.00	8.00	6.00	7.00	3.00	35.00
Ireland	46.00	1.00	-	-	-	47.00
Italy	35,316.00	3,474.00	2,563.00	1,438.00	537.00	43,328.00
Lithuania	60.00	43.00	36.00	40.00	4.00	183.00
Latvia	40.00	9.00	9.00	5.00	2.00	65.00
Malta	1.00	1.00	3.00	1.00	-	6.00
The Netherlands	983.00	280.00	199.00	139.00	32.00	1,633.00

Norway	5.00	-	-	-	-	5.00
Poland	292.00	92.00	36.00	62.00	15.00	547.00
Portugal	12.00	14.00	14.00	21.00	14.00	75.00
Romania	135.00	69.00	76.00	84.00	47.00	411.00
Sweden	3,514.00	413.00	283.00	148.00	35.00	4,393.00
Slovenija	14.00	2.00	2.00	2.00	-	20.00
Slovak Republic	36.00	26.00	33.00	31.00	14.00	140.00
Turkey	10.00	7.00	4.00	8.00	1.00	30.00
United Kingdom	3,799.00	3.00	-	-	-	3,802.00
TOTAL	**94,250.00**	**8,040.00**	**4,924.00**	**2,891.00**	**983,00**	**111,088.00**
Percentage	84.8%	7.2%	4.4%	2.6%	0.9%	

Table 3: *Breakdown of beneficiary SMEs by year of establishment as at 30.06.05 for the Loan Guarantee window, the Micro-credit window and the Equity window*

	2005	2004	2003	2002	2001	<2001	Not available	TOTAL
Austria	129.00	457.00	556.00	294.00	136.00	535.00	38.00	2,145.00
Belgium	198.00	536.00	279.00	23.00	-	-	-	1,036.00
Bulgaria		2.00	9.00	15.00	5.00	29.00		60.00
Czech Republic	17.00	66.00	49.00	34.00	40.00	582.00	-	788.00
Germany	554.00	680.00	1,183.00	641.00	175.00	187.00	5,388.00	8,808.00
Denmark	55.00	140.00	114.00	35.00	15.00	63.00	-	422.00
Estonia	3.00	28.00	21.00	11.00	6.00	47.00	-	116.00
Spain	635.00	2,171.00	2,240.00	686.00	525.00	5,587.00	-	11,844.00
Finland	85.00	315.00	324.00	166.00	76.00	742.00	1.00	1,709.00
France	999.00	5,686.00	4,030.00	1,575.00	1,141.00	10,874.00	28.00	24,333.00
Greece	32.00	31.00	5.00	6.00	3.00	30.00	-	107.00
Hungary			2.00	2.00	1.00	30.00		35.00
Ireland	24.00	18.00	2.00	1.00	2.00	-	-	47.00
Italy	1,050.00	5,193.00	5,390.00	3,273.00	2,258.00	26,160.00	4.00	43,328.00
Lithuania	4.00	25.00	16.00	14.00	11.00	113.00	-	183.00
Latvia	10.00	22.00	8.00	3.00	3.00	19.00	-	65.00
Malta			1.00			5.00	-	6.00
The Netherlands	323.00	709.00	177.00	69.00	72.00	280.00	3.00	1,633.00
Norway		1.00				4.00	-	5.00
Poland	1.00	32.00	39.00	43.00	48.00	339.00	45.00	547.00
Portugal		3.00	3.00	3.00	2.00	64.00	-	75.00
Romania	7.00	23.00	48.00	27.00	39.00	267.00	-	411.00

Sweden	445.00	1,114.00	1,029.00	392.00	158.00	1,255.00	-	4,393.00
Slovenija		2.00	4.00			14.00	-	20.00
Slovak Republic	3.00	14.00	11.00	7.00	11.00	93.00	1.00	140.00
Turkey		5.00	1.00		1.00	23.00	-	30.00
United Kingdom	1,870.00	3,271.00	3,553.00	2.00		-	106.00	8,802.00
TOTAL	**6,444.00**	**20,544.00**	**19,094.00**	**7,322.00**	**4,728.00**	**47,342.00**	**5,614.00**	**111,088.00**
Percentage	5.8%	18.5%	17.2%	6.6%	4.3%	42.6%	5.1%	

Figure 1 *Breakdown of sectors of the SME beneficiaries under the Loan Guarantee window as at 31.12.2005*

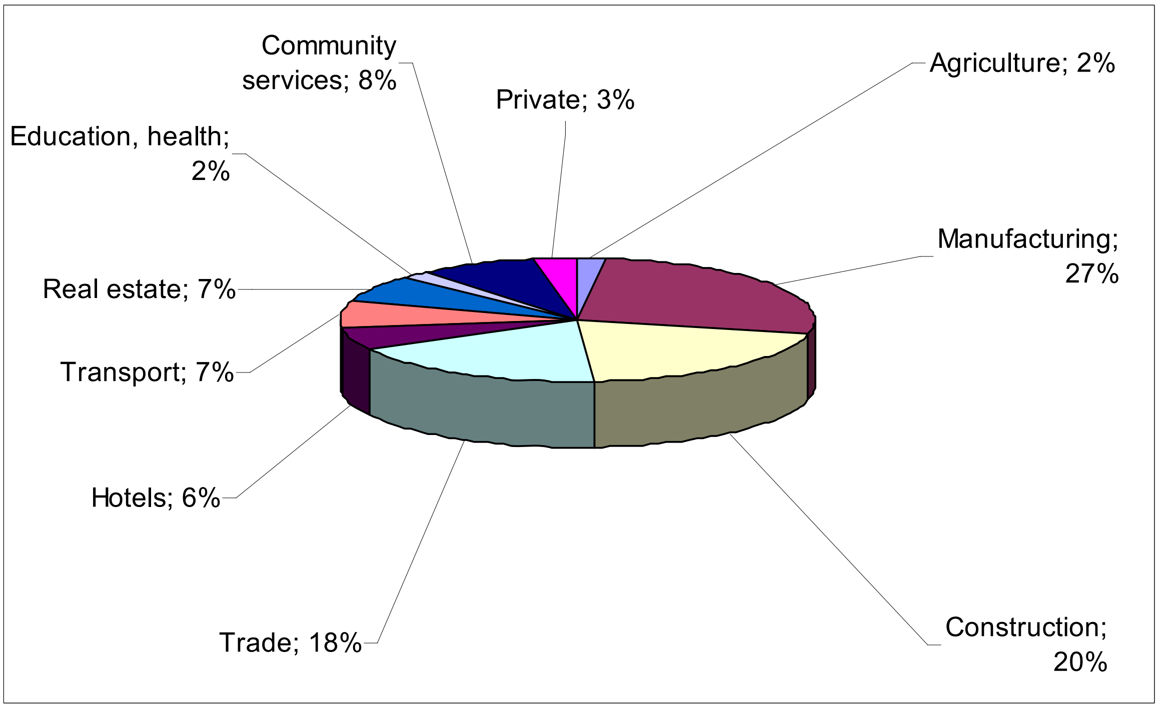


Figure 2 *Breakdown of sectors of the SME beneficiaries under the Micro-credit window as at 31.12.2005*

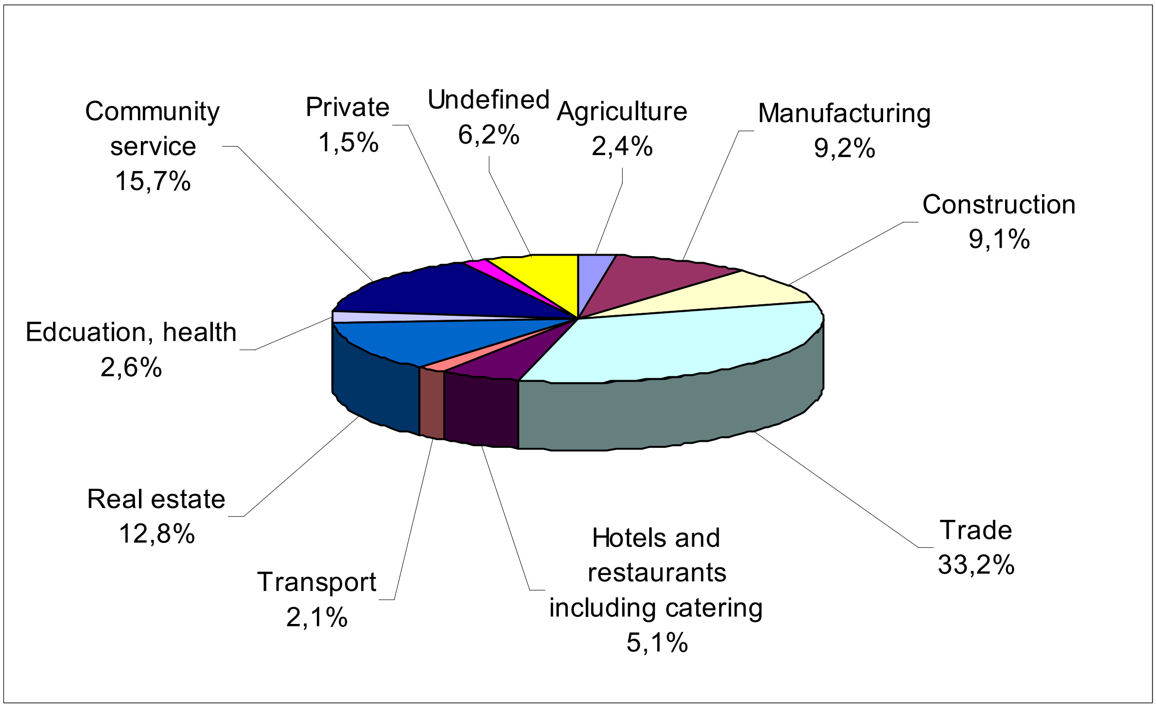
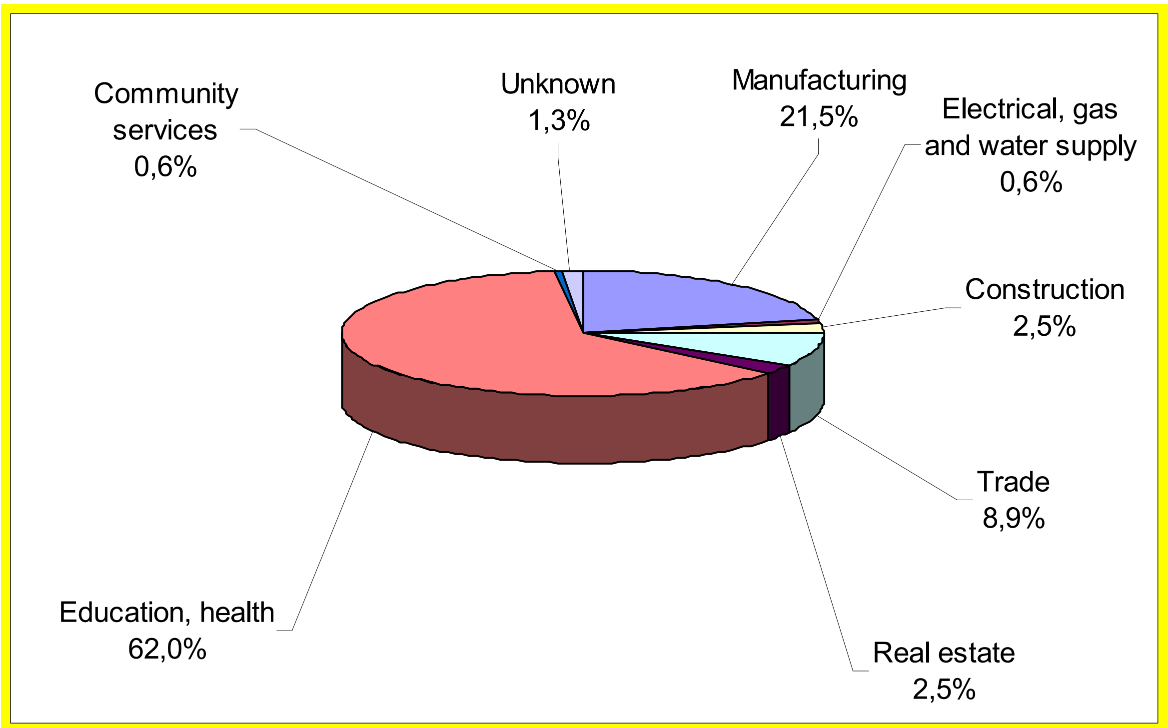


Figure 3 *Breakdown of sectors of the SME beneficiaries under the Equity window as at 31.12.2005*



Annex 5: SME Guarantee Facility - Analysis of Defaulted Loans, situation as at 30 june 2005

Total of calls received, payments made and recoveries

The total of calls received is EUR 13.8 million (see table 1); the breakdown by Financial Intermediary is provided in table 2.

The discrepancies between calls received and payments made (see table 2) result from the time lag between the calls received by EIF and the date of their payment (up to two months thereafter).

Table 1: *Calls received, payments made and recoveries*

	Amount (EUR)	Guarantees - number (#)
Calls received	13,816,656.21	3403
Payments made	12,168,406.44	3171
Recoveries received	-1,976,043.39	905
Payments made excluding recoveries	14,144,449.83	3171

Table 2: *Amount of the calls received and net payments made, taking into account the amounts recovered.*

Financial Intermediary	Window	Calls Received (EUR)	Payments made (EUR, excluding recoveries)	Amounts Recovered (EUR)
ALMI	Loan Guarantee Facility	1,730,405.07	1,959,705.08	-176,137.38
Artigiancredit Lombardia	Loan Guarantee Facility	36,896.20	26,150.52	-60
ADIE	Micro Credit	499,907.95	393,517.89	-21,991.75
ATI-Alleanza di Garanzia	Loan Guarantee Facility	91,915.27	91,915.2	
ATI-Artigiancredit Piemonte – Emilia Romagna – Lombardia	Loan Guarantee Facility	77,619.22	75,945.84	-2,886.83
Austria Wirtschaftsservice GmbH	Loan Guarantee Facility	303,176.50	303,539.63	-363.13
CERSA	Loan Guarantee Facility	56,358.52	100.15	
Encouragement Bank Ad	Loan Guarantee Facility	111,070.69	126,731.28	-15,660.59
Finnvera	Loan Guarantee Facility	249,238.77	251,649.55	-48,607.03
Fonds de Participation	Micro Credit	206,807.79	113,107.21	
Instituto de Credito Oficial	Micro Credit	1,769,677.04	1,780,065.83	-6,499.63
Kreditanstalt für Wiederaufbau	Micro Credit	2,944,746.32	2,003,296.25	-107,662.63
Kreditanstalt für Wiederaufbau	Loan Guarantee Facility	28,692.43		
Socama	Loan Guarantee Facility	128,486.26	11,105.12	
Sofaris	Equity	396,002.80	187,750.00	
The Danish Investment Fund	Loan Guarantee Facility	379,077.15	379,937.82	
The Prince’s Trust	Micro Credit	4,806,578.24	6,435,932.39	-1,596,174.42
TOTAL		**13,816,656.21**	**14,144,449.83**	**-1,976,043.39**

Annex 6: ETF Start-up

***Table 1**: Information about Venture Capital funds that have contractual agreements with the EIF*

Name	Country of headquarters	Geographical orientation	Targeted stage	Sector focus	Duration (years)	Fund size (EUR million)	
						Current	Target
EMBL Technology Fund	Germany	Germany	Seed	Biotechnology, medical / health related	10+2	26.2	26.2
T-Source	France	France	Seed	Communications, computer related, other electronic related	10+2	38.3	38.3
VIVES	Belgium	Belgium	Seed	Biotechnology, communications, computer related	12+2	15	15
Eden One LP	UK	UK	Seed	Communications, computer related, other electronic related	10+3	67.6	67.6
Pontis Venture Partners I	Austria	Austria	Start-up	Biotechnology, communications, computer related, industrial automation, medical/health related	10+2	30.4	30.4
Crescent Capital	UK	UK	Generalist	Generalist	10+2	32.8	32.8
Talde Capital II	Spain	Spain	Expansion	Generalist, Biotechnology, Communications, Computer related	10+2	54.5	60
Adara Ventures	Spain	Spain	Expansion	Communications, Computer related	10+2	40.7	40.7
New Tech VCF II	Luxembourg	Multi-country	Start-up	Communications, Computer related	10+2	38.0 [1]	38
TOTAL						**343.5**	**349.0**

[1] Situation as at 31/12/2005. Following a second closing (08/03/2006) the current fund size is EUR 83.9m.

***Table 2:** Short description of Venture Capital funds that have contractual agreements with the EIF.*

European Molecular Biology Laboratory Technology Fund (EMBLTF)

EMBLTF is a German Venture Capital fund sponsored by the European Biology Laboratory, a research institute in molecular biology. It focuses on seed and start-up investments in life science and related enabling technologies.

The fund's target investment area covers the EMBL Member States (the whole of EU excluding Luxembourg and Ireland, together with Israel, Norway and Switzerland).

Special emphasis is given to investments in the region of Heidelberg. The fund's headquarters are situated in Heidelberg, Germany.

T-Source

T-Source is a French seed fund focusing on investments in communication technologies.

The fund's target investment area is primarily France, with a possibility of investing up to 20% of the fund in other EU countries. Its headquarters are situated in Versailles, France.

VIVES

VIVES is a Belgian seed capital fund focusing exclusively on companies in their seed and start-up phase. Its sector focus is on ICT, biotechnology, engineering and nano-technology.

The fund's target investment area is predominantly Belgium and selectively the neighbouring countries (the Netherlands, France, Germany and UK). Its headquarters are situated in Louvain-la-Neuve, Belgium.

Eden One LP

Eden One LP is a British venture capital fund focusing on seed and early stage investments in the technology area, primarily applications and systems software for next generation network infrastructure, digital media tools and infrastructure, telemetry services over mobile networks and other applications of mobile communications.

The Fund's target investment areas are the UK and Ireland. Its headquarters are situated in Bath, UK.

Pontis Venture Partners I Beteiligungs-Invest AG (PVP I)

PVP I is a spin-out from the venture arm of the "Land Niederösterreich". It focuses mainly on start-up and to a lesser extent on expansion investments in ICT and Life Sciences.

The fund's target investment area is mainly the East-Austrian market and selectively in the neighbouring regions of Hungary, Slovakia and Czech Republic. Its headquarters are situated in Vienna, Austria.

Crescent Capital II L.P.

Crescent Capital II L.P. is a British venture capital fund with its headquarters in Belfast, Northern Ireland. It focuses predominantly on early stage companies.

The primary sector focus is on technology-related sectors (ICT and life sciences). Crescent Capital II L.P. is a regional fund focusing on Northern Ireland.

Talde Capital II FCR

Talde Capital II FCR is a Spanish venture capital fund with headquarters in Bilbao.

It is a multi-stage vehicle including seed and start-up companies in its investment programme. The fund is a generalist with a balanced portfolio consisting of innovative SMEs operating in both traditional industry and technology related sectors.

The geographical focus of Talde II is mainly on Spain and to a lesser extent on Portugal. Special attention is given to Spanish objective 1 regions.

Adara Ventures

Adara Ventures is a Spanish venture capital fund with headquarters in Madrid. It is a fund primarily focusing on the ICT sectors, and more specifically (i) software, (ii) communication & computer systems and (iii) professional technology services sub-sectors. It includes primarily early-stage companies in its investment programme.

The main geographical focus of Adara Ventures is Spain. Other markets are considered on a more selective basis.

New Tech Venture Capital Fund II (NTVC II)

NTVC II is a venture capital fund with headquarters in Luxembourg. It is primarily focusing on the ICT sectors, in particular network management systems, wireless, services and software. It invests mainly in the pre (seed) and start-up rounds.

The geographical focus of NTVC II is the EU with a small percentage of investments outside the participating countries.

Annex 7: Seed Capital Action

***Table 1**:* *Information about EIF approvals under the Seed Capital Action.*

Fund	**Country**	**Requested SCA amount**	**Purpose**
EMBLTF*	Germany	200,000	Long-term recruitment of two junior investment professionals
Pentech Ventures*	UK	100,000	Long-term recruitment of one junior investment manager
Bullnet	Spain	200,000	Investment team to be strengthened by a long-term recruitment of two additional investment managers,
TecNet Equity	Austria	100,000	Long-term recruitment of one junior investment manager
Vives	Belgium	200,000	Long-term recruitment of two junior investment professionals
TOTAL		**800,000**	

* Signed in 2003

<u>Annex 8: Financial Statements</u>

SME Guarantee Facility

ETF Start-up Facility

Seed Capital Action

Financial Statements as at 31 December 2005

(expressed in euro)

Annex 9: Joint European Venture (JEV) programme

The JEV programme supports the creation of transnational partnerships established by at least two SMEs from different states within the European Economic Area. By the end of 2005, a cumulative total of 323 applications had been received, 230 agreements signed, EUR 19.8 million allocated to projects and EUR 3.5 million paid out.

On 21 July 2004, by a decision of the European Parliament and of the Council[8], it was decided that the JEV programme should be phased out. It was closed to new applications on 29 December 2004. It is anticipated that it will take approximately two years to close all the ongoing JEV projects. This decision also contained a minor change to the eligibility criteria of the ETF Start-up scheme to improve access for companies in specific high tech sectors.

8 Decision N° 593/2004/EC published in OJ L 268 of 16.8.04