

***Framework Service Contract for the Procurement
of Studies and other Supporting Services on
Commission Impact Assessments and Evaluations***

***Interim, final and ex-post evaluations of policies,
programmes and other activities***

***Final Evaluation of the
Entrepreneurship and Innovation
Programme***

Final Report

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Contents

<u>CHAPTER</u>	<u>PAGE</u>
1. Introduction	1
2. Research Methodology	15
3. Survey Results	47
4 Evaluation Results	100
Financial Instruments	107
Enterprise Europe Network	114
Innovation Activities	120
Eco-innovation	129
Results for the EIP as a Whole	135
5. Conclusions & Recommendations	142
Annexes –	
Annex A - Case studies	
A.1 The Small Business Act and the Entrepreneurship & Innovation Programme	151
A.2 Dissemination of EIP Results by the Enterprise Europe Network	155
A.3 Eco-innovation as a Cross-cutting Theme	159
B List of Abbreviations	166

Introduction & Aims

1

This document contains the Final Report from the Centre for Strategy & Evaluation Services (CSES) LLP in respect of the 'Final Evaluation of the Entrepreneurship and Innovation Programme'. The initial section of the Report provides an introduction to the evaluation and explains the aims of the exercise.

1.1 Resume of Assignment Aims

The Entrepreneurship and Innovation Programme (2007 - 2013) 'EIP' is one of the three 'pillars' of Competitiveness and Innovation Framework Programme (CIP). The CIP's overarching aim is 'to contribute to the enhancement of competitiveness and innovation capacity in the EU, the advancement of the knowledge society, and sustainable development based on balanced economic growth'. A significant part of the CIP consists of encouraging the competitiveness of European enterprises, especially SMEs.

Through the Entrepreneurship and Innovation Programme, the European Commission aims to support entrepreneurship and innovation and to promote the development and growth of SMEs across the EU.

This document sets out the findings and recommendations of the Final Evaluation of the Entrepreneurship and Innovation Programme (2007 - 2013). As will be seen, the evaluation exercise as a whole builds substantially on earlier stages in the evaluation cycle, notably the initial impact assessment that accompanied the Commission's proposal for a Decision on the CIP and the interim evaluations of the EIP and the CIP, completed in 2009 and 2010. These documents set out certain expectations about the Programme and commented on its early implementation. The current exercise has aimed more to assess the extent to which, at this stage when the Programme still has several years to run, the expectations are being realised.

The basic starting point has been in the Decision of the European Parliament and of the Council establishing the CIP¹, particularly taking into account the specific provisions in this document relating to evaluation of the Programme. With reference to these provisions, the overall aims of this assignment have been :

- to evaluate, with respect to the EIP *"issues such as relevance, coherence and synergies, effectiveness, efficiency, sustainability, utility and, where possible and appropriate, distribution of funding with regard to sectors"* (article 8.2 of CIP Decision).

More particularly, the study has aimed to:

- Follow-up on the findings, conclusions and recommendations of the Interim Evaluation of the EIP and of the Interim Evaluation of the CIP;
- identify, test and apply methodologies for evaluating (both qualitatively and quantitatively) those issues;
- analyse and compare the data collected, and draw substantiated conclusions;

¹ Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013)

Introduction & Aims

1

- measure the impact of the Programme against its objectives;
- evaluate the extent to which the objectives of the Programme are pertinent to the needs, problems and issues it was designed to address;
- evaluate the efficiency of the Programme and identify its most efficient and its most inefficient aspects;
- provide relevant, realistic and impartial recommendations;
- provide input for the next generation of the Programme (this evaluation will inform the ex-ante evaluation and impact assessment for the proposal for a legal base for a successor to the EIP in the next multi-annual financial framework²).

The Terms of Reference for the assignment set the objectives for the study and also established the parameters within which the work programme for the study was to be conducted. After discussion with members of the Steering Group, an Inception Report for the Evaluation elaborated on the Terms of Reference, describing the agreed scope of the study, setting out a series of questions that were to be considered in the course of the investigations and explaining the methodology to be employed in addressing them. A Progress Report and a report on the First Findings and Recommendations have provided feedback to the Steering Committee during the course of the investigations.

The Scope of the Evaluation

The Final Evaluation of the EIP is intended to encompass all the activities launched under the Programme. As part of this it needed to take into account the results of evaluations performed in the past. Given the wide range of activities covered by the EIP, however, the Terms of Reference for the evaluation proposed that it should concentrate on the three main blocks in the EIP that represent about 80% of the budget:

- Financial Instruments,
- the Enterprise Europe Network,
- and Eco-innovation,

while also covering other activities that aim to support innovation. It will be seen that the evaluation has largely followed this approach, concentrating on the principal activities supported by the Programme.

It is important to bear in mind that this 'Final' Evaluation has been conducted half way through the period over which the EIP is operating (2007 – 13). Indeed, in the case of the Financial Instruments, since loan agreements and venture capital investments can be signed up until the end of 2013, the

² The external study for the ex-ante evaluation and the impact assessment of the successor to the EIP has been carried out in parallel and has drawn on evidence gathered by this evaluation, in particular with regard to empirical data on the financial instruments, the Enterprise Europe Network and the eco-innovation projects. Where appropriate, preliminary findings have been exchanged and both exercises have been co-ordinated as far as possible with regard to content and timing in order to avoid any overlapping or duplication of work.

Introduction & Aims

1

programme actually extends well beyond 2013³. Consequently, it is not possible at this stage to comment on the full results and longer-term outcomes of the Programme. It should also be noted that, as is explained in more detail subsequently, certain activities in the innovation area continued to be financed under the 6th Framework Programme in the first two years and can only really be considered for evaluation purposes as being under the EIP from 2009 onwards.

Within these constraints and building on the conclusions and recommendations of the Interim Evaluations of the EIP and of the CIP, the main questions that the evaluation have aimed to address are :

Relevance

1. To what extent are the Programme's objectives pertinent to the needs, problems and issues it was designed to address?
2. Are the Programmes objectives coherent and do they promote synergies with other EU and Member State measures that aim to promote similar or associated objectives?
3. To what extent would specific consideration to gender mainstreaming increase the Programme's relevance?

Efficiency

4. To what extent have the desired effects been achieved at a reasonable cost (including the burden on participants, beneficiaries, stakeholders)? To what extent have the human resources (in terms of quality and quantity) and financial resources been appropriate for an efficient application of the management methods chosen?
5. What aspects of the EIP have been the most efficient or inefficient, especially in terms of resources mobilised by stakeholders during the different phases of the process?
6. Are there overlaps/ complementarities between the EIP and any other EU or Member State action in the relevant areas?

Effectiveness

7. Is the design of the Programme optimal?
8. To what extent do indirect measures effectively benefit end-users, in particular SMEs?
9. To what extent have market replication support measures resulted in real replication in the market (notably financial instruments, eco-innovation and innovation)?
10. What is the European added value of the Programme for stakeholders and in particular end-users? Have there been any unintended effects on stakeholders?
11. Has there been any noticeable sectoral distribution in the SMEs benefitting from the Programme?
12. Which measures under the Programme have been the most effective or ineffective?

³ Loan, guarantee agreements (SMEG) may be approved until December 31, 2013 and EIF has 9 months beyond that to sign such agreements; the Availability Periods may therefore last until September 2017,. On the GIF side, the investment period of the funds may last until 2026.

Introduction & Aims

1

13. To what extent has the Programme contributed to “the competitiveness and innovative capacity of the EU as an advanced knowledge society, with sustainable development based on robust economic growth and a highly competitive social market economy with a high level of protection and improvement of the quality of the environment”?
14. To what extent has the Programme achieved its specific objectives, to "support, improve, encourage and promote: access to finance for the start-up and growth of SMEs and investment in innovation activities; the creation of an environment favourable to SME cooperation, particularly in the field of cross-border cooperation; all forms of innovation in enterprises; eco-innovation; entrepreneurship and innovation culture; enterprise and innovation-related economic and administrative reform"?

Information and awareness

15. To what extent has information about the availability of the Programme instruments and the results and impacts of actions effectively been transmitted to potential stakeholders and beneficiaries?

Utility and Sustainability

16. To what extent do the impacts of the EIP meet the needs of its final users and contribute to solving their present problems and issues? To what extent could measures be taken to improve the utility of the EIP and what measures would these be?
17. Are there any positive changes brought about by the EIP to the competitiveness and innovative capacity of the EU or are there any likely to be? Has the Programme had negative side-effects?
18. In the cases where sustainability is identified, what measures could be taken to foster the sustainability of the positive changes?

These evaluation questions apply to the Final Evaluation of the EIP as a whole and have guided the conduct of the study in relation to the main evaluation criteria. In practice, more detailed questions were elaborated during the course of the investigations that were specifically directed at the circumstances of each of the main components of the Programme. This process has influenced the comments made in the chapters reporting on the results of the investigations, but the basic aim has been to examine how the Programme has performed against the key evaluation criteria and it will be seen that the results of the evaluation are reported in sections in which successively the evidence in relation to each criterion is considered.

1.2 The Organisation of the Evaluation

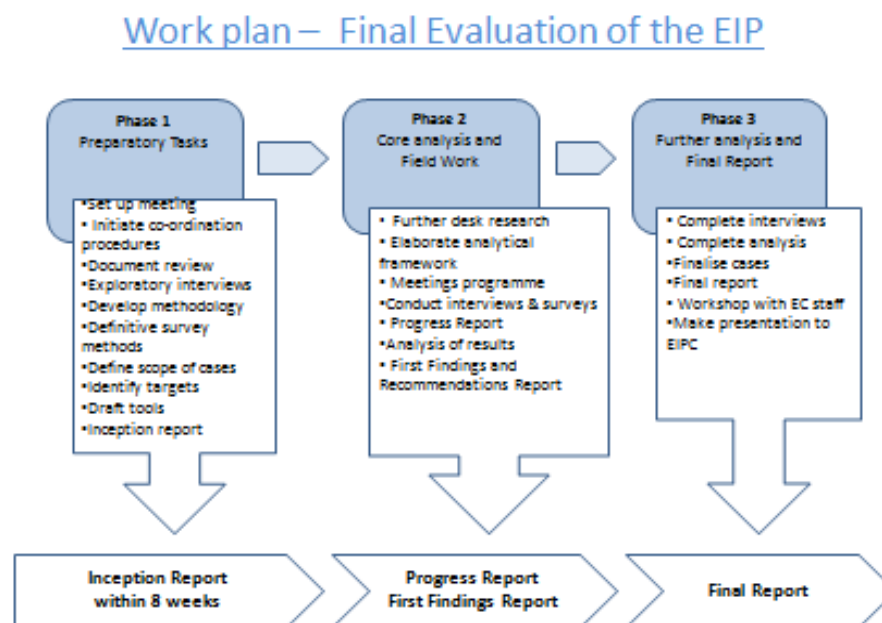
A more detailed explanation of the methodology used in the evaluation will be provided in Chapter 2. However, at this stage, a general overview of the approach adopted may be helpful.

In broad terms, the current assessment has aimed to complement earlier evaluation work, by directing investigation towards an examination of results and outcomes, as far as these are already apparent at this stage of the Programme, and comparing them with the initial objectives and expectations. This has particularly involved an examination of monitoring data and the conduct of a series of surveys and interviews with the beneficiaries of the Programme.

Introduction & Aims

1

The following diagram presents a summary of the overall approach to the evaluation and the elements of the work plan that was adopted:



The work started in September 2010 and has been organised in three phases :

- **Phase 1: Preparatory Tasks** – set up meetings and various preparatory tasks including an initial survey of relevant policy and evaluation documents, review of current objectives for the evaluation, development of the core methodology and the preparation of research tools. This work led up to the Inception Report;
- **Phase 2: Core analysis and Field Work** – continuing desk research, the launch and conduct of meetings with stakeholders, interview programmes, survey work and other empirical investigation. A Progress Report summarised the activities initially undertaken in this phase. A First Findings and Recommendations Report presented a more substantive account of the findings at the end of Phase 2;
- **Phase 3: Further analysis and Final Report** - further data collection and analysis, including the response to the First Findings and Recommendations Report by the Steering Group, the development of a set of case studies and the present Final Report.

1.3 The Nature of the EIP

As one of the three ‘pillars’ of the Competitiveness and Innovation Framework Programme, the Entrepreneurship and Innovation Programme aims to support entrepreneurship and innovation and to promote the development and growth of SMEs across the EU.

Introduction & Aims

1

The Programme has six key objectives as defined in CIP legal base. These are:

- A. Facilitate access to finance for the start-up and growth of SMEs and encourage investment in innovation activities
- B. Create an environment favourable to SME cooperation, particularly in the field of cross-border cooperation
- C. Promote all forms of innovation in enterprises
- D. Support eco-innovation
- E. Promote an entrepreneurship and innovation culture
- F. Promote enterprise and innovation-related economic and administrative reform

The Decision of the European Parliament and of the Council establishing the Competitiveness and Innovation Framework Programme (CIP)⁴ and the Commission Staff Working Document annexed to the Decision⁵ describe the issues and the problems that the EIP – as part of the CIP – is expected to address with a view to fostering the competitiveness of enterprises and promoting innovation in line with the Lisbon Strategy. The issues identified include:

- a weak entrepreneurial spirit in Europe, where less than 50% of the working population state a preference for self-employment
- an unfriendly business environment and administrative burdens that restrict the development of entrepreneurship
- difficulties that SMEs face in getting access to finance as the market does not support what are considered to be high-risk investments
- weak innovation performance resulting from lagging investment and the slow adoption of innovation that are attributable to high initial up-front costs and long investment pay-back periods
- limited investment and adoption of environmental technologies and eco-innovation since the environmental costs of polluting technologies and the benefits of resource efficiencies are not taken into account

These represent the main issues and the corresponding needs that the EIP measures and activities are expected to address.

In response, fostering the competitiveness of enterprises – in particular SMEs – and promoting innovation are defined as the overarching objective for the Programme directed towards the

⁴ Decision no 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013), Official Journal of the European Union, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:310:0015:0040:en:PDF>

⁵ Commission Staff Working Document, Annex to the Proposal for a Decision of the European Parliament and of the Council establishing a Competitiveness and Innovation Framework Programme (2007-2013), COM(2005) 121

Introduction & Aims

1

achievement of the goals of the “Lisbon Strategy” and, in particular, the objectives of the up-dated version of the Strategy set out in 2005 which saw enterprise and innovation as being central to the promotion of economic growth and employment.

This in turn leads to the six more specific objectives that are set out above that provide the basis for the structure of the EIP. Resources (financial and human) were committed for the implementation of a range of measures and instruments falling under these six categories and these are expected to lead to a number of results (in the short/medium term) and longer term impacts. The specific measures and instruments are defined on an annual basis by the Commission and include transversal actions – covering more than one area, but the broad areas are currently characterised as follows:

Table 1.1: The Objectives and Expected Results of the EIP

Objectives of EIP actions/measures	Expected results of EIP measures/actions
Facilitate access to finance for the start-up and growth of SMEs and encourage investment in innovation activities	<ul style="list-style-type: none"> - Increase investment volumes of risk capital funds and investment vehicles - Provide leverage to SME debt financing instruments - Improve the financial environment for SMEs
Create an environment favourable to SME cooperation, particularly in the field of cross-border cooperation.	<ul style="list-style-type: none"> - Foster services in support of SMEs - Contribute to measures helping SMEs to cooperate with other enterprises across borders - Promote and facilitate international business cooperation
Promote all forms of innovation in enterprises	<ul style="list-style-type: none"> - Foster sector-specific innovation, clusters, innovation networks, public-private innovation partnerships and cooperation with relevant international organisations, and the use of innovation management - Support national and regional programmes for business innovation - Support the take-up of innovative technologies - Support services for transnational knowledge and technology transfer and for intellectual and industrial property - Foster technology and knowledge through data archiving and transfer
Support eco-innovation	<ul style="list-style-type: none"> - Foster eco-innovation, clusters, eco-innovation networks, public-private eco-innovation partnerships and cooperation with relevant international organisations, and the use of innovation management - Support national and regional programmes for eco-innovation

Introduction & Aims

1

	<ul style="list-style-type: none"> - Support the take-up of eco-innovative technologies - Supporting services for transnational environmental knowledge and technology transfer and for intellectual and industrial property - fostering environmental technology and knowledge through data archiving and transfer
Promote entrepreneurship and innovation culture.	<ul style="list-style-type: none"> - Encourage entrepreneurial mindsets, skills and culture, and the balancing of entrepreneurial risk and reward - Encourage a business environment favourable to innovation, enterprise development and growth - Support policy development and cooperation between actors, including national and regional programme managers
Promote enterprise and innovation-related economic and administrative reform.	<ul style="list-style-type: none"> - Collect data, analyse and monitor performance, and develop and coordinate policy - Contribute to the definition and promotion of competitiveness strategies related to industry and service sectors - Support mutual learning for excellence in national and regional administrations

The operational character of the EIP is clearly evident from the nature of both the objectives of the Programme and the expected results.

1.4 The Management and Budget of the EIP

The management of the EIP falls under the responsibility of three Commission services, DG Enterprise and Industry, DG Economic and Financial Affairs (for the EIP Financial Instrument) and DG Environment (for eco-innovation projects). Some management aspects of the Programme have been delegated to the European Investment Fund (EIF) (the implementation of the EIP financial instruments) and to the Executive Agency for Competitiveness and Innovation (EACI): implementation of the Enterprise Europe Network ('the Network), first application and market replication projects of eco-innovation and the IPeuropAware project (including the IPR Helpdesk).

The EIP has a budget of € 2.17 billion for the 2007-2013 programming period. The EIP Committee (the EIPC), with participation of representatives from all Member States and other participating countries, was set up to assist the Commission with the implementation of the EIP. It provides opinions on matters relating to EIP management brought to it by the Commission. The responsibility for the evaluation of these measures remains exclusively with the Commission.

In terms of budget allocation, the Decision of the European Parliament and the Council establishing the CIP did not earmark specific amounts for each objective area although at least 50% of the total budget has to be allocated to the financial instruments and 20% to eco-innovation (including the share of

Introduction & Aims

1

financial instruments). The actual budget is determined by the Commission Services in the annual Work Programmes which are approved by the EIP Committee.

The following sets out the distribution of expenditure for the EIP over the period 2007-2011.

Table 1.2 – EIP budget allocation for 2007 - 2011

Objective	Budget allocated for 2007-2011 (m€s)	Percentage of total
A- Facilitate access to finance	798.2	53.6%
B- Create an environment favourable to SME cooperation	325.6	21.9%
C- Promote all forms of innovation in enterprises	122.2	8.2%
D- Support eco-innovation	178.8	12.0%
E- Promote an entrepreneurship and innovation culture	35.4	2.4%
F- Promote enterprise and innovation-related economic and administrative reform	29.2	2.0%
Total	1489.4	100.0

Source: Interim evaluation report and annual Work Programmes

Based on the data provided by the Interim Evaluation Report and the annual Work Programmes for years 2007-2011, the bulk of the EIP budget is allocated to objectives A (Facilitate access to finance) and B (Create an environment favourable to SME cooperation) - around 75% of the total. An important share (12.0%) has been allocated to the support of eco-innovation (Objective D) -not counting the funds coming from objective A directed to eco-innovation financing - and just over 8% has been allocated to Objective C (Promote all forms of innovation in enterprises). The other two objective areas have been allocated less than 2.5% each.

In addition to activities under objectives A-F, a relatively small budget is allocated each year to support measures in accordance with Article 24 of CIP Decision. These activities include:

- analysis and monitoring of competitiveness and sectoral issues contributing, among others, to the Commission's annual report on the competitiveness of European industry;
- preparation of impact assessments of Community measures of particular relevance for the competitiveness of enterprises and their publication with a view to identifying areas of existing legislation requiring simplification or the need for new legislative measures to make innovation more attractive in the Community;

Introduction & Aims

1

- evaluation of specific aspects or specific implementation measures in relation to the Entrepreneurship and Innovation Programme;
- dissemination of appropriate information in relation to the Entrepreneurship and Innovation Programme through conferences or the website .

The budget allocated for support measures over the 2007-2011 period has amounted to € 42.4 million.

1.5 The Implementation of the EIP

Although most of the budget is concentrated on objectives A, B, C & D, there are relatively few actual measures in these areas, when contrasted with the rather wide range of activities supported under objectives E and F.

The way that the objectives have been implemented can be summarised as follows :

A. Access to Finance

The EIP objective of increasing access to finance for the start-up and growth of SMEs is served primarily by one measure (Financial Instruments for SMEs) that includes two instruments – the GIF (High Growth and Innovative SME facility) and the SMEG (SME Guarantee facility). The measure – with an envisaged allocation of at least 50% of the total EIP budget – is being implemented continuously on an annual basis over the seven year period of the Programme. Other actions were covered under the general umbrella of “Improving policies on access to finance” including studies, workshops and reports.

The overall objective of the measure is to improve access to finance for the start-up and growth of SMEs and investment in innovation activities (including eco-innovation) and the expected results of the two proposed actions are to increase the level of investment volumes of risk capital funds and investment vehicles promoted by business angels and to provide leverage to SME debt financing instruments, primarily in the form of bank loan guarantees. The two instruments are underpinned by a strong market failure rationale and aim to address the financial constraints faced by start-up and growing SMEs.

The EIP financial instruments are not directly granted to SMEs. They are implemented on behalf of the Commission by the European Investment Fund (EIF) via selected financial intermediaries (venture capital funds and business angels in the case of GIF and guarantee institutions and promotional and commercial banks in the case of SMEG). This delivery mechanism is based on specific contracts, signed by intermediaries with the EIF, that concern the total fund size to be created and the expected share of EC funding or level of guarantee provided. Small businesses contact the selected financial intermediaries directly, in order to gain access to investment capital or benefit from the guarantees provided by the SMEG.

The supervision and monitoring of the Financial Instruments from the Commission side has been a shared and co-ordinated responsibility with Unit E.3 of DG Enterprise and Industry leading on the policy side and Unit L2 of DG Economic and Financial Affairs responsible for the budget line and implementation (with DG Environment E4 consulted on the eco-innovation elements in GIF).

In terms of identifying the impacts of the financial measures, there is a long chain from DG Enterprise and Industry through DG Economic and Financial Affairs, the EIF and the individual financial

Introduction & Aims

1

intermediaries to the circumstances of each deal signed with an enterprise. Sometimes there is also a chain of intermediaries when national bodies in turn support intermediaries operating at a regional or local level.

A significant consideration in this area is that intermediaries are often very sensitive to reporting requirements and are reluctant to go beyond providing information that they usually collect for their ordinary operational purposes. The Commission has to be sensitive to such considerations, since although there is clearly a need to ensure accountability for public funds, any perceived additional burden can have a detrimental effect on the attractiveness of the initiative, the use of the EC funds and the ultimate success of the financial instruments measure. Clearly a balance has to be struck between accountability and the imposition of administrative burdens.

B. An Environment Favourable to SME Cooperation

The measures relating to the establishment and operation of the Enterprise Europe Network are the most important element of the EIP as far as the second objective of the programme, the creation of an environment favourable to SME co-operation, is concerned. The Network was established through a call for proposals in 2007 and started operating in 2008. It brought together organisations that had been members of two pre-existing networks, the Euro Info Centres and Innovation Relay Centres and also a number of organisations that had not previously been involved in business support at a European level. The Enterprise Europe Network now consists of 91 regional consortia, involving a total of 581 organisations.

The overall objective of the Enterprise Europe Network is to provide support for business and innovation – in particular for SMEs – by offering information, feedback to the Commission, business co-operation services, innovation, technology and knowledge transfer services, plus services encouraging the participation of SMEs in the EU's Framework Programme for R&D.

The implementation of Network-related EIP measures has been entrusted to the Executive Agency for Competitiveness and Innovation (EACI). The hand-over of the project management took place on 1st November 2007, the delegation of the network animation tasks was formally concluded on 30th April 2008 and the management of IT tools was handed over on 23rd February 2009.

Other measures supported include studies, workshops, conferences and dissemination activity in the areas of IPR and standardisation - an e-Business Support Network and the promotion of international co-operation.

C. All forms of Innovation in enterprises

In comparison to the previous two objectives, the type of measures supported under the "innovation in enterprises" objective has varied much more. However, the greatest share of activities falls under two measures: Europe-Innova and PRO-INNO Europe, each of which includes a number of actions.

Europe INNOVA aims to unite public and private providers of innovation support services establishing innovation platforms among innovation professionals and support providers in three key areas/themes (cluster development, knowledge intensive services and eco-innovation) in order to develop and test innovation support services to SMEs. The overall objective is to accelerate innovation processes and

Introduction & Aims

1

facilitate the commercialisation of innovative products and services. Smaller scale activities include the valorisation of the tools and services developed in the first generation of Europe INNOVA through the Enterprise Europe Network and the further development of a tool for the innovation management certification of consultants and SMEs. In addition a horizontal support action under the Work Programme for 2010 aims to facilitate and co-ordinate the activities of the Europa Innova community based on networking and result dissemination tools.

PRO INNO Europe has the broader objective of designing and testing new innovation support mechanisms at a programme level, involving ministries and agencies. It aims to bring together designers of innovation support policies and programmes for SMEs (policy markers) in order to design and test new innovation measures and policies. The Inno-Nets actions are based on platforms for innovation policy making that encourage regional and national innovation policy makers and support providers to work more closely together in the defined priority areas of clusters, services, eco-innovation and support services provision. Inno-actions aim to contribute to a more favourable innovation culture in Europe and to raise the quality of services provided by cluster organisations. They include awareness events (Innovation awareness weeks) and the development of a European quality scheme for cluster management. A separate activity is the promotion of the PRO-INNO results and the networking of those involved in PRO-INNO projects.

D. Eco-innovation

The support provided for eco-innovation is largely absorbed by first application and market replication projects.

Eco-innovation related activities are in fact integrated horizontally across all the objectives of the EIP. There is a dedicated share, for instance, for eco-innovation related start-ups and SMEs in the financial instruments (GIF- High growth and Innovation facility) that are supervised by DG Economic and Financial Affairs and also for eco-innovation policy and services platforms under the PRO-Inno Europe and Europa Innova measures.

These activities can be tracked through a number of the monitoring indicators used. The share of VC funds dedicated to eco-innovation and the SMEs in the clean technology sector that have received new financing is recorded and is reported on by the financial intermediaries through EIF. In the case of objective C innovation platforms, where eco-innovation is one of the three main areas of activity, there is information available on developments, broken down by sector. For other large or small budget measures where activities touch upon eco-innovation and environmental issues, it has been more challenging to identify the effects of the eco-innovation dimension.

In parallel to these activities under the fourth objective of the EIP, there is the specific measure supporting first-application and market replications projects. Calls for proposals relating to these projects have been included in the 2008, 2009 and 2010 work programmes. This measure was implemented by the Executive Agency under the supervision of DG Environment unit E.4.

In addition, the Enterprise Europe Network provided environmental support services to SMEs helping them turn environmental challenges into economic opportunities. The measure is intended to help the Network members build expertise and develop first and second level services for SMEs. In 2009 this

Introduction & Aims

1

measure fell under the second objective but its continuation in 2010 was included under the eco-innovation objective.

E & F Promoting an entrepreneurial culture and economic and administrative reform

Besides the measures referred to above that represent around 95% of the EIP budget, a large number of “small size” measures are implemented through the EIP. In total more than 100 measures with a budget that in most cases does not exceed €2m are described in the relevant annual Work Programmes. These concern primarily measures related to objectives E and F of the EIP but there was also a significant number under objective B.

The activities supported include simplification measures, such as the Community programme for the reduction of administrative costs, studies and reports, campaign activities, information provision services, workshops, seminars and training activities. The following indicates the type of activity involved:

- the Community programme for the reduction of administrative costs
- IPR Helpdesks (European Helpdesk on IPR and China SMEs Helpdesk)
- E-skills (study; conferences; seminars; best practice exchange)
- European SME week/ European Charter for Small Enterprises: (conferences; workshops dissemination of good practice and information)
- Information campaign on CE marking
- SME performance review (studies; workshops; meetings)

The picture is further complicated by the fact that during the four years of the operation of the Programme, a number of activities implemented as stand-alone measures were integrated into new measures with different titles (e.g. activities relating to the European Charter for Small Enterprises have been subsumed under activities relating to the Small Business Act).

Budget Allocations

Budget allocations and the totals committed for 2007-2010 have been presented in the respective Implementation Reports. These are as follows:

Table 1.3 EIP Sums Committed -2007-2010 (€ million)

	2007	2008	2009	2010
Total allocated	269.072	291.315	315.127	314.706
Total committed	266.984	288.864	312.111	311.194
% committed	99.22%	99.16%	99.04%	98.88%

Introduction & Aims

1

Financial Instruments	154.340	151.175	160.442	168.508
Enterprise Europe Network (Network grants+ Network Animation)	86.863	82.755	18.951	68.209
Enterprise Europe Network (Environmental services for SMEs)				9.000
Europe Innova	6.987	2.4	28.6	3.011
Innovation analysis and promotion				4.528
PRO INNO	0.769		18.03	
Eco-innovation projects	-	27.85	32.15	35.020
Other	18.025	24.684	53.938	22.918

Source : Annual Implementation Reports – 2007-2010.

In all four years the amounts committed came very close to the budget allocated. The budget committed for supporting measures amounted to € 33.3 million (79% of the sum allocated).

EIP Management Processes

The overall management of the EIP, and particularly its reporting processes, is the responsibility of Unit A1 of the DG Enterprise and Industry. This unit co-ordinates the presentation of management material in reports and at the EIPC meetings with Member State representatives and those from non-EU participating countries. It is also responsible for the organisation and follow-up of these meetings.

The EIPC meetings discuss annual Work Programmes and Implementation Reports and are presented with the results of other reports and evaluations relating to EIP activities. A paper presented in June 2010, for instance, set out the follow-up by the Commission of Recommendations made in the Interim Evaluation of the EIP.

Unit ENTR.A1 has recently revised its 'Practical guide for desk officers' on the annual EIP cycle and related documents for Commission and EACI staff setting out the milestones in each month relating to the overall management of the Programme.

Research Methodology

2

This chapter provides an overview of the research that has been undertaken for the evaluation and the principles that have guided it.

2.1 Key Evaluation Issues

The current shape of the Entrepreneurship and Innovation Programme is to an important extent the result of developments that have taken place over a number of years. These had their origins in other broader areas of policy at European and national levels and in particular earlier programme frameworks, notably the Multi-annual Programmes, but also the Framework Programmes for Research and Development, as far as the innovation elements were concerned. The development of the EIP presented an opportunity to reformulate the various elements in this inheritance and to build on earlier foundations.

Given that the evaluation was addressing a Programme with rather diverse elements, each with their own history, it was thought useful at an early stage to establish a clear view of how the EIP is structured and the basis on which actions are taken, in the form of a statement of the Intervention Logic for the Programme and its component parts. Reference to the Intervention Logic is central to any evaluation, in articulating the relationship between needs addressed, the hierarchy of explicit and implicit objectives set by the Programme, the processes by which the Programme's actions are expected to have their effect and the outputs, results and longer term outcomes that are anticipated.

In articulating the Intervention Logic in this way, the analysis did not start with a clean sheet. The main elements have been identified previously and set out in four key reference documents:

1. The initial Decision of the Council and European Parliament on the Competitiveness and Innovation Framework Programme
2. The impact assessment that accompanied the Commission's proposal for a Decision on the CIP
3. The Interim Evaluation of the Entrepreneurship and Innovation Programme
4. The Interim Evaluation of the Competitiveness and Innovation Framework Programme (2007 – 2013)

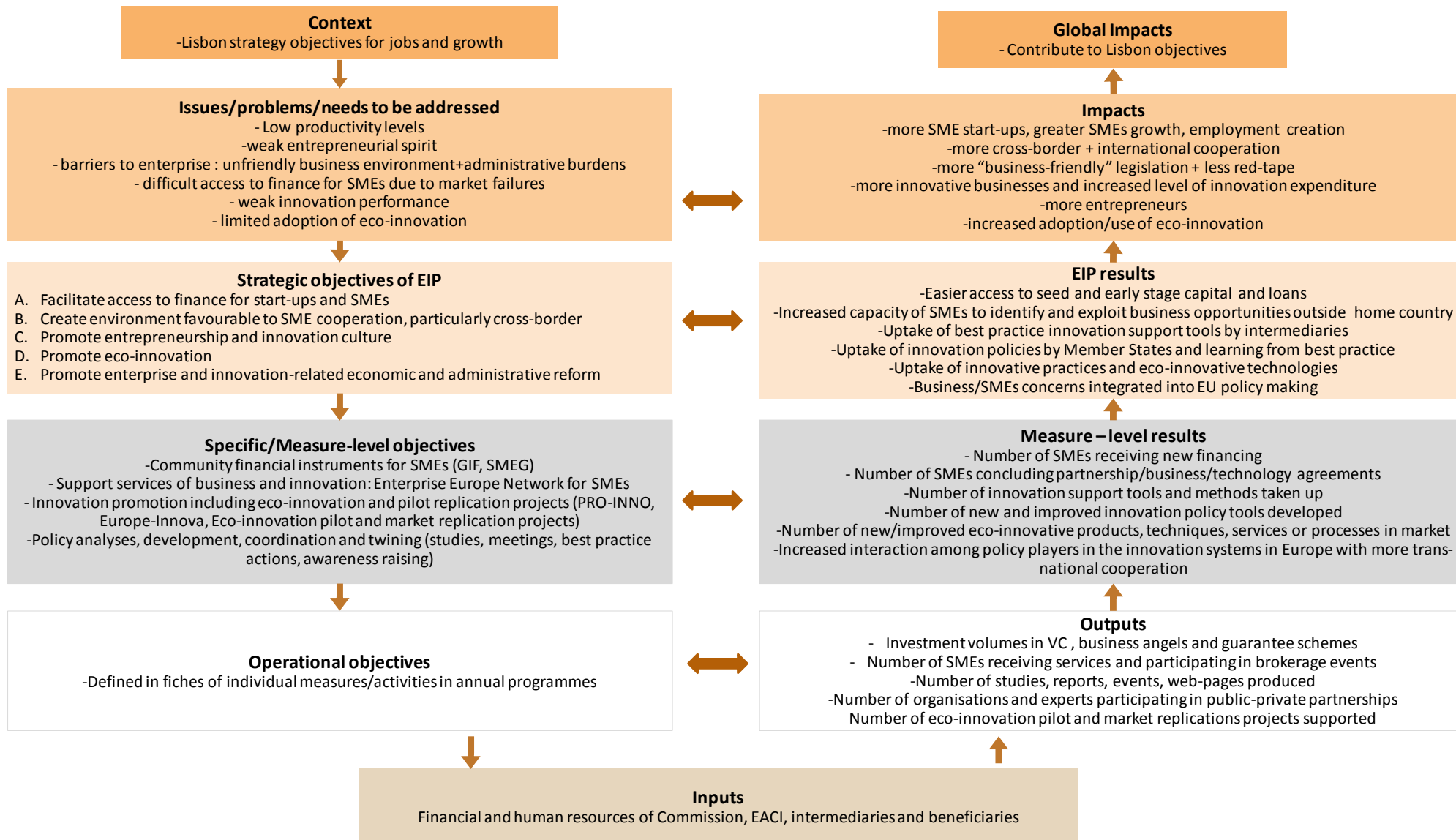
Furthermore, following comments in the Interim EIP Evaluation, the 2009 Annual Implementation Report on the CIP changed its presentation in order to make the Intervention Logic of the Programme clearer and in this way to contribute to the overall coherence of the Programme.

In picking up on this earlier and on-going analysis, the current evaluation has taken note of the adjustments that have been made at various levels, in the light of the general economic, social and political environment in which the implementation of the EIP has been carried out and also reactions to the observations and recommendations, particularly of the Interim Evaluations. In addition, other evaluation work that impinges on the way that the EIP operates, such as the Evaluation of the EIP Indicators and the Evaluation of the Executive Agency for Competitiveness and Innovation have been taken into account.

With all the elements indicated, it is difficult to present a consistent overview of all the complexities of the Programme. Nonetheless, it is useful to highlight particularly the main elements in the hierarchy of objectives that have been set and the corresponding impacts that are anticipated, as in the diagram on the following page.

Research Methodology

2



Research Methodology

2

The diagram shows quite clearly how the ultimate aims of EU Enterprise policy require that carefully structured actions are managed effectively, so that they produce the intermediate results that lead on to the ultimate impacts. It is this area that is of particular interest to a Final Evaluation which seeks to establish what a programme has achieved. More specifically, the diagram helps by providing an overview of the relationships between the initial identification of the needs to be addressed, the formulation of the corresponding objectives for the Programme, the implementation of measures that make up the Programme's actions and the ultimate results and outcomes achieved. In the detailed analysis it is necessary to fill in a lot of detail that it is not possible to include in a summary diagram, but this is a matter of applying the process that is already implicit. Consequently, a large part of the analysis conducted has been a matter of establishing a clear view of what the Programme attempted to achieve and then pursuing various lines of enquiry to see how far there is evidence at this stage on what is actually being achieved.

The evidence accumulated has broadly consisted of four types:

- Background information in the form of documents, publications, information available on web sites etc
- Information available from on-going monitoring systems
- Structured information derived from various surveys
- Information gained through interviews, attendance at meetings and conferences etc

Again, it should be noted that there have been limitations on the extent to which it has been possible to gauge the full impacts of the EIP, given that the evaluation is taking place while the Programme is still in operation.

This chapter on methodology will begin with a follow-up of the objectives of the Programme set out in the Introduction in the form of an explanation of the anticipated outcomes of the Programme, highlighting in particular where the anticipated results have been quantified. It will include a summary of the recommendations of the Interim evaluations of the EIP and CIP. It will then consider in each of the three principles areas, the specific results and outcomes that have been anticipated for the EIP as a counterpoint to the evidence that has been gathered in the form of monitoring data and the results of surveys. A large part of the actual evidence gathered on the three main areas will be presented in the following chapter, where there will also be information on general and cross-cutting issues. Commentary on the main implications of the evidence will mainly be delayed until the subsequent chapter, where it will be brought together with information of a more contextual nature, derived from interviews and other sources.

2.2 Anticipated Results and Outcomes

The four key reference documents referred to in the previous section supplement the objectives for the EIP summarised in the introductory Chapter by setting out the anticipated effects of the Programme in varying degrees of detail. These elements of the documents will be considered in sequence.

The Decision on the CIP

The Decision of the Council and European Parliament on the Competitiveness and Innovation Framework Programme contains a series of references to the particular effects of the Programme both

Research Methodology

2

in the main text and in annexes. From these references it is possible to identify particular impacts that should be examined.

Article 8 on monitoring and evaluation refers to a number of expected outcomes in broad terms, specifically requiring the Annual Implementation Reports to identify eco-innovation activities and also requiring the Commission to monitor the gender dimension, where possible, and examine the respect of the principle of non-discrimination in Programme activities. In the formal evaluations, core issues such as relevance, coherence and synergies, effectiveness, efficiency, sustainability, utility and, where possible and appropriate, distribution of funding with regard to sectors are to be considered along with the impact of the Programme on competitiveness, innovation, entrepreneurship, productivity growth, employment and the environment. Reference is also made in this article to an assessment of the quality of the services provided by the Enterprise Europe Network partners.

In addition, Annex II of the Decision that concerns the implementation arrangements for the Financial Instruments specifies that external evaluations shall provide a qualitative and quantitative analysis of achieved results, in particular, by assessing the leverage effect and cost-benefit of each instrument. It also specifies that the evaluation reports should present statistical data for the Union as a whole and for the individual Member States and the other participating countries which include:

- GIF: the number of SMEs reached and the number of jobs created,
the rate of return to investors,
- SMEG: the number and value of loans provided by the financial intermediaries to SMEs, the
number of SMEs reached and,
the number and value of loans defaulted
- Seed Capital Action:
the number of organisations supported and the volume of seed capital investments,
- The Partnership Action:
the number of intermediaries supported and SMEs reached,
- any specific outputs relating to eco-innovation.

No corresponding impacts are mentioned relating to the other areas of the EIP.

The CIP impact assessment

The impact assessment that accompanied the Commission's proposal for a Decision on the CIP contained an account of the positive and negative impacts expected from the different options being considered under the proposal. As is usual, it considered both economic and social and environmental impacts and after an initial general indication of the types of impact to be expected, provides specific estimates in the principal areas of the Programme. These will be set out in the following sections.

Impacts expected relating to innovation promotion were not as specific as those relating to Financial Instruments and the Enterprise Europe Network. They also related more to longer-term outcomes than to the expected results, but reference was made to a range of effects, both inputs (such as more enterprise-university and SME cooperation for innovation; increase of innovation expenditure as a

Research Methodology

2

percentage of turnover, more SMEs using non-technological innovation; more accessibility of risk-capital and leveraging national and regional funding for business innovation projects) and outputs (such as an increase in sales of new-to-market products/services and of new-to-firm products/services; increase in EPO patent registrations; increase in employment in medium-high and high-tech manufacturing).

In the area of eco-innovation, the expected impacts are even less well defined. There is reference to the potential of environmental technologies to meet environmental challenges while at the same time contributing to competitiveness and growth and also to the potential for growth in the world market for environmental goods and services, but no estimation of impacts as such.

However, the Working Paper does go on to propose a series of indicators that could be used in monitoring systems. These indicators have been refined since the time of the impact assessment and will be used to provide evidence of recent actual performance.

Before moving on from the impact assessment, there should also be mention, first of all of the social and environmental impacts expected and then of the degree of risk that was identified relating to the anticipated outcomes.

The social consequences identified in the impact assessment were mainly linked to the impacts created by the Financial Instruments in that it was believed that they are most likely to promote the creation and growth of enterprises and thus create employment. There was no mention of equal opportunities, as such, in the Impact Assessment, but it was pointed out that specific actions in favour of socially disadvantaged entrepreneurs will also have social impacts and that innovation has a high potential social contribution in the development of products and services that improve the quality of life, especially for specific social groups, such as disabled persons, and the ageing population. Innovation, of course, also has an important part to play in addressing environmental problems – precisely the aim of the eco-innovation initiatives.

In terms of the risks associated with the CIP, the most potentially significant problem identified was that arising from too low a profile as a consequence of capacity not attaining a critical mass.

The Interim Evaluations

The Interim Evaluation of both the Entrepreneurship and Innovation Programme and the Competitiveness and Innovation Framework Programme raised issues that need to be considered in the Final evaluation. In particular, a series of recommendations were made that the Final Evaluation should follow up, by examining the extent to which there has been a response.

A total of 35 recommendations were made in the conclusions of the Interim EIP Evaluation Report. These fall into different categories, but since the general relevance of the Programme had been affirmed by the Report, many of the recommendations concerned improvements in process and the provision of information. The following points can be usefully highlighted:

- Nature of the EIP actions :
 - development of the Enterprise Europe Network as a 'vehicle for information to and from SMEs'

Research Methodology

2

- development of links with other EU networks
- the need to monitor the supply of early-stage venture capital to innovative firms with high growth potential
- the need to re-assess the rationale for continuing with a micro-credit window in future programmes
- the examination of ways of stimulating the supply of business angel finance
- the need for the Commission to encourage the EIF to develop a clear and visible deal allocation policy for its different mandates (EIP, JEREMIE, etc.)
- Monitoring and reporting :
 - Annual Implementation Reports should include details of actual expenditure to improve transparency and to provide a basis for evaluation of efficiency
 - The Commission should consider developing a standard set of monitoring indicators (outputs, results, outcomes and impacts) to record and report programme progress
- Management processes :
 - If it is decided to change the management /administration structure of the Programme in the future, the handover process should be more effectively carried out
 - The documentation of all IT systems needs to be carried out
 - The Commission and the Agency should further clarify the boundaries of responsibility for the animation-related activities of the Network so that the partners have a clear interface
 - The application process for financial instruments needs to be speeded-up
 - There needs to be more efforts to increase the visibility of the Enterprise Europe Network externally and also to promote its use within the Commission
 - EIF should improve communication with financial intermediaries so that they have a better understanding of the rules governing the financial instruments

The CIP Interim Evaluation made 11 recommendations. Most of these were concerned with the degree of integration of the CIP and the processes by which the CIP operates. Issues that are of particular relevance for the current evaluation include recommendations that:

- Monitoring indicators should be developed to include 'results' and 'impact' indicators (3)
- A communication and dissemination strategy be developed for the CIP (8)
- There should be improved coordination between the Directorates-General involved in implementation of the CIP (9)
- The Commission should strengthen the role of the Enterprise Europe Network in influencing Member States' policy and deployment of Cohesion Policy Funds (11)

It is noticeable that there is a particular concentration on the Financial Instruments in all the key documents that have been considered, with specific points being raised in relation to the Enterprise Europe Network and rather less being said about the promotion of innovation. This is partially

Research Methodology

2

explained by timing considerations. The larger part of the actions promoting innovation was only funded under the EIP from 2009. Previous actions had been supported by FP 6 measures. Consequently, at least as far as the interim evaluations were concerned, it was not possible at the time of the Interim evaluation to examine the implementation of these measures.

2.3 Data Requirements relating to the Financial Instruments

In focusing on the anticipated outcomes specifically for the Financial Instruments, it is as well initially to recall the different elements under consideration before going on to list the information sought.

The Financial Instruments post-2007 consist of two types:

- The High Growth and Innovative SME Facility (GIF);
- SME Guarantee Facility (SMEG).

The High Growth and Innovative SME Facility (GIF), with a total indicative budget of €550 million for 2007-2013, provides:

- Risk capital for innovative SMEs in their early stages (GIF1),
- Risk capital for SMEs with high growth potential in their expansion phase (GIF2). The EIF invests in funds focused on the expansion stage or specialised sectors, particularly those involving eco-innovation.

The SME Guarantee Facility (SMEG), with a total budget of €506 million for 2007-2013, provides co-, counter- and direct guarantees to financial intermediaries that provide finance directly to SMEs. There are 4 windows under SMEG:

1. Guarantees for debt financing via loans or leasing: the aim is to reduce SMEs' difficulties in accessing finance either due to the perceived higher risk or to the lack of sufficient collateral.
2. Guarantees for micro loans: guarantees for loans of up to €25 000 to micro-enterprises with up to 9 employees, particularly for entrepreneurs starting a business. Financial intermediaries may also receive some support to partially offset the high administrative costs of micro loans.
3. Guarantees to cover equity and quasi-equity investments in SMEs.
4. Guarantees to support securitisation structures.

The expected results of the Financial instruments may be summarised as follows:

The Objectives and Expected Results of the EIP

Objectives of EIP actions/measures	Expected results of EIP measures/actions
- Facilitate access to finance for the start-up and growth of SMEs and encourage	- Increase investment volumes of risk capital funds and investment vehicles

Research Methodology

2

investment in innovation activities	<ul style="list-style-type: none"> - Provide leverage to SME debt financing instruments - Improve the financial environment for SMEs
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In terms of identifying the impacts of the financial measures, the long chain from DG Enterprise and Industry, through DG Economic and Financial Affairs, the EIF and intermediaries to the circumstances of each deal signed with an enterprise has to be traced. Sometimes there is also a chain of intermediaries when national bodies in turn support intermediaries operating at a regional or local level.

Anticipated Outcomes

As has been seen, Article 8 of the Decision of the Council and European Parliament on the Competitiveness and Innovation Framework Programme and Annex II of the Decision specify a number of expected outcomes in broad terms. The Impact Assessment that accompanied the Commission's proposal for a Decision on the CIP had more specific estimates of anticipated outcomes in relation to the Financial Instruments⁶ :

⁶ Definitions of the terms used in the tables are as follows :

1. Average investment in early stage companies under ETF Start-up around EUR 1.2 million. This includes the initial investment and follow-on investments by the same venture capital fund. With an EC participation of 25%, the average cost to the EU budget was around EUR 0.3 million.
2. The EC maximum investment in GIF1 venture capital funds focused on eco-innovation is 50%. The cost for the EU budget per SME supported is therefore 50% of EUR 1.2 million
3. From EIF "the economic impact of venture capital-a study based on the experience of the EIF with ETF Start-up programme": 37 supported jobs and 15 increased jobs = 52, which is used as the parameter for the purpose of this calculation.
4. The average investment at expansion stage is estimated at around EUR 3 million. Therefore, with a typical EC participation of 15%, the average cost to the EU budget will be around 0.5 million.
5. The EC maximum investment in GIF2 venture capital funds focusing on eco-innovation is 25%. The cost to the EU budget per SME supported is therefore 25% of EUR 3 million
6. By analogy, based upon the same data as for GIF 1, giving 52 jobs per investee company (see above)
7. Based on data relating to the SME Guarantee Facility under the Growth and Employment initiative: with € 100 million, it is possible to reach around 75 000 SMEs
8. From Growth and Employment data: beneficiary SMEs created on average 1.2 jobs. A more conservative ratio should be used, however, as micro-enterprises create fewer jobs than other SMEs and the number of companies reached under micro-credit guarantee corresponds to more than 20% of all companies reached by SMEG. Thereby, the creation of 1 job seems more realistic.
9. Under capacity building programmes such as the preparatory action and PHARE SME Finance Facility, each € provided by the Commission corresponds to +/-€ 5 of credit line provided by an IFI. In addition, based on PHARE SME Finance Facility, the average loan is around €25,000

Research Methodology

2

Table 2.1 Impact Assessment: anticipated outcomes for the Financial Instruments

Community Financial Instruments	<i>Number of SMEs benefited at 7-year horizon</i>	<i>Average cost (€)</i>	<i>Number of jobs maintained or created at 6-year horizon</i>	<i>Average cost (€) to the EU budget per job created or maintained</i>
Venture Capital for Growth and innovative SMEs: early stage	674	300 000 ¹ (600 000 for eco-innovation) ²	35 048 ³	6 362
Venture Capital for Growth and innovative SMEs: expansion stage	526	500 000 ⁴ (750 000 for eco-innovation) ⁵	27 352 ⁶	10 420
Guarantees and Counter-Guarantees for SME loans	315 750	1 330 ⁷	315 750 ⁸	1 330
Capital Building (Grants accompanying credit lines from International Financial Institutions)	10 000 ⁹	25 000	n.a.	n.a.

	<i>Number of venture capital funds supported / Number of transactions / Number of intermediaries</i>	<i>EU investment / EU cost / EU support per intermediary or transaction</i>
Venture Capital for Growth and innovative SMEs: early stage	17 (including 2 funds focused on eco-innovation)	Maximum: EUR 30 million Typical range: EUR 10 million to EUR 14 million
Venture Capital for Growth and innovative SMEs: expansion stage	15 (including 2 funds focused on eco-innovation)	Maximum: EUR 30 million Typical range: EUR 13 million to EUR 23 million
Securitisation	16	EUR 3 million

Research Methodology

2

Monitoring Framework

In addition, the developing framework for monitoring the performance of the EIP has been taken into account. The Interim Evaluation of the EIP recommended that the Commission should consider developing a standard set of monitoring indicators (outputs, results, outcomes and impacts) to record and report programme progress. Work has indeed been undertaken to develop this standard set, notably in the form of a special seminar organised for the EIPC and a separate evaluation of the EIP Indicators.

There were also estimates contained in the Interim Evaluation of the EIP, although these were not based on the Financial Instruments post 2007, but on the Financial Instruments that were supported by the previous MAP. This current evaluation, of course, focuses on the post 2007 Financial Instruments.

All in all, the expectations of the Financial Instruments, from the variety of sources that have been outlined, represent a relatively complex situation. In order to assess performance against indicators derived from all these sources, the evaluation team brought them all together and sought an up-date from the various sources in a position to provide the relevant data. The results are set out in the following chapter, where it will be seen that a comprehensive range of data on the Financial Instruments are now available. In addition, of course, a considerable amount of information on the policy context and on operational issues has been required, in order to allow the evaluation team to comment on the broader issues of the evaluation.

2.4 Collection of Information relating to the Financial Instruments

Collection of Information

In order to collect all the information necessary to address the whole range of evaluation questions relating to the Financial Instruments, a range of approaches has been adopted. A considerable amount of information is generally available through publications and web sites. This includes documents relating to the more formal reporting processes that are associated with the EIP, such as the Annual Implementation Reports and also the information sources that feed them, notably the EIF Quarterly Reports. In addition, fund management data are available.

An extensive interview programme has also supported the analysis. This has included a total of 22 interviews with Commission and EIF officials, financial intermediaries and others that have a specific interest in the Financial Instruments and also a further 29 cross-cutting interviews with other Commission officials, members of the EIPC and business organisations at European and national levels that have had a broader interest in the EIP.

However, the Terms of Reference for the assignment emphasised the need to focus on final beneficiaries rather than intermediaries, in assessing the impacts of the post-2007 Financial Instruments, since the Interim Evaluations had concentrated on intermediaries in examining the development of the Programme in the first few years after its launch. Consequently a considerable effort has been put into conducting a survey of final beneficiaries, including a representative number of final beneficiaries financed under the 'eco-innovation' envelope in GIF.

This part of the survey has attempted to assess the innovation performance of SMEs supported by the Venture Capital Facility (GIF) of the Financial Instruments and the contributions to eco-innovation by

Research Methodology

2

final beneficiaries of the loan guarantees (SMEG), including findings about deployment or development of eco-innovative processes or products. Eco-innovation is not targeted as such by the SMEG facility.

Survey of FI Beneficiaries

The survey of both GIF and SMEG beneficiaries was structured around telephone interviews, conducted by a company that provides a professional service in this area in all the requisite languages.

For both types of financial instrument, as for the other EIP areas considered for the Final Evaluation, the assessment relates to the achievements of the EIP over the period 2007 to mid 2010.

The GIF sub-sample involved beneficiaries of both GIF I (early stage) and GIF II (expansion) funds and also covered eco-innovative companies supported under GIF. The aim was to obtain 50 interviews of GIF beneficiaries. This is a rather large sample considering the total number of GIF beneficiaries in the Participating Countries was 114 at the time of selection⁷, but this was considered necessary in order to conduct a reliable analysis of the results. Extra attention has been given to reaching the beneficiaries under the eco-envelopes of GIF 1 and GIF 2. Of the 114 beneficiaries, 22 received support under the eco-envelopes. The contact details of the beneficiaries were obtained directly from the fund managers.

The survey of beneficiaries concentrated on the first 2 windows of the SMEG. For the third window (Guarantees to cover equity and quasi-equity investments in SMEs), the first agreement with a financial intermediary was signed in the second half of 2010. For the fourth window (guarantees to support securitisation structures) no agreements with financial intermediaries have been made. A general assessment has therefore been made of the SMEG as a whole.

For the sub-sample of SMEG beneficiaries, the aim was to achieve a sample of about 250 enterprises from among the almost 78,000 enterprises that are known to have benefited from the facility. This number provides a representative sample with a reasonable spread among the different Member States, different sectors, size classes etc.

Initially, the details of some 4,000 SMEG beneficiaries were obtained in order to be certain of 250 full responses. The sample was then divided into smaller components, corresponding to the relevant windows of the SMEG 2007 facility. Some 80 to 90% of all beneficiaries appear to use the Loan Window facility. However because using the same proportion from this window in the completed interviews would leave too small a number of observations for the other windows, the survey was structured with approximately 200 completed interviews from the Loan Window and approximately 50 completed interviews from the micro credit window.⁸

A pilot survey of 6 beneficiaries was carried out to test the survey questionnaire. Slight changes were introduced as a result. The survey was carried out from 6th January until 6th February 2011. In the case of GIF, in total 53 beneficiaries were interviewed. Of these, 9 beneficiaries were supported by the 3 funds

⁷ Quarterly Report, 30th June 2010, EIF.

⁸ If a particular result is that 10% of the respondents show a certain characteristic or opinion, such a result based on a sample of N=250, will have a confidence interval - at 95% confidence levels - of $\pm 4\%$. Or in other words: if we find 10% in the survey we are 95% sure that the actual value in the population will be between 6% and 14%.

Research Methodology

2

under the eco-envelopes of GIF 1 and GIF 2 (in total 22 beneficiaries)⁹. For SMEG in total 256 beneficiaries were interviewed of which 206 receiving support under the loan window and 50 under the micro credit window. Certain difficulties were experienced in obtaining the contact details for the telephone survey. Some intermediaries have regional branches, which complicated the collection of the appropriate information. In other cases, the intermediary works with associations which also have regional branches, so the information chain is even more complicated. In addition, because of data protection and privacy laws, some of the intermediaries were not able to provide details of the contact person without the permission of the enterprises.

2.5 Other Information Gathering

Trends and issues in SME financing

It is important in assessing the performance of the Financial Instruments to see developments in the broader context of SME financing. A review of the extensive literature on these issues has been carried out and the results are summarised here.

The Annual Report on EU Small and Medium-Sized Enterprise 2009: SMEs under Pressure¹⁰, prepared for the DG Enterprise and Industry of the European Commission as part of the SME Performance Review, a concise analysis was made of the major trends and issues in SME financing. Enterprises have a number of options to finance their business. The pecking-order theory¹¹, says that, due to information asymmetries between firms and their (potential) investors regarding the firms' current operations and future prospects, investors will ask for a return on the capital that is lent -in case of debt finance- or invested -in case of equity finance. As a result, firms find external finance (debt or equity) less attractive than internal finance (personal savings or retained earnings)¹². Because information asymmetries are highest for small and new firms, leading potential financiers to ask even greater returns on capital, the preference for internal finance is greatest among these firms.¹³

⁹ Extra effort was made to reach the 22 beneficiaries under the eco-envelopes, including an extension of the survey period. From the survey results and the interviews it becomes clear that the presence of eco-innovative SME is not limited to these funds, see table 3.8.

¹⁰ European Commission, Annual Report on EU Small and Medium-sized Enterprises 2009, European SMEs under Pressure, prepared by EIM for DG Enterprise and Industry, Brussels, 2009.

¹¹ originally developed by Myers (1984) and Myers and Majluf (1984)

¹² Cassar, G., The Financing of Business Start-ups, Journal of Business Venturing 19, 261-283, 2004. Cassar even concludes that "these exposures will lead to the firm preferring inside finance to debt, short-term debt over long-term debt, and any debt over outside equity".

¹³ The empirical evidence supporting the pecking-order theory is abundant; see Klapper, L.F., V. Sarria-Allende and R. Zaidi (2006), A Firm-Level Analysis of Small and Medium Size Enterprise Financing in Poland, World Bank Policy Research Working Paper 3984, Washington, DC: World Bank, Mac an Bhaird, C.J. and B.M. Lucey (2007), Determinants of the Capital Structure of SMEs: A Seemingly Unrelated Regression Approach, SSRN working paper, Kitching, J., D. Smallbone and M. Xheneti (2009), Have UK Small Enterprises Been Victims of the 'Credit Crunch'?, Paper presented at the 23rd RENT conference, Budapest, November 19-20, 2009, Ramalho, J. and J. Vidigal da Silva (2007), A Two-Part Fractional Regression Model for the Capital Structure Decisions of Micro, Small, Medium and Large Firms, SSRN working paper..

Research Methodology

2

Bank lending is the largest source of external SME finance, and is used for financing investments, working capital and stock financing.¹⁴ As SMEs have fewer financing options than large enterprises, small firms in need of external finance are very much dependent on banks, SMEs are particularly vulnerable to the credit crunch.¹⁵ For instance, the information asymmetries mentioned above may lead banks to ask small firms for higher interest rates, or even refuse a loan altogether. Banks may also refuse loans when security is inadequate.¹⁶ A second source of external finance available, in particular for micro firms, is formed by micro-credits.

A recent study presented in the Global Entrepreneurship Monitor confirms that formal venture capital by institutional investors is only an option for a very small minority of SMEs¹⁷; particularly those with high growth potential and with a feasible exit route for investors. Even if SMEs have this profile, venture capital is an extremely scarce and expensive form of finance for SMEs at the start-up stage of their life cycle. Besides, the supply of venture capital funding has been declining in recent years.¹⁸

In the following table, details are provided on the availability of venture capital and loans in the 27 EU Member States and in other countries associated with the Programme. As the table shows it is not easy to obtain venture capital in Europe. On a scale of 1 to 7, the majority of countries score between 2 and 3. The same holds for the availability of loans without the availability of collateral. The variation between countries is higher than in the case of venture capital.

Table 2.2: Availability of venture capital and ease of access to loans, 2009-2010

Country	Venture capital availability*	Ease of access to loans**
Austria	2.9	3.2
Belgium	3.3	3.9
Bulgaria	2.5	2.8
Czech Republic	2.6	3.1
Cyprus	3.4	3.8
Denmark	3.3	3.5
Estonia	3.3	3
Finland	4.2	4.5
France	3.2	3.4

¹⁴ Although many SMEs use internal finance only, SMEs using external finance form an important group, because they are often innovative firms with an ambition to grow, OECD, The Impact of the Global Crisis on SME and Entrepreneurship Financing and Policy Responses, Paris, France: OECD, 2009.

¹⁵ OECD, The Impact of the Global Crisis on SME and Entrepreneurship Financing and Policy Responses, Paris, France: OECD, 2009: five more reasons are provided why SMEs are vulnerable in times of crisis.

¹⁶ European Commission, Cyclicalities of SME finance, EIM for DG Enterprise and Industry, 2009.

¹⁷ Bosma, N. and J. Levie, Global Entrepreneurship Monitor, 2009 Global Report, Wellesley, MA US: Babson College, 2010. They report that over the last forty years only 30 thousand businesses in the US have ever received formal venture capital.

¹⁸ See Lerner, J., Innovation, Entrepreneurship and Financial Market Cycles, STI Working Paper 2010/3, Paris, France: OECD, 2010, Mason, C., Venture Capital in Crisis?, Venture Capital 11(4),2009, and OECD, The Impact of the Global Crisis on SME and Entrepreneurship Financing and Policy Responses, Paris, France: OECD, 2009.

Research Methodology

2

Country	Venture capital availability*	Ease of access to loans**
Germany	2.8	2.8
Greece	2.3	2.6
Hungary	2.2	2.5
Ireland	2.3	2.1
Italy	2.2	2.2
Latvia	2.2	2
Lithuania	2.2	2.2
Luxembourg	4.2	4.7
Malta	3.1	4.2
Netherlands	3.7	3.7
Poland	2.7	2.9
Portugal	2.7	3
Romania	2.4	2.6
Spain	2.6	2.5
Sweden	4.0	4.2
Slovenia	2.9	2.9
Slovakia	2.6	3.2
United Kingdom	3.0	2.7
Norway	4.3	4.4
Iceland	2.4	2.3
Liechtenstein	n.a.	n.a.
Croatia	2.1	2.5
The former Yugoslav Republic of Macedonia	2.5	2.1
Montenegro	3.4	3.6
Turkey	2.2	2.6
Serbia	2.2	2.4

Notes: *How easy is it for entrepreneurs with innovative but risky projects to find venture capital (2009-2010, weighted average) (1+ very difficult, 7 + very easy), **How easy is it to obtain a bank loan in your country with only a good business plan and no collateral (2009-2010, weighted average) (1+ very difficult, 7 + very easy).

Source: World economic Forum, The Global Competitiveness Report 2010-2011

Research Methodology

2

Business angel finance and informal investment from friends and family members comprise the main source of equity finance for early stage SMEs.¹⁹ In the current financial crisis, given the difficulties in obtaining bank loans, the demand for informal investments may be expected to increase, particularly when demand in the product market increases again. However, the supply of informal investment is likely to remain tight for a number of years as the credit crunch has reduced the liquidity of personal assets (particularly the ability to leverage finance against equity in private property) and hence will limit funds available for informal investors. A recent study showed that in 2009 "there was a significant decline in the average informal investor prevalence rate of G7 nations in 2009"²⁰.

Summarising, cyclicity is a structural characteristic of SME finance. A study carried out on behalf of the European Commission in 2009 found that economic cycles have a significant impact on bank lending to SMEs, in particular on medium-sized enterprises. Michaelas et al. (1999) find that during recessions the relative use of short-term debt (used to finance possible cash flow shortages) increases while the relative use of long-term debt (used to finance investments) slows down.

The current financial and economic crisis has had an adverse effect on SMEs' access to bank financing. Based on a survey of firms in the euro area carried out between June and July 2009, the European Central Bank reports a deterioration in the first half of 2009 in SMEs' access to finance.²¹ The ECB survey also reveals that non-price terms and conditions particularly (i.e. charges, fees and commissions) and collateral requirements tightened in the first half of 2009 for SMEs in the euro zone.²² For micro firms, increases in bank lending rates are also frequently reported as a source of deteriorating access to finance.

A follow-up study by the ECB, surveying firms in the euro area between November and December 2009, reveals that micro firms especially increasingly face problems in getting access to finance.²³ During the second half of 2009, the need for bank loans of small and, especially, micro firms increased because the

¹⁹ Within the group of informal investors, two categories are distinguished. First, there are individuals investing in firms of friends and family (also known as F&F investors). Second, there are individuals, business angels, investing in firms more purely for financial reasons. Business angel investments are carried out in a more professional manner than F&F investments.

²⁰ Bosman and Levie, *Global Entrepreneurship Monitor, 2009 Global Report*. Wellesley, MA US: Babson College, 2010

²¹ In particular, "43% of those SMEs that had applied for a bank loan during that period [the first half of 2009] reported a deterioration in availability, while only 10% saw an improvement" (ECB, 2009b).

²² ECB: European Central Bank, *Survey on the Access to Finance of Small and Medium-sized Enterprises in the Euro Area*, September 2009, Frankfurt am Main, 2009.

²³ ECB: European Central Bank, *Survey on the Access to Finance of Small and Medium-sized Enterprises in the Euro Area - second half of 2009*, February 2010, Frankfurt am Main

Research Methodology

2

internal resources of these firms are drying up.²⁴ Secondly, in their attempts to obtain bank loans, micro firms, more often than other firms, faced problems in obtaining them.²⁵

A report by UEAPME on the financial and economic crisis in ten European countries, dating from July 2009, can be summarised as follows.²⁶ Banks are more risk averse, are asking for higher risk margins, and are demanding more collateral and security, notwithstanding the lower demand for loans due to the recession. Many companies report a significant impact from financial difficulties on investment and employment.

However, not all SMEs experience problems in getting access to finance. Since demand for the products and services of firms has decreased sharply during the crisis, many firms do not feel the need to invest, and hence do not apply for bank loans. Indeed, in the ECB Bank Lending Survey of October 2009, about 50% of the banks participating in the survey say that the demand for loans or credit lines to enterprises at their bank 'remained basically unchanged' compared to the previous quarter. This also holds for the second quarter of 2009 and applies equally to loans to SMEs and large enterprises.²⁷ This finding from responses of banks is confirmed by responses of SMEs in the ECB Survey on the access to finance. About half of euro area SMEs reported no major change in financing needs in both the first and the second half of 2009.²⁸

In the first half of 2009, the ECB reports that the most pressing problem facing euro area SMEs is 'finding customers' (27%). Access to finance is the second most important problem (17%). For the second half of 2009, these percentages are 28 and 19, respectively.²⁹ This suggests that demand conditions on product markets are an even more important problem than getting access to finance. Once demand for their products and services starts to increase again, access to external finance will become a more important

²⁴ In particular, a lower percentage of micro firms (46%), relative to small, medium-sized and large firms (49%, 60% and 68%), indicated that over the last six months, internal funds were used to finance day-to-day business operations or specific projects or investments (ECB, 2010). Given the strong preference for internal finance of micro firms, this indicates an internal finance constraint. This, in turn, increases the need for external finance. Indeed, when respondents were asked whether the need for bank loans increased or decreased over the last six months, a net percentage of 20% of micro firms indicated that this need had increased. These percentages are 15, 8 and 6 for small, medium-sized and large firms, respectively.

²⁵ In particular, among the group of firms applying for a bank loan, 50% of micro firms "applied and got everything" (58, 66 and 72% for small, medium, and large firms, respectively), while 24% of micro firms "applied but were rejected" (15, 11 and 5% for small, medium, and large firms, respectively). Also, a net percentage of 41% of micro firms indicated that availability of bank loans deteriorated in the second half of 2009 (24, 29 and 29% for small, medium, and large firms, respectively). Finally, a net percentage of 14% of micro firms indicated that interest rates were increased by their banks (4, 2 and -9% for small, medium, and large firms, respectively).

²⁶ UEAPME: European SME finance Survey/Results 2009, Brussels, Belgium

²⁷ ECB: European Central Bank, The Euro Area Bank Lending Survey, October 2009, Frankfurt am Main, Germany: ECB.

²⁸ ECB: European Central Bank, Survey on the Access to Finance of Small and Medium-sized Enterprises in the Euro Area, September 2009, Frankfurt am Main and ECB: European Central Bank, Survey on the Access to Finance of Small and Medium-sized Enterprises in the Euro Area - second half of 2009, February 2010, Frankfurt am Main

²⁹ Finding customers is mentioned as most pressing problem by 29% of micro firms, 25% of small firms, 29% of medium-sized firms, and 24% of large firms. Access to finance is mentioned by 21% of micro firms, 19% of small firms, 17% of medium-sized firms, and 12% of large firms (ECB, 2010).

Research Methodology

2

issue for a larger part of the SME population. The supply of finance will remain scarce and reliance on internal resources alone will not be a sustainable approach for future investment in business growth.³⁰

Finding sufficient financing for eco-innovations is an ongoing issue for many eco-innovative SMEs. The report “Financing Eco-innovation” of the European Commission³¹ identifies a clear need for the finance of eco-innovations. Eco-innovative businesses fall under the larger category of enterprises, often small and medium, that face known market failures that limit their access to finance. These general market failures relate to informational asymmetries and transactions costs that constrain financial intermediaries in the provision of funding to smaller enterprises and even more to innovative ones. In addition to these general market failures, access to funding for eco-innovative SMEs has specific features and constraints that are highlighted in a recent study undertaken by the European Commission. For example, instead of being a sector in conventional terms, Eco-innovation is more accurately understood as an umbrella term covering a range of technologies, products, services, business models, and potential target markets. This makes it more difficult for potential investors to evaluate funding opportunities and assess the risks than if all investment opportunities were built around a common technology platform. This is especially the case in sub sectors, such as those not related to energy, which are less known or considered immature and therefore riskier. Often, technologies and business models are unproven, markets are unknown and there are not examples of investments that have been exited.

Evidence also shows that financial intermediaries use the same investment rationale as for investments in conventional sectors (i.e.: the same expected rates of return, the same level of accepted risks) and environmental concerns continue to be secondary. There are “no discounts” to eco-innovative businesses when it comes to financing. This is empirically confirmed by the study mentioned above. 59% of the eco-innovative SMEs in the sample were still looking for finance to market their eco-innovations and the lack of engagement of potential suppliers of finance in eco-innovative industries was quoted as one of the main external barriers to financing (by more than 70% of these SMEs).

Another significant barrier found in the study on “Financing Eco-innovation” is that available financing often is not tailored to the small scale financing needs of SMEs.

Support measures for SMEs

The EU Member States offer a variety of measures to support access to finance for SMEs, including loan and mutual guarantee schemes, venture capital funds, tax measures and grants. In the ‘SBA fact sheets’ 2009 from the European Commission,³² an overview is presented of the measures taken by the Member States in the period 2007 – 2009 in the context of the 10 principles of the Small Business Act (SBA). The sixth principle is “Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions”. The fact sheets show that quite a number of Member States have taken new measures or have adapted existing measures that aimed to ease SMEs’ access to financing during the financial crisis.

³⁰ See Beck, T., A. Demircuc-Kunt, L. Laeven and V. Maksimovic, The Determinants of Financing Obstacles, *Journal of International Money and Finance* 25, 2006 and Carpenter, R.E. and B.C. Petersen (2002), Is the Growth of Small Firms Constrained by Internal Finance?, *Review of Economics and Statistics* 84(2), 2002

³¹ European Commission, Financing Eco-innovation; Final Report. prepared by EIM and Oxford Research for DG Environment, Brussels, 2011.

³² http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Research Methodology

2

Studies are currently being conducted by the European Commission on national financial instruments in the 27 Member States and the financing eco-innovation.

Other relevant EU Financial Instruments

The Interim Evaluation referred to overlaps between the Financial Instruments and other EU financial instruments operated by other Directorates General and recommended that a clear and visible allocation policy should be developed by EIF for its different mandates. The instruments referred to are the JEREMIE and the JASMINE initiatives. Both are part of the European Regional Development Fund programmes. JEREMIE stands for Joint European Resources for Micro to Medium Enterprises and offers Member States, through their national or regional Managing Authorities, the possibility to use Structural Funds to finance SMEs by means of equity, loans or guarantees, through a revolving holding fund. The fund provides financial intermediaries, financial instruments including guarantees, co-guarantees and counter-guarantees, equity guarantees, (micro) loans, export-credit insurance, securitisation, venture capital, business angel matching funds and investments in Technology Transfer funds. By October 2010, 30 holding funds had been set up in 15 Member States: 13 operating at a national basis and 17 on a regional basis. The majority of funds operating at a national level are located in the new Member States. EIF acts as a holding fund for 11 JEREMIE operations in 10 Member States. About € 1.5 billion has been committed to financial intermediaries and € 0.3 billion has reached SMEs.³³

Part of the support provided is similar to the support provided under GIF and SMEG. Both are applied through financial intermediaries and EIF can be asked to act as a holding fund for JEREMIE. The main difference is the more limited regional focus of JEREMIE.

JASMINE is complementary to JEREMIE and provides technical assistance to micro finance institutions. As with SMEG, JASMINE can be relevant for micro finance institutions in certain regions. In June 2010, the relevant Directorates General joined forces and developed the European Progress Microfinance Facility (EPMF) that became operational in June 2010. EPMF is run by EIF. With support from EPMF, intermediaries can enhance their capacity to provide micro credits and guarantees on micro credits. This instrument targets all 27 Member States, but has a specific social focus. It aims to increase access to finance for individuals who have lost or are at risk of losing their job or have difficulties entering or re-entering the labour market. It also targets disadvantaged individuals, including people at risk of social exclusion. In addition to these individuals, the EPMF also supports micro-enterprises, including those in the social economy providing jobs for the unemployed or the disadvantaged. Businesses in need of micro financing with more than 10 employees are excluded.

Interviews

The final stage in the process of gathering evidence for the evaluation of the Financial Instruments was a series of interviews with intermediaries, officials in DG Enterprise and Industry, DG Economic and Financial Affairs and EIF. These interviews added to the information received on the Instruments during the course of interviews with members of the EIPC and representatives of European and national business organisations representing the small business sector.

³³ http://ec.europa.eu/regional_policy/funds/2007/jjj/doc/jeremie_jessica_20101129/jeremie_sopnov2010.pdf

Research Methodology

2

2.6 Data Requirements relating to the Enterprise Europe Network

Again the different elements in the anticipated outcomes for the Enterprise Europe Network will be set out before going on to explain the process of information gathering.

The measures relating to the establishment and operation of the Enterprise Europe Network are the most important element of the EIP as far as Objective B of the Programme is concerned - the creation of an environment favourable to SME co-operation.

Objectives of EIP actions/measures	Expected results of EIP measures/actions
<ul style="list-style-type: none"> - Create an environment favourable to SME cooperation, particularly in the field of cross-border cooperation. 	<ul style="list-style-type: none"> - Foster services in support of SMEs - Contribute to measures helping SMEs to cooperate with other enterprises across borders - Promote and facilitate international business cooperation

The Enterprise Europe Network was established through a call for proposals in 2007 and started operating in 2008. It brought together two pre-existing networks, the Euro Info Centres (EICs) and Innovation Relay Centres (IRCs), but also brought in other business support organisations not previously involved in either network. The Enterprise Europe Network now consists of 91 regional consortia, involving a total of 581 organisations.

The overall objective of the Enterprise Europe Network is to provide support for business and innovation – in particular for SMEs – by offering information, feedback to the Commission, business co-operation services, innovation, technology and knowledge transfer services, plus services encouraging the participation of SMEs in the EU's Framework Programme for R&D.

As background, it should be recalled that the implementation of Network-related EIP measures is the responsibility of the Executive Agency for Competitiveness and Innovation (EACI). The hand-over from the Commission of the project management functions took place on 1st November 2007, the delegation of the network animation tasks was formally concluded on 30th April 2008 and the management of IT tools was handed over on 23rd February 2009.

Other measures supported under this objective include studies, workshops, conferences and dissemination activity in the areas of IPR and standardisation - an e-Business Support Network and the promotion of international co-operation.

Anticipated Outcomes

There is a general requirement, as has been seen, in Article 8 of the Decision of the Council and European Parliament on the Competitiveness and Innovation Framework Programme to evaluate that all parts of the Programme are with regard to the relevance of the objectives, their coherence and synergies and their contribution to the effectiveness, efficiency, sustainability and utility of the

Research Methodology

2

Programme. However, in contrast to the Financial Instruments, the only direct reference in this article to the Enterprise Europe Network is to an assessment of the quality of the services provided by the Enterprise Europe Network partners.

Again, the Impact Assessment that accompanied the Commission's proposal for a Decision on the CIP made less extensive reference to the Enterprise Europe Network than to the Financial Instruments. Nonetheless, there was reference to the generation of various indirect benefits and also a more explicit estimation of the anticipated impacts from the Network per € 1,000,000 of expenditure. These were stated as follows :

- Around 45,000 SMEs could be reached by the European awareness-raising activities developed by the business and innovation support services.
- Around 112 events dealing with European issues with relevance for SMEs could be organised.
- Around 2 500 enterprises looking for a partner in another country could be put in contact through the business cooperation tools managed by the business and innovation support services.

The interpretation of these estimates is not entirely straightforward. The first difficulty lies in understanding why only three output targets were chosen for the impact Assessment. Essentially, this choice was based on experience with the previous networks, but it now seems rather narrow. As explained below in the section relating to the monitoring framework, the Network these days benefits from a sound, generally well accepted and more extensive set of indicators, developed to provide information on a representative range of Network activities. These are now seen as being more meaningful.

The second difficulty relates to the reference to anticipated outcomes per million euros expenditure, since it is not entirely clear which elements of expenditure should count. Assuming that the total expenditure was intended and given that this level of expenditure on the Network is approximately € 52 million per year (rising every year to cater for inflation and the rising cost of staff), the anticipated outcomes are as follows :

- total number of SMEs reached per year ; 2.382 million,
- number of events organised: over 5,800 events,
- number of enterprises put in contact with a potential partner : 130,000.

Monitoring Framework

In addition, the monitoring systems for the Enterprise Europe Network have to be brought into the picture. Both of the networks that preceded the Enterprise Europe Network had well established monitoring systems and members had been used to reporting on the effects of their actions. This tradition was carried over and further refined by the Network established under the EIP.

Some 50 indicators were used during the period 2008-2010 under a Performance Enhancement System (PES1) for reporting and monitoring by the Network. In parallel 17 overlapping indicators were used

Research Methodology

2

during the period 2007-2010 to report to the EIPC on the Network performance. The objective of the system was to encourage a focus on key objectives and ensure the Network's efficient management.

The actual data on the current set of indicators have been collected every six months, the latest available being those for 30 months (some data are available for 36 months but these do not include figures from all Network members). However, the current indicators (2007-2010) have a strong focus on the outputs of the Network activities. These are important and useful to assess the operational efficiency of the Network but not in terms of the results and longer term outcomes of the Programme.

Starting from 2011, following considerable interaction with Network members on this issue, the 50 indicators will be reduced to 35 in a revised version of the Performance Enhancement System (PES2). It will have 19 output, 8 outcome and 8 impact indicators. The new set of indicators provides a more holistic approach to the activities of the Network and of particular interest are the qualitative indicators such as the recognition of the Europe Enterprise Network brand and the assessment of client satisfaction to be collected through surveys. These latest developments in the monitoring framework for the Network were therefore taken as the basis for the evaluation assessment. The relevant data are presented in the next chapter.

It should be said that these indicators are not only used for assessing the Network's actual performance. They also inform the negotiation of targets by each consortium relating to future levels of activity. These targets tend to show an upward trend across the range of activities to be undertaken and the impacts anticipated.

Of course, in terms of understanding the broader context of the Network's activity, these data have again been supplemented by a considerable amount of information on the policy context and on operational issues, allowing the evaluation team to comment on the broader issues of the evaluation.

2.7 Collection of Information relating to the Enterprise Europe Network

Collection of Information

As with the Financial Instruments, a range of approaches has been adopted in order to collect the information relevant for the evaluation questions relating to the Network. Documentary evidence, such as the Annual Implementation Report, has again been important, along with a range of publications and internal management documents relating specifically to the activities of the Network. Surveys of users conducted by the Agency or Network members in Flanders and Sweden have added to the evidence collected specifically for the evaluation.

The data for the relatively well developed monitoring system established for the Network was provided by the Agency in the form of the information generated by the regular surveys of the Network. The latest data available in this way are those collected 30 months after the beginning of the Network's operation.

Of course, there were also direct discussions with stakeholders in this area in the form of a structured interview programme (21 interviews in total) with Network members and their host organisations and Commission and Agency staff, involved in the management of the Network, plus more informal discussion and insights gained by attending the Network annual conference and the remarks concerning

Research Methodology

2

the Network made in more general interviews with Member State representatives and business organisations. Further details derived from these sources will be presented in the next chapter.

Survey of network clients

In addition, as with the Financial Instruments, since one of the important aims in the Final Evaluation has been to throw as much light as possible on the actual achievements of the Network, a survey was organised, in this case of Network clients. This was launched at the beginning of September 2010, with participants asked to answer by the end of October 2010. The active co-operation of Network members was an important feature in getting through to clients.

The survey took the form of a questionnaire that was made available online in 23 languages³⁴. Network members co-operated with the conduct of the survey by drawing their clients' attention to it and encouraging them to respond. The questions were deliberately kept at a simple level, in order to make it a relatively easy task for enterprises and to encourage a maximum response. This approach seems to have been quite successful in that there were 2,532 replies and, as is evident in section 3.4 below, most of these provided responses to all of the questions and often added additional information.

The survey was supplemented by data from similar surveys that had been carried out by the Agency and Network members in Sweden and Flanders.

2.8 Data Requirements relating to Innovation Activities

The 'Innovation' area relates to two EIP Objectives: Objective C – 'Promote all forms of innovation in enterprises' and Objective D - Support eco-innovation.

Again the aim here is to outline the anticipated outcomes in this area and the information sought by the evaluation team. The relevant data are presented in the next chapter.

We should recall that whereas, prior to the EIP, the activities broadly corresponding to those considered in the two previous chapters had been supported under the Multi-Annual Programme (MAP), activities foreshadowing those in the innovation area had been supported by the Framework Programmes for Research and Development. One of the consequences of this is that Europe Innova and Pro Inno actions prior to 2009 cannot really be considered as part of the EIP. On the other hand Eco-innovation actions began with the EIP.

Given the relative weight attributed to Objective D in budgetary terms, the main evaluation effort in this area has been devoted to examining support for eco-innovation, but within the context of a broader consideration of the promotion of innovation generally.

The anticipated results of action in the innovation area were as follows :

Objectives of EIP actions/measures	Expected results of EIP measures/actions
- Promote all forms of	- Foster sector-specific innovation, clusters, innovation

³⁴ The survey was available in all the official languages of the EU except for Irish (Gaelic) in addition to Norwegian.

Research Methodology

2

innovation in enterprises	<p>networks, public-private innovation partnerships and cooperation with relevant international organisations, and the use of innovation management</p> <ul style="list-style-type: none"> - Support national and regional programmes for business innovation - Support the take-up of innovative technologies - Support services for transnational knowledge and technology transfer and for intellectual and industrial property - Foster technology and knowledge through data archiving and transfer
<ul style="list-style-type: none"> - Support eco-innovation 	<ul style="list-style-type: none"> - Foster eco-innovation, clusters, eco-innovation networks, public-private eco-innovation partnerships and cooperation with relevant international organisations, and the use of innovation management - Support national and regional programmes for eco-innovation - Support the take-up of eco-innovative technologies - Supporting services for transnational environmental knowledge and technology transfer and for intellectual and industrial property - fostering environmental technology and knowledge through data archiving and transfer

In comparison to the previous two objectives, the measures supported under the 'Promotion of innovation in enterprises' objective are much more varied, although the greatest share of activities falls under two measures: Europe-Innova and PRO-INNO Europe, each of which includes a number of actions.

As already outlined, Europe INNOVA develops and tests innovation support services to SMEs, developing innovation platforms among innovation professionals and support providers in three key areas/themes (cluster development, knowledge intensive services and eco-innovation). The overall objective is to accelerate innovation processes and facilitate the commercialisation of innovative products and services. PRO INNO Europe has the broader objective of designing and testing new innovation support mechanisms at a programme level, involving ministries and agencies. Under the two main measures a number of different actions (sub-measures) have been implemented in the period 2007-2010 either related to the development of policies or services in the three defined areas or supporting horizontal activities through the dissemination of knowledge and tools and the policies developed.

In addition to these two sets of actions, additional activities under the PRO INNO umbrella include, INNO Metrics (the 'Innovation Union Scoreboard', as it is now called and the Innobarometer), INNO Policy TrendChart, INNO Grips II, INNO Views, INNO Appraisal, INNO Learning Platform and the European Cluster alliance. They support the collection of data and other relevant information, the conduct of studies concerning developments in the innovation policy area, access to academic and business

Research Methodology

2

intelligence on innovation processes and policies, conferences of experts and policy makers and surveys of firms or stakeholders in order to support and enhance innovation policy making at the European and national level. (see Table below).

Besides this, the Regional Innovation Monitor complements the INNO Policy TrendChart with information and analysis on sub-national or regional innovation policies. Pilot actions for experimenting with new forms of innovation policy are also being launched, in particular demand side approaches to innovation, involving the procurement of innovative solutions through tendering processes, social innovation, user-driven forms of innovation (in particular design) and public sector innovation.

Table 2.3 PRO INNO Project Descriptions

Scheme	Target group	Brief Description
INNO NETs EPISIS	Policy makers Innovation agencies	Running during the period 2009-2012. Aims to facilitate transnational cooperation between policy-makers and innovation agencies in the field of services innovation. It shall offer an open platform for discussion on policy recommendations, test new policy approaches and organise policy-oriented international conferences.
INNO NETs TACTICS	Policy makers Innovation agencies	Running during the period 2009-2012. Aims to support and further expand the European Cluster Alliance (see below), foster cluster cooperation, promote cluster excellence, support existing performing clusters and contribute to the development of better cluster policies and practical tools in Europe.
INNO NETs INNO-Partnering Forum	Policy makers Innovation agencies	Running during the period 2009-2012. Aim to establish a platform to identify, develop and exploit synergies between public funding agencies in Europe and to propose new approaches and measures for innovation support for SMEs.
INNO Actions – Cluster Excellence	Policy makers Innovation agencies	Running during the period 2009-2012. Aims to promote excellence in cluster management by bringing together experienced persons and organisations to identify and set up a meaningful set of quality indicators and peer-assessment procedures for cluster management and establish a cluster quality label.
INNO Actions – Innovation Festival	General public Regional innovation players	Running during the period 2009-2012. Based on the organisation of six Innovation Festivals to demonstrate how innovation, together with creativity, can contribute to regional development.
INNO Policy Trendchart	Policy makers Researchers General public	Collection and analysis of information on national innovation policies. Started under FP6. Shared database, network of experts and exploitation with FP7 funded ERAWATCH on research policy.
INNO Metrics	Policy makers Researchers General public	Composed of the Innovation Union Scoreboard (EIS) and the Innobarometer. Benchmarks, on a yearly basis, the innovation performance of Member States and on a bi-annual basis at regional level.
INNO-Appraisal	Policy makers	Collect reports of appraisals of innovation policy to assess the application of evaluations in innovation policy across Europe and contribute to a better evaluation culture across Europe. Contribute to improving policy-making throughout the entire policy cycle.
INNO Grips II	Policy makers	Support 12 innovation studies/reports and 12 workshops of experts to analyse and exchange ideas and best practices in relation to innovation policy developments and trends and on the drivers and barriers to innovation at a firm level.

Research Methodology

2

INNO Views	Policy makers Industry Academia	Focuses on the establishment of dialogue between policy makers, industry and academia to identify new or better innovation policy instruments through workshops
European Cluster Alliance	Policy makers (national/regional) Intermediaries (Cluster managers)	Continuation and strengthening of the open platform established in 2006 aiming to enable a permanent policy dialogue among national and regional public authorities responsible for developing cluster policies and managing or funding cluster programmes in their countries or regions.
Inno-Learning platform	Innovation support providers Policy makers	Ran during the period 2006- 2010. Focused on improving the effectiveness of innovation support in Europe by stimulating cooperation among innovation agencies across Member States and regions and promoting policy learning among the actors involved.

Eco-innovation

Eco-innovation support focuses on first application and market replication projects, concerned with the initial application or market replication of eco-innovative techniques, products, services or practices that have already been technically demonstrated but which have not yet become established on the market. The projects funded are intended to help remove obstacles to the development and wide application of eco-innovation, create or enlarge markets for related products and improve the competitiveness of EU enterprises on world markets. At the same time there are environmental objectives. Projects should also aim to reduce environmental impacts, increase resource efficiency or improve environmental performance of enterprises. These projects are open to all legal forms of business, but SMEs in particular are targeted.

However, this is within a broader context. Eco-innovation related activities are integrated horizontally across all the objectives of the EIP and as well as examining the support programme, it is necessary to consider, for instance, the financial instruments for eco-innovation related start-ups and SMEs that are supervised by DG Economic and Financial Affairs and also the eco-innovation policy and services platforms under the PRO-INNO Europe and Europa Innova measures.

In addition, the Enterprise Europe Network provided environmental support services to SMEs helping them turn environmental challenges into economic opportunities. The measure is intended to help the Network members build expertise and develop first and second level services for SMEs. In 2009 this measure fell under the second objective but its continuation in 2010 was included under the eco-innovation objective.

These activities can be tracked through a number of the monitoring indicators used. The share of VC funds dedicated to eco-innovation and the SMEs in the clean technology sector that have received new financing is recorded and is reported on by the financial intermediaries through EIF. In the case of objective C innovation platforms, where eco-innovation is one of the three main areas examined there is information available on developments, broken down by sector. For other large or small budget measures, however, where activities touch upon eco-innovation and environmental issues, it is more challenging to identify the effects of the eco-innovation dimension. Generally, this situation is not helped in that there is no specific way to identify eco-innovation under the NACE codes that determine how statistics are presented.

Research Methodology

2

The core of the activities under the fourth objective of the EIP is the Eco-Innovation funding scheme, which focuses on the funding of first application and market replication projects. These are concerned with the initial application or market replication of eco-innovative techniques, products, services or practices that have already been technically demonstrated but which have not yet become established on the market. The projects funded are intended to help remove obstacles to the development and wide application of eco-innovation, create or enlarge markets for related products and improve the competitiveness of EU enterprises on world markets. At the same time there are environmental objectives. Projects should also aim to reduce environmental impacts, increase resource efficiency or improve environmental performance of enterprises. These projects are open to all legal forms of business, but SMEs in particular are targeted.

This measure has been implemented by the Executive Agency under the supervision of DG Environment unit E.4 and calls for proposals were included in the 2008-2011 work programmes.

Anticipated Outcomes

It is again relevant that Article 8 of the Decision of the Council and European Parliament on the Competitiveness and Innovation Framework Programme refers to a broad range of anticipated outcomes including the effects of the Programme on innovation, competitiveness, entrepreneurship, productivity growth, employment and the environment. It also specifically requires the Annual Implementation Reports to identify eco-innovation activities and this is done systematically. Otherwise, in contrast to the Financial Instruments, there is no indication in the Decision of expected outcomes.

There is also a relative lack of precision in relation to the anticipated outcomes in the innovation area in the impact assessment that accompanied the Commission's proposal for a Decision on the CIP. Furthermore, those that are there relate more to longer-term outcomes than to the expected results. Reference was made to a range of anticipated effects, both inputs (such as more enterprise-university and SME cooperation for innovation; increase of innovation expenditure as a percentage of turnover, more SMEs using non-technological innovation; more accessibility of risk-capital and leveraging national and regional funding for business innovation projects) and outputs (such as an increase in sales of new-to-market products/services and of new-to-firm products/services; increase in EPO patent registrations; increase in employment in medium-high and high-tech manufacturing).

In the area of eco-innovation, the expected impacts are even less well defined. There is reference to the potential of environmental technologies to meet environmental challenges while at the same time contributing to competitiveness and growth and also to the potential for growth in the world market for environmental goods and services, but no estimation of impacts as such.

In the discussion of the social consequences of the EIP, the impact assessment points out that innovation has a high potential for making a social contribution through the development of products and services that improve the quality of life, especially for specific social groups, such as disabled persons, and the ageing population. Innovation, of course, also has an important part to play in addressing environmental problems – precisely the aim of the eco-innovation initiatives.

In terms of the risks associated with the CIP, the general comment made is again relevant to the innovation area. It pointed to the possibility of too low a profile being attained as a consequence of capacity not achieving a critical mass.

Research Methodology

2

The Interim Evaluations of the EIP and CIP did not consider innovation actions specifically, since these were only just beginning to come under the EIP at the time. However, some of the general recommendations referred to above do have relevance for innovation, including the development of a standard set of monitoring indicators (outputs, results, outcomes and impacts) to record and report programme progress.

Monitoring Framework

The first consideration in areas where there is expenditure on a range of support activities is to have an overview of the number of projects supported and the corresponding expenditure. These are the initial outputs of the Programme in this area.

Following on from the basic project management data, other information is expected on the outputs, results and longer term outcomes of the Programme. This information is formalised in monitoring and indicator systems. It has been seen that these are relatively well developed with respect to the Financial Instruments and the Enterprise Europe Network. However, in parallel to the less precise specification of anticipated outcomes in the innovation area in the initial Decision and Impact Assessment, monitoring data have also been developed less consistently and in a more diffuse manner. Nonetheless there has been progress in these areas.

Monitoring tools for the Europe Innova and PRO INNO initiatives were partially developed during the first period of the initiatives (2006-2009) when they were supported under FP6. The Calls for Proposals for some activities stipulated that bidders had to propose an appropriate set of performance indicators for monitoring progress and assessing the overall impact of the activity. However, from the Commission side, there was no systematic structure to monitor and assess the performance and impact of the projects. Ex-post, the assessment of the two initiatives distinguished between the direct or indirect impacts of the projects and activities³⁵. Direct results were primarily the outcomes achieved by the projects and activities supported, while indirect results were the “spill over effects” beyond the scope of the projects.

According to the interviews with the Commission, this approach was systematised during the new phase of the two initiatives and a third category of impacts was added referring to potential impacts beyond the project. Requirements on the project co-ordinators to deliver the relevant data have been included in the respective contracts, although not from the very beginning³⁶. The feedback from the evaluation of the EIP indicators and the Panel discussions on measuring the impact of European innovation policy co-operation initiatives (focusing on PRO INNO) that took place on 19th January 2010 served to further systematise this process.

In the case of Europe-Innova initiative³⁷, project co-ordinators have been asked to identify indicators for the direct and indirect impacts of each project and of the potential impact after the end of the project and also to set appropriate targets (quantitative or qualitative). Guidance is provided as to what should be the appropriate indicators but there is also flexibility given the variation in the nature of the projects.

³⁵ Main results from Europe INNOVA and PRO INNO Europe: A first assessment

³⁶ The requirements were not set in the initial calls but were included in subsequent amendments.

³⁷ There is no information of similar requirements concerning the PRO-INNO Europe. It is an area where more research is planned.

Research Methodology

2

A review of the direct impact indicators used in 4 projects³⁸ suggests that there is a common focus on the number of tools developed, the number of intermediaries reached and the number of SMEs that benefit. These direct indicators largely coincide with the set of indicators proposed in the Final Report of the Evaluation of the EIP indicators conducted by CSES. In addition, the leverage effect of the projects (through the creation of voucher schemes by project partners or the development of seed funds) is an additional direct impact indicator reported. On this basis, the Commission is expected to have a rather good picture of the direct impacts achieved from the supported Europe Innova activities, although this information is not currently available.

In the case of PRO INNO, not all project beneficiaries and contractors have been asked to identify and report on indicators. Activities relating to data analysis or innovation studies and reports (e.g. Inno-Metrics or Inno-Grips II) do not have such requirements. However, the Commission collects data internally on the web-hits of the PRO-INNO webpage and the number of downloads of the relevant studies which provide indications of their relevance and level of use. In the case of INNO-Nets, the review of the EPISIS, Inno-Partnering forum and TACTICS projects indicates that the projects' performance is monitored on the basis of a rather well developed set of indicators that cover outputs and outcomes and differentiate between direct, indirect and long term impacts. Differences between the projects are evident since it was considered necessary to have the indicators to fit the specific characteristics and objectives of each project.

However, the developments described so far largely represent work in progress. Along with the review of indicators in other areas, the Evaluation of EIP Indicators did propose a set that could be applied in the innovation area, made up of 12 indicators relating to Europe Innova and 20 relating to PRO-INNO. It is not yet possible to report on all of these indicators in a consistent fashion.

Eco-innovation

The situation with regard to the Eco-innovation scheme is clearer, at least in terms of the monitoring system that has been established. From the beginning, the monitoring of the environmental and economic impacts of the projects supported under the Eco-innovation scheme has been an important element of the scheme and has been integrated into its management. Potential beneficiaries are asked to state the environmental and economic objectives of the projects in their proposal documents and to identify relevant indicators. Some indicators are predefined but applicants are also expected to provide additional ones relevant to the specific projects. More specifically, the indicators are expected to cover three areas of potential impact (two environmental and one economic):

- Improved environmental performance with reference to a reduction of CO₂ and particulate matter emissions and tons of waste diverted from landfills;
- Better use of natural resources including resource efficiency, reduction in water consumption and energy efficiency;
- Economic performance/market replication indicators referring to expected market size, the number of start-ups to be created, the leverage factor and the resulting patents³⁹.

³⁸ InnoWater, Achieve More, KIS-IP, BioChem

³⁹ In the initial calls there was also a requirement to indicate the expected employment impact. The Agency decided to remove them from the list give the limited capacity to predict and the fact that in some cases project could be saving rather than creating jobs.

Research Methodology

2

The Agency guidelines require that the proposed indicators fulfil the SMART criteria and that absolute or relative values be provided both for the project end and for the situation two years after the end of the project. Applicants are also expected to include in the proposal specific tasks determining how they will monitor effects.

It should be noted though that, so far, there has been no reporting on the indicators and no way of assessing their use in judging the effectiveness of the scheme. There are still issues to resolved, such as the question of how to aggregate the results from the different projects. A study to be conducted by the Agency in 2011 is expected to provide guidance in this area.

Still, the majority of project beneficiaries suggested that the indicators are providing helpful guidance for their own purposes and in some cases they have also contributed to the day to day management of the projects, becoming key performance indicators for everyday management purposes.

2.9 Collection of Information relating to the Innovation Activities

Given the spread of Innovation activities supported by the EIP, the process of collecting the necessary information to address the relevant evaluation questions has required a wider set of approaches to be adopted than in the other main areas. The Europa Innova⁴⁰, Pro Inno⁴¹ and Eco-Innovation⁴² web sites are an important source of basic information about the measures and their various projects. Other information is available through publications and web sites, again including documents relating to formal reporting processes, such as the Annual Implementation Reports. Given that the web sites are an important means of disseminating the results of activities, there was also an analysis of web site statistics (number of visits to certain pages, downloads of reports etc) the Europe Innova and PRO INNO websites.

An interview programme has again been a major source of information. In the case of Europe Innova, there were 11 interviews with project coordinators – including 3 platforms for knowledge intensive services that were supported from the 2007-2008 calls - and 2 interviews with Commission officials. For PRO INNO, there were interviews with the Commission officials involved and the coordinators of the INNO-GRIPS and INNO-METRICS activities.

For the Europe Innova project interviews, 11 projects were selected to provide a representative picture of the three key topic areas addressed - cluster cooperation, eco-innovation and innovation services. In addition, the Take-It-Up project is a horizontal project under the promotion pillar of Europe INNOVA that aims to enhance and facilitate the uptake of the outputs developed by Europe INNOVA partnerships and to support in the commercialisation of the various tools developed.

As in other areas, the cross-cutting interviews with other Commission officials, members of the EIPC and business organisations at European and national levels were useful additional sources of information.

⁴⁰ <http://www.europe-innova.eu/>

⁴¹ <http://www.proinno-europe.eu/>

⁴² http://ec.europa.eu/environment/eco-innovation/index_en.htm

Research Methodology

2

Surveys

For PRO INNO there was also an on-line survey of the participants in the various PRO INNO activities. This survey did not have quite the same function as the surveys in the other two areas, but nonetheless served to provide feedback from people directly involved in supported innovation activities.

A list of 358 participants in the different activities – including national policy makers, innovation support providers, academics and industry experts, was made available to the evaluation team. A survey, launched on 22nd November 2010, invited them to respond to questions on-line. The survey remained open until 15th January 2011 and a total of 76 responses were received. This provided a good basis for conclusions concerning the implementation and effectiveness of the initiative as a whole, although the number of respondents that participated in particular schemes is rather limited and does not support “statistically significant” conclusions.

The Eco-innovation Interview Programme

Since no projects have been completed so far, the evaluation of the eco-innovation scheme focused mainly on procedural issues concerning the implementation of the scheme and on initial or intended outcomes rather than on longer term impacts. The assessment was based on a combination of interviews with a selected group of beneficiaries from the first call for proposals, together with interviews with those responsible for shaping the objectives of the calls that have taken place and organisations with an interest in promoting eco-innovation. It was complemented by a review of some of the key documents identified relating to the Eco-innovation funding scheme.

A total of 22 projects out of the total of 44 were initially selected for telephone interviews on the basis of an interview checklist. The selection reflected to a great extent the distribution of supported projects in four broad categories (building and construction, food and drink, greening business and recycling) and also attempted a broad geographical coverage. A total of 16 interviews were eventually conducted since in six cases the projects coordinators did not respond to our invitation.

2.10 Requirements relating to Other Activities

As is evident above, the evaluation has concentrated on the three main areas of the Entrepreneurship and Innovation Programme that take up the main part of the budget. In particular, these areas have been the focus of the main effort in the evaluation’s data collection. Nonetheless, there are other activities under the EIP that make a significant contribution to achieving the aims of the Programme, even though the resources devoted to them are relatively restricted. The support provided to the Community programme for the reduction of administrative cost, for instance, assisted in addressing an issue of major importance for Enterprise Policy and one highlighted by the Small Business Act.

These actions are undertaken mainly with a view to addressing objective E - Promote an entrepreneurship and innovation culture - and objective F - Promote enterprise and innovation-related economic and administrative reform, but the other objectives can be supported too. In addition, there is a series of supporting activities, including analysis and monitoring of competitiveness and sectoral issues, impact assessments and evaluation and dissemination activities. These are set out in an annual document detailing Support Measures. In total more than 100 measures are described in the five

Research Methodology

2

relevant annual Work Programmes and in most cases these measures have a budget that does not exceed €2m. They can be grouped broadly into four categories :

- *Studies/reports*: studies conducted by the Commission, external consultants or groups of experts are quite common under the EIP (e.g. SME performance review, E-skills study on the global sourcing, study on SMEs organisations representativeness). It is possible to distinguish between on-going work that supports the major elements of policy by providing data, benchmarking etc. and one-off studies that provide insights for a particular area.
- *Campaign activities*: campaign activities are also very common under the EIP (e.g. the information campaign on CE marking, the e-skills awareness raising campaign and the European SME Week) and involve events, media activities, web-pages and printed material.
- *Conferences, seminars & training*: conferences and more specific training activities and seminars are also supported through the EIP.
- *Information activities*: information provision developed and provided by the Commission or a contracted organisation range from measures like the IPR Helpdesk, to web-based activities and printed material.

Sometimes the activities can be combined, with studies and conferences and information provision supporting campaign activities and the relative distribution of activities varies from year to year. This provides an important degree of flexibility for the EIP and allows it to respond to issues within the Programme whose significance has increased. It does, however, mean that it is rather difficult to assess the performance of these actions and especially their longer term impacts. Indicators are proposed in the annual Work Programmes and reported on in the Implementation Reports. However, there is a relative emphasis on output indicators and it is difficult to make comparisons between different items. The Evaluation of the EIP Indicators suggested that a more consistent approach should be adopted, in particular, by making use of similar indicators for each of the four different categories of activity listed above. So far, it seems, this more disciplined approach has yet to be implemented. In terms of examining monitoring data on the 'other activities' of the EIP, the evaluation team has been restricted to examining the overall budgetary data and highlighting examples that might be thought to be representative of the others. A limited amount of data is therefore presented in the next chapter.

Interview Programme

In contrast to the difficulty of presenting performance data on 'other activities', especially at an aggregate level, the interview programme was able to elicit a variety of responses from Member States and business organisations, the relative wealth of material of this kind probably arises because of the high visibility of these actions and the fact that many of those interviewed had direct experience of participating in conferences and making use of intelligence, data, studies and publicity material.

2.11 Overall Interview Programme

Throughout this chapter there has been reference to various interview programmes that have assisted in the understanding of the overall orientation of the EIP and its different areas of activity. Well over 100 people have been interviewed and a number of these have been interviewed more than once.

Research Methodology

2

The distribution of targets within the interview programme is indicated in the table below:

Table 2.4 Details of the Number of Interviewees for the Whole of the Programme

Area	Number
General :	
- DG Enterprise and Industry & other Commission, EACI	7
- EIPC members	8
- EU Business organisations	5
- National business organisations	9
Financial Instruments	22
- DGs Enterprise and Industry & Economic And Financial Affairs, EIF, intermediaries	
Enterprise Europe Network	21
- DG Enterprise and Industry , EACI, Network members, host organisations	
Innovation (General)	17
- DG Enterprise and Industry, project coordinators	
Eco-innovation	28
- DG Environment, EACI, beneficiaries	
Total	117

The interviews were conducted mainly using an established list of questions that was shared with the interviewee prior to the interview taking place, although interviewees were free to raise additional issues if they thought this appropriate. They also took place on a confidential basis. Those interviewed were assured that they would not be quoted directly without their explicit permission.

The resulting discussions were generally very informative and, although it is not possible to present the information imparted in the schematic way that the results of surveys can be set out, they have fed directly into the evaluation analysis and have played an important part in shaping the results that are presented in chapter 4.

Data & Survey Results

3

This chapter brings together data that have been collected for purposes of monitoring the EIP, plus the results of the main surveys that have been conducted during the course of the evaluation. This information is largely presented without much comment on the implications for the evaluation, since for these purposes the monitoring information and the survey results need to be brought together with the results of the interview programme. This is done in the following chapter.

The following sections present first the overall financial data for each of the main areas under consideration, followed by the available monitoring data and then the detail of the responses to surveys conducted.

3.1 Monitoring Data for the Financial Instruments Currently Available

The budget allocated over the 2007-2011 period for Objective A of the EIP -Facilitate access to finance – was € 798.2 million, 53.6% of the total EIP budget. The amounts committed to objective A for 2007-2010 were € 154.340 million, € 151.175 million, € 160.442 million and € 168.508 million respectively. The budget for the year 2011 is € 173.9million.

In the table below, the anticipated values of the indicators as stated in the annex to Council Decision of the CIP are compared with the real values reached at 31st December 2010. In addition, a number of other indicators, as stated in the tender specifications, are included (see also section 2.3). The EIP started in 2007 and continues to run until 2013. After 2013 there is an additional period in which parts of the programme will come to full effect.

The financial instruments cover the Participating countries⁴³ (see art. 4 of CIP Decision). The Decision also requires indicators to be monitored for all countries participating in GIF and SMEG (i.e. all CIP countries) as well as for the EU Member States and the remaining countries separately. In the second column of table 3.1 the real values for all countries are presented whereas column three presents the values for the total EU 27 Member States and the fourth column for the remaining countries.

Table 3.1 Anticipated and Real Values of Financial Instrument Monitoring Data*

Indicator	Anticipated Level for period 2007 – 2013, All Participating countries	Real value at 31/12/ 2010, All Participating countries	Real value at 31/12/ 2010, Total EU Member States	Real value at 31/12/ 2010, Remaining Participating countries
<i>Number of venture capital funds supported/Number of transactions/Number of intermediaries</i>				
Early stage (GIF 1)	17 (of which 2 eco-innovation)	13 (GIF 1)(of which 2 eco-	13 (GIF 1)(of which 2 eco-	0

⁴³ "Participating Countries" means the Member States of the European Union and those Member States of the European Free Trade Agreement ("EFTA") which are members of the European Economic Area ("EEA"), accession countries and candidate countries benefiting from a relevant pre-accession strategy, countries of the Western Balkans in accordance with the relevant framework agreements and any other country included in the list of Participating Countries as published from time to time in the Official Journal.

Data & Survey Results

3

		innovation)	innovation)	
Expansion stage (GIF 2)	15 (of which 2 eco-innovation)	6 (GIF 2)(of which 1 eco-innovation)	6 (GIF 2)(of which 1 eco-innovation)	0
Securitisation (SMEG)	16	0	0	
EU Investment/EU cost/EU support per intermediary or transaction (million €)				
Early stage (GIF 1)	Maximum: 30 Typical range: €10-14	Maximum: 15 Range: € 2.7 (Bullnet) – 15.2 (Capricon Cleantech Fund)	Maximum: 15 Range: € 2.7 (Bullnet) – 15.2 (Capricon Cleantech Fund)	
Expansion stage (GIF 2)	Maximum: 30 Typical range: €13-23	Maximum: 20 Typical range: € 6.4 (Cape regione Sicialiano) – 25.3 (HPE PRO Institutional Fund)	Maximum: 20 Typical range: € 6.4 (Cape Regione Sicialiana) – 25.3 (HPE PRO Institutional Fund)	
Securitisation (SMEG)	€3	0	0	
Number of SMEs benefitted	(At seven year period)			
Early stage (GIF 1)	674	116 (of which 21 eco-innovation)	110 (of which 19 eco-innovation)	6 (of which 2 eco-innovation)
Expansion stage (GIF 2)	526	27 (of which 5 eco-innovation)	25 (of which 5 eco-innovation)	2 (of which 1 eco-innovation)
SMEG guarantees	315,750	109,779	104,186	5, 593
Average cost €				
Early stage (GIF 1)	300,000 (600,000 for eco-innovation)	300,000 (400,000 for eco-innovation)	300,000 (400,000 for eco-innovation)	
Expansion stage (GIF 2)	500,000 (750,000 for eco-innovation)	600,000 (200,000 for eco-innovation)	600,000 (200,000 for eco-innovation)	
SMEG guarantees **	1,330	1,212		
Number of jobs maintained or created: ***	(At 5 year period)			
Early stage (GIF 1)	35,048	2724 (of which 1162 eco-innovation)	2621 (of which 1113 eco-innovation)	103 (of which 49 eco-innovation)
Expansion stage (GIF 2)	27,352	2488 (of which 983 eco-innovation)	2338 (of which 833 eco-innovation)	150 (of which 150 eco-innovation)

Data & Survey Results

3

SMEG guarantees	315,750	415,075	382,987	32,088
Average cost to the EU budget per job maintained or created :				
Early stage (GIF 1)	6,362	n.a	n.a	
Expansion stage (GIF 2)	10,420	n.a	n.a	
SMEG guarantees	1,330	n.a	n.a	
The number of SMEG loans defaulted	n.a	1,173	1,173	
The value of SMEG loans defaulted	n.a	12,899,018	12,899,018	
The rate of return to investors in GIF Funds Early stage GIF Expansion stage GIF	n.a	n.a	n.a	
Change of venture capital availability indicator	n.a	See section 2.5		
Change of access to loans indicator	n.a	See section 2.5		
Firms stating FIs as only/significant source of finance : GIF SMEG	n.a	(see section 3.2 for more detail) GIF: 39% SMEG: 46%		
Growth of turnover GIF SMEG	n.a	The indicator average "Growth of turnover" can be estimated over the past three years but is deemed not to be a relevant indicator here, since the programme has not been fully implemented yet and most beneficiaries have received the financial support only recently. Therefore this indicator is not a good overall reflection of effects contributable to the financial instruments. More information on the effects of the support on growth and employment are included in section 2.3		
New products or services developed GIF SMEG	n.a	New products and services developed past three years (see section 3.2 for more detail) GIF: 83% SMEG: 61%		
Percentage of SMEs stating positive prospects due to financing GIF SMEG	n.a	(see section 3.2 for more detail) (fairly to very positive) GIF: 94% SMEG: 76%		
Number of high growth enterprises among GIF beneficiaries	n.a	(see section 3.2 for more detail) (>20% annual growth over three years) GIF: 48% SMEG: 28 %		

Data & Survey Results

3

Notes:

* The calculation method of the anticipated levels of the CIP indicators are described in section 2.3, table 2.1. The real values are derived from the Quarterly Report, 31st December 2010 (issued on 22nd March 2011) of EIF and data directly received from EIF. For more information on the development of GIF and SME, see text below table.

** The average costs of GIF are published on an annual basis in the annual reports. The average estimated cost per guarantee of SMEG is calculated as the budget committed (€ 281.9 million) times the current utilisation (47.2%) divided by the number of beneficiaries (109,779).

***The real values of the number of jobs refer to the number of jobs at the start of the participation /credit. The anticipated levels refer to the number of jobs maintained and created through the support.

The High Growth and Innovative SME Facility (GIF)

At the end of December 2010, 19 agreements had been signed. Under GIF 1 (Risk capital for innovative SMEs in their early stage), this refers to 13 intermediaries of which 2 specifically focus on Eco-Innovation. Under GIF 2 (Risk capital for innovative SMEs with high growth potential in their expansion phase), agreements were signed with 6 Funds of which 1 specifically focuses on eco-innovation. At the end of December agreements with 7 intermediaries (4 for GIF 1 and 3 for GIF 2) were approved to be signed.⁴⁴

The net amount committed to the 19 funds was € 221.6 million. These investments support a target fund size of € 1,484.4 million of which € 437.3 million is for eco-innovation funds (29%). The intermediaries invested in 143 SMEs: 116 under GIF 1 and 27 under GIF2. Of these 143, 27 beneficiaries received equity from funds under the eco-envelope of GIF 1 and GIF 2.

The GIF funds, invested in at the end of December 2010, are located in 12 Member States: Luxembourg, Spain, Sweden, Finland, Germany, Ireland, the United Kingdom, France, Belgium, Italy, the Netherlands and Portugal. None of the intermediaries are established in one of the other Participating Countries. Seven funds have a broader geographical focus than the country of establishment.

In table 3.2, the number of beneficiaries per country is presented. The majority are located in an EU Member State.

Table 3.2: Number of beneficiaries of GIF, by country

Country	GIF 1	GIF 2	Total
Austria	1		1
Belgium	3		3
Denmark	1		1
Estonia		3	3
Finland	7		7
France	17	4	21
Germany	12	2	14
Ireland	6		6
Italy	5	7	12
Latvia		1	1
Netherlands	4		4

⁴⁴ At 30/9/2010, the GIF pipeline was € 162.5 million.

Data & Survey Results

3

Country	GIF 1	GIF 2	Total
Portugal		5	5
Spain	5	1	6
Sweden	23		23
United Kingdom	21		21
Israel*	1		1
Norway	1		1
Switzerland*	2		2
USA*	2	1	3

Note: These data were received from EIF directly (February 2011).

*Switzerland and the USA do not belong to the 'Participating countries'. Israel is not participating in the financial instruments. The venture capital investments directed from the funds into the SMEs are basically market driven and therefore the investment strategies of a fund may include also non-eligible SMEs. In such case, the European Commission reduces its investment into the fund pro-rata.

Source: European Investment Fund (EIF)

GIF-1 includes the option to co-invest in funds promoted by business angel networks. Intermediaries with co-investment arrangements with business angels or their networks may receive additional and separate commitment for co-investments in GIF 1 beneficiaries. None of the funds participated in so far have co-invested with Business Angels Networks. The main explanation for this is that business angels mainly work on a deal by deal basis as opposed to the structured fund approach of the financial instruments. Business Angels, or in other words informal investors, tend to be more private and flexible in dealing with the SMEs they invest in. This makes it difficult to work together with Business Angels in the more standardised and structured framework required for the financial instruments. Monitoring the process and co-investments would be more difficult for example. Currently the Commission and EIF are therefore shifting attention to facilitating access by SMEs to Business Angels as opposed to co-investing.

Development of the GIF

The anticipated numbers of funds to be invested in, over the whole period of the instrument, are 17 for GIF 1 and 15 for GIF 2. At the end of 2008, EIF signed agreements with 13 funds and at the end of 2009 with 16 Funds. At the end of December 2010, the numbers of agreements signed were 13 for GIF 1 and 7 for GIF 2 respectively, thus 19 Funds in total Agreements with intermediaries may be signed at the latest at 31st December 2013. The duration of the EU investments in the funds made so far can go up between 5 to 12 years after signing. The absolute end date for having a financial position in the funds is 22nd November 2026⁴⁵. In the majority of cases an investment period of 5 years is agreed. The investment period corresponds to the duration between the first closing date and the planned end date of the investment period. This means that the planned end date of the investment period of commitments made in for example 2008, is 2013. The funds having signed an agreement on 31st December 2013, then potentially have 12 to 18 months to find other investors and start investing. The investment periods of the funds may then last until 2026.

These conditions make it difficult to assess at this moment whether the anticipated level of beneficiaries will be reached. The anticipated number of SMEs benefiting from GIF 1, as indicated in the annex to the

⁴⁵ GIF1 Investment Policy and implementation guidelines, www.eif.org.

Data & Survey Results

3

CIP Decision, was 674 for the period 2007-2013 and 526 for GIF 2. At 31st December 2010, 111 and 26 SMEs respectively have benefited, whereas this was 78 in total at the end of 2009.⁴⁶ This corresponds to an increase with 59 beneficiaries in 12 months. The Commission, EIF and the Court of Auditors are satisfied with the levels reached at this stage.

However, concerning the total numbers of SMEs to be reached; considering the budget available, the anticipated level of 1200 beneficiaries seems not to be realistic. The maximum amount to be committed in a fund is € 30 million and on average about € 12 million. With a total budget of € 550 million between 2007 and 2013, and an average of between 15 to 20 SMEs per fund, a maximum of between 688 and 917 SMEs beneficiaries can be reached with this budget.⁴⁷

The CIP Decision referred to levels of jobs maintained and created by GIF. For GIF 1 and GIF 2, the anticipated levels are 35,048 and 27,352 respectively. This is based on the anticipated level of beneficiaries of 1,200 and the assumption that per beneficiary 52 jobs are maintained and created. As already stated, this anticipated level of beneficiaries is quite high. EIF conducts in-depth employment surveys for GIF every 2 years. At present, EIF only has data available on the number of jobs at the start of the participation⁴⁸. Therefore a comparison between the anticipated level and the real value is not possible. This also means that the average cost per job cannot be calculated. In the next section information on job creation, based on the survey among beneficiaries, is presented.

Of the funds invested in at the end of December 2010, 3 funds are part of the eco-innovation envelope. The anticipated level is 4 funds, so it can be assumed that this level will be reached. In the CIP Decision no targets were set on the number of beneficiaries of the eco-innovation funds.

Apart from the indicators included in the CIP Decision, the tender specifications included a number of other indicators. For these indicators no anticipated levels were set. One of the indicators included is the rate of return to investors in GIF Funds. Considering the start of the instrument, the duration of the agreements and the investment periods, it is too premature and inaccurate at this time to present rate of return values. The GIF funds have not had enough time to enter the upward slope of the J-curve and measuring the rate of return so early in the funds' lives would therefore be a grossly inaccurate measure of performance. Returns are made when exits from investments take place and dividends paid out. Real returns are not expected for a considerable number of years. In comparison with earlier and generally comparable financial instruments of the EIF it can be seen that the GIF instrument focuses partly on less risky SMEs (besides early capital also SMEs in the expansion phase), making a higher Return on Investment (ROI) probable. Ultimately, however, the ROI cannot be calculated definitely until after the final exit date of the last investment.

The remaining indicators included in table 3.1, are discussed in detail in the next section of the report.

⁴⁶ 2009 EIP Implementation report

⁴⁷ The € 550 million does not include the budget that became available with the cancellation of the Capacity Building Scheme (CBS). The budget available for this scheme has been earmarked to support mainly eco-innovation and technology transfer under GIF.

⁴⁸ The number of employees in the portfolio companies of the eco-innovation funds is higher relatively than in the other funds.

Data & Survey Results

3

SME Guarantee Facility (SMEG)

At the end of December 2010, 36 agreements had been signed with 28 intermediaries. In total, 121,312 loans were provided to 109,779 SMEs.⁴⁹ By the end of 2009, 27 agreements were made, covering 52,000 loans were provided to 48,000 SMEs.⁵⁰

In the annex to the CIP Decision, it is assumed that on average a beneficiary of SMEG would create 1 job (totalling up to 315,750 jobs). EIF conducts in-depth employment surveys for SMEG every 2 years. At present, EIF only has data available on the number of jobs at the inclusion rate. Therefore a comparison between the anticipated level and the real level is not possible. At the end of December 2010, the SMEG beneficiaries provided 415,075 jobs. More information on the job creation by the beneficiaries is included in the next section.

The number of beneficiaries anticipated at the end of period is 315,750. At the end of December 2010, the number of SMEs reached was 109,779. As with GIF, SMEG runs until the end of 2013, meaning that guarantees can be approved until 31st December 2013 and EIF has 9 months beyond the end of 2013 to sign agreements. SME loans can then be supported until September 2017.

Agreements have been made with financial intermediaries in 15 Participating Countries. Agreements with intermediaries in other countries are in the pipeline.

As with GIF, additional indicators are included. The number of defaulted loans is 1,173 with a value of € 12,899,018.

The change of loan access indicator is included in section 2.5. The remaining indicators are discussed in detail in the next section in which the results of the survey among beneficiaries is presented.

Since eco-innovation is not one of the conditions for SMEG, no indicators are set on this in the CIP Decision. However, as mentioned before, this evaluation does need to pay special attention to the eco-innovation performance of the SMEG beneficiaries. More details on the role of SMEG beneficiaries in innovation and eco-innovation are presented in the next section.

Debt financing (loan window)

The intermediaries and the beneficiaries, supported under the *loan window* of the SMEG up to the end of December 2010, are established in the 13 Participating countries: Austria, Belgium, Bulgaria, France, Germany, Hungary, Italy, Latvia, Poland, Slovenia, Spain, Croatia and Turkey. In contrast to GIF, the intermediaries only provide loans to SMEs located in their own country.

In table 3.3 details on the support of the loan window by country are presented: the number of loans provided, the average value of the loan, number of beneficiaries reached, number of loans defaulted and value of the loans defaulted (Croatia not yet included). Almost 90% of the beneficiaries are located in the European Union. The remaining loans are provided to SMEs in Turkey.

⁴⁹ The Pipeline/Commitment allocations for the next 12 months as of 31/12/2010, was € 125.5 million for the loan window and € 35.0 million for the micro window.

⁵⁰ 2009 EIP Implementation report.

Data & Survey Results

3

Agreements were made with intermediaries in 5 new Member States (EU-12) and 6 old Member States.⁵¹ No loans were provided to SMEs in Poland. Almost one third of the loans are provided to SMEs in France, followed by Italy, Spain and Germany (each about one sixth). The average loan size varies considerably between countries. In some of the new Member States – Latvia, Hungary and Slovenia -the average size is quite high, varying from about 152,000 to 354,000 euro. Compared with these countries the loans in Bulgaria are relatively small. In the old Member States the average loan size varies from about 22,000 euro in Austria to about 142,000 euro in Spain. Also within countries the average size varies, for example in France from about 15,000 to 145,000 euro and in Italy from 55,000 to 219,000 euro.

An explanation of these variations may be found in for example the specific finance gaps of the Member State concerned, coverage by other EU-instruments, or simply differences in the agreement with the financial intermediary. To give an example, KfW runs a programme for smaller credits, catering for start ups, under SMEG and therefore the average value of the loans is relatively low. The country differences and the countries covered are also related to a number of other factors, such as the existence of national and regional guarantee systems, participation of countries in other EC schemes such as Jeremie. In some countries, the Intermediaries are “promotional” banks: Aws (Austria), Bulgarian Development Bank (Bulgaria), KfW (Germany) and Hipoteku Bank (Latvia). These banks are state owned.

The number of loans defaulted varies by Member States. This can partially be explained by the fact that some loans are provided more recently than others. In addition the guarantees provided by the EC have a maturity date of 10 years, leaving room for financial intermediaries to await the outcomes and work out of (potential) defaults before calling on the guarantee. This can potentially take a few years.

Table 3.3 : Details on support provided to SMEs through the SMEG loan window, by country

<i>countries</i>	<i>nr of loans</i>	<i>value of the loans (average loan size)</i>	<i>number of SMEs reached</i>	<i>number of loans defaulted</i>	<i>value of loans defaulted*</i>
Austria					
Austria Wirtschaftsservice	430	22,916	414		
<i>Total Austria</i>	<i>430</i>	<i>22,916</i>	<i>414</i>		
Belgium					
FDP CF	907	80,913	885	4	113,801
FDP MF	1,445	22,427	1,386	36	410,322
<i>Total Belgium</i>	<i>2,352</i>	<i>44,981</i>	<i>2,271</i>		
Bulgaria					
Bulgarian Development Bank	12	268,271	10		
Raiffeisenbank Bulgaria Micro	166	5,829	165		
Raiffeisenbank Bulgaria SME	52	69,664	50		
<i>Total Bulgaria</i>	<i>230</i>	<i>33,954</i>	<i>225</i>		

⁵¹ Agreements with intermediaries in other countries are in the pipeline.

Data & Survey Results

3

France					
Credit Cooperatif	10	87,789	10		
Siagi Growth-LGF	176	145,290	155		
Siagi Transmission-LGF	950	99,725	867		
SOCAMA PESE - LGF	28,331	15,626	23,925	128	763,763
SOCAMA PSTR - LFG	7,367	81,963	7,265	55	1,746,924
<i>Total France</i>	<i>36,834</i>	<i>31,702</i>	<i>32,222</i>		
Germany					
KfW-LGF	15,563	29,785	14,567	312	3,473,163
<i>Total Germany</i>	<i>15,563</i>	<i>29,785</i>	<i>14,567</i>		
Hungary					
UniCredit Bank Hungary	19	354,147	15		
<i>Total Hungary</i>	<i>19</i>	<i>354,147</i>	<i>15</i>		
Italy					
Alleanze di Garanzia- LGF	2,280	219,583	2,052	4	181,388
ATI Fid. Gar	807	113,345	558		
ATI ITALIA PMI-LGF	5,967	55,359	5,801		
Federfidi Lombarda	8,208	78,862	7,600	1	12,680
<i>Total Italy</i>	<i>17,262</i>	<i>90,936</i>	<i>16,011</i>		
Latvia					
Hipoteku Banka	6	152,625	6		
<i>Total Latvia</i>	<i>6</i>	<i>152,625</i>	<i>6</i>		
Poland					
BPH - LGF	0	0	0		
EFL-LGF	0	0	0		
<i>Total Poland</i>	<i>0</i>	<i>0</i>	<i>0</i>		
Slovenia					
Slovene Enterprise Fund	709	255,448	664		
<i>Total Slovenia</i>	<i>709</i>	<i>255,448</i>	<i>664</i>		
Spain					
CERSA -LGF	16,102	142,012	13,908	17	147,038
<i>Total Spain</i>	<i>16,102</i>	<i>142,012</i>	<i>13,908</i>		
EU countries	89,507		80,303		
Turkey					
Finansbank - LGF	543	58,774	509		
KGF - LGF	56	188,579	4		

Data & Survey Results

3

Total Turkey	599		513		
Overall total	90,106		80,816	557	6,849,496

Note: These data were received from EIF directly (March 2011).Details on Croatia are not included.

* where cells are blank there have not yet been any defaults reported by the intermediary.

Source: European Investment Fund (EIF)

Micro credit financing (micro window)

The intermediaries and beneficiaries involved in the *micro window* are located in 6 participating countries: France, Ireland, Spain, Poland, Norway and Turkey.

As the table 3.4 shows, 11,390 micro loans are supplied to 11,011 SMEs located in the European Union (Poland not included). The remaining loans are provided to SMEs in Norway and Turkey. The majority of SMEs benefiting are located in Spain.

Table 3.4: Details on support provided to SMEs in the context of the SMEG micro window, by country

countries	nr of loans	value of the loans (average loan size)	number of SMEs reached	number of loans defaulted*	value of loans defaulted
France (Adie)	0	0	0		
Ireland (First Step)	52	16,643	52		
Spain (Micro bank la Caixa)	11,338	11208	10959	456	3,536,741
EU countries	<i>11,390</i>		<i>11,011</i>		
Norway (Cultura Sparebank)	9	11,885	8		
Turkey (Finansbank)	4,698	13,330	4,629		
Other countries	<i>4,707</i>		<i>4,637</i>		
Overall total	16,097		15,648	456	3,536,742

Note: These data were received from EIF directly (March 2011).Poland not yet included

* where cells are blank there have not yet been any defaults reported by the intermediary.

Source: European Investment Fund (EIF)

Guarantees to cover equity and quasi-equity investments in SMEs

Under this third window, equity or quasi-equity investments in SMEs are guaranteed. These investments have included the provision of seed capital and/or capital in the start-up phase, plus mezzanine financing, in order to reduce the particular difficulties which SMEs face because of their weak financial

Data & Survey Results

3

structure and those arising from business transfers. In the second half of 2010, the first agreement was signed with an Intermediary in Spain.

The third window for equity and quasi-equity guarantees represents more of a niche market. The EIF points out that it is good to have some flexibility as to the type of instrument they can apply under the SMEG facility, but among representatives of DG Enterprise and Industry and DG Economic and Financial Affairs consensus is that it is not the right financial instrument for reaching the EIP goals. It might even cause 'adverse selection' and loss of commitment in cases where the guarantee becomes more attractive to the investor than supporting the investment.

Guarantees to support securitisation structures

Under the fourth window, additional debt financing is mobilised through the securitisation of SME debt finance portfolios. So far, this window has not become operational. Because of the financial crisis, the market for securitisation is down. However, EIF expects that the bottom is reached and improvement is expected. At the moment some leads are investigated which may indicate a return of demand for this instrument. The EIF is in favour of this window because of its flexibility, and good results of similar instruments. Representatives of the Commission are also inclined to be positive about this instrument, contrary to the 'mortgage' securitisation; this type of securitisation has been very healthy and put to the right use. But it has been affected by the credit crisis though. Put to use this instrument may create a high leverage effect, and mobilise more private investors, thus becoming a powerful mechanism for enhancing investments in highly innovative but risky investments.

An important condition for this instrument to be efficient is to reach sufficient size of the investment portfolios. Creating this on a European level can help to reach a significant size, for this instrument to be applied efficiently.

Capacity Building Scheme (CBS)

As mentioned in the CIP Decision, CBS had the following tasks:

- (a) improving the investment and technology expertise of funds and other financial intermediaries investing in innovative SMEs or SMEs with growth potential;
- (b) stimulating the supply of credit to SMEs by enhancing the credit appraisal procedures for SME lending.

The CBS consisted of the Seed Capital Action and the Partnership Action.

The Seed Capital Action is intended to provide grants to stimulate the supply of venture capital for innovative SMEs and other SMEs with growth potential, including those in the traditional economy, through support for seed and start-up funds or similar organisations. Support may also be provided for the long-term recruitment of additional staff with specific investment or technology expertise.

The Partnership Action is intended to provide grants to financial intermediaries to cover the cost of technical assistance to improve their credit appraisal procedures for SME debt financing, in order to stimulate the supply of finance to SMEs in countries with low banking intermediation.

Data & Survey Results

3

In addition, the CIP Decision indicated that the CBS should operate through international financial institutions, including the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the EIF and the Council of Europe Development Bank (CEB). The Interim Evaluation of the EIP indicated that only EIF initially expressed interest in the management of the Seed Capital Action, but because of developments in the market (investors retreating from seed and start-up investment) this scheme has been cancelled. None of the international financial institutions were willing to participate in the Partnership Action in view of the requirements set. The budget available for CBS was earmarked to support mainly eco-innovation and technology transfer under GIF (2009 EIP implementation report).

3.2 Results of the Survey of FI Beneficiaries

In section 2.4, the set up of the survey of FI beneficiaries was described. The results from the survey are presented by type of financial support received and are representative when taken by group.

In total 309 interviews were successfully completed. For the SMEG the total number of interviews adds up to 256 interviews of which 50 concern the micro credit window. For the GIF 53 interviews were successfully completed.

Total percentages (GIF and SMEG together) are not displayed because the uneven distribution of the actual population between the instruments would result in figures resembling the percentages for the SMEG, since this population is much bigger than the numbers of businesses that received private equity. Figures for the total group of participants that have made use of a financial instrument can thus be set equal to the percentages in the columns with SMEG percentages.

Relevance of financial instruments

Need for financial support

In the survey the beneficiaries were asked about the impact of the financial support received. A majority of both GIF and SMEG beneficiaries indicate that the financial instrument was the only option for them to receive the full amount of financing needed. They stated they had a clear need which could not have been met by other sources of finance.

Beneficiaries of capital from the GIF instrument stated in 39% of cases that this financing scheme was the only option available for them; another 23% stated that without this instrument they would have been able to receive only part of the funding needed. So in total 62% of the GIF beneficiaries, indicated that the support was crucial to find the finance needed

For the SMEG the total group of beneficiaries expressing need for financing amounts to 64%, consisting of 46% stating that the facility was the only option from them and 18% stating that it was the only option for getting the full amount of financing needed.

Even though the financial instruments did provide for access to the funding needed, beneficiaries did indicate that it was not sufficient in all cases. Over half (53%) of the GIF beneficiaries stated that additional financing was necessary; this was also the case for 38% of the SMEG beneficiaries (see table 3.5).

Data & Survey Results

3

Table 3.5: Amount of finance received sufficient, percentage of beneficiaries

	GIF	SMEG
Yes	43%	61%
No	53%	38%
Don't know / no answer	4%	1%

Source: EIM and CSES, 2011

As to the sectoral distribution of the use of these instruments, results from the survey show that within the group of SMEG beneficiaries surveyed, the largest number (24%) is active in the retail and repair sector. GIF beneficiaries surveyed are mostly active in manufacturing (45 %).

Effectiveness

Leverage effects

One of the most noticeable effects of the instruments is the leverage effect or multiplier effect. By supporting the beneficiaries through guarantees or equity through the EIF, other investors or financiers come on board more easily. This effect can be derived from the percentages of beneficiaries stating that having received financing from the EIP made it easier to obtain additional finance, as explained in the paragraph before. This was stated by 42% of the SMEG beneficiaries, and 77% of the GIF beneficiaries.

In table 3.6 the top four of other sources of additional finance applied for by the beneficiary are presented. Success rates, for actually obtaining this additional finance are good. The type of additional finance and the success rates seem to correspond with the type of instrument. The GIF beneficiaries tend to be high risk and innovative investments making them less attractive for banks but more prone to apply for grants and subsidies, while the SMEG beneficiaries are more likely to make use of additional loans by leveraging their guaranteed loan. The lower capital intensity makes solutions like leasing and family and friends more feasible.

Table 3.6: Top four of other sources* of finance applied for by beneficiaries needing more financing

GIF	Success ratio	SMEG	Success ratio
Grants or subsidies	81%	Normal bank loan	83%
Business Angels	83%	Personal investment	89%
Personal investment	91%	Leasing	67%
Normal bank loan	63%	Family and friends	63%

Source: EIM and CSES, 2011. *Multiple responses possible.

Innovation and Eco-innovation amongst beneficiaries

In line with the tender specifications, the survey focused on the innovation performance and the eco-innovation performance of the beneficiaries. For the definition of (eco)innovation at a firm level, the definition as set in the Oslo Manual⁵² is used. According to the Oslo Manual: *An*

⁵² Oslo Manual; guidelines for collecting and interpreting innovation data, 3rd edition, OECD and Eurostat.

Data & Survey Results

3

innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organization or external relations. An important change in the third edition of the Oslo Manual is the removal of the word 'technological' from the definitions, since this would for example limit responses of innovative SMEs in the services sector.

In the survey three different questions were asked, one for product (good or service) innovation, one for process innovation, and one for innovation in marketing and organizational methods. In accordance with the recommendation in the Oslo manual the question was limited to innovations over the past three years.

Subsequent to each of the innovation questions it was asked if the innovation was "intended to provide, or have resulted in, significantly improved environmental protection?" in order to establish whether eco-innovation was involved.

As to the objective of stimulating and encouraging investment in innovation activities and eco-innovation activities the following results were found:

- within the group of SMEG beneficiaries 60% have innovated with respect to strategy and business practices in the past three years;
- and within the group of SMEG beneficiaries 50% has been involved in process innovation.
- within the group of SMEG beneficiaries 61% has been involved in product and/or service innovation;

These percentages are higher for beneficiaries of the loan window than they were for beneficiaries of the micro credit window of the SMEG.

The beneficiaries of the GIF instrument are generally more active with respect to innovation:

- within the group of GIF beneficiaries 76% have innovated with respect to strategy and business practices in the past three years;
- and within the group of GIF beneficiaries 70% has been involved in process innovation.
- within the group of GIF beneficiaries 83% has been involved in product and/or service innovation;

The percentage of SMEs considering themselves as innovative on at least one of the three types of innovation measured in the survey seems to be high. Among the GIF beneficiaries 96% has been involved with at least one type of innovation during the past three years. For the SMEG this percentage is 78%. In table 3.7 a detailed overview is presented.

Data & Survey Results

3

Table 3.7: Percentage of beneficiaries active in innovation and eco-innovations in the past three years

	GIF	SMEG	(SMEG) Guaranteed loan	(SMEG) Micro
<i>Innovativeness</i>				
Innovation in strategy and business practices	76%	60%	65%	42%
Innovation in products and services	83%	61%	61%	58%
Innovation in processes	70%	50%	50%	48%
<i>Eco-innovativeness</i>				
Eco-innovation in strategy and business practices	36%	30%	30%	30%
Eco-innovation in products and services	55%	32%	32%	34%
Eco-innovation in processes	38%	27%	25%	36%

Source: EIM and CSES, 2011.

The percentage of GIF beneficiaries that are active in product and/or service eco-innovation is 55%. For SMEG this holds for 32% of the beneficiaries.

The percentage of SMEs that are eco-innovative in the sense of at least one of the three types of eco-innovation measured in the survey is 64% among the GIF beneficiaries, and 43% for the SMEG beneficiaries.

Considering the objective of stimulating eco-innovation it can be seen that the share of turnover attributed to eco-innovation has risen during the period between receiving the financial support and the end of 2010. See table 3.8. Particularly for GIF the percentage of beneficiaries that declare turnover related to eco-innovation to be between 50 and 100% has risen from 50% to 70%. This is an indication of how successful GIF is being in allowing eco-innovation uptake in the markets.

Table 3.8: Share of total annual turnover attributed to eco-innovations, percentage of eco-innovative beneficiaries

	GIF year received	GIF in 2010	SMEG year received	SMEG in 2010
0%	22%	9%	21%	13%
1-24%	34%	15%	36%	40%
25%-49%	13%	6%	21%	17%
50%-100%	53%	70%	22%	31%

Source: EIM and CSES, 2011

Data & Survey Results

3

Most of the eco-innovations relate to the saving of energy, for both groups. The micro credit window beneficiaries show a relatively high number of innovations relating to 'saving other resources' which could imply investments in more efficient use of materials. See table 3.9.

Table 3.9 Nature of the environmental effects, percentage of eco-innovative beneficiaries

	GIF	SMEG	(SMEG) Guaranteed loan	(SMEG) Micro
Energy saved	44%	25%	30%	5%
Reduction of Carbon emissions	23%	13%	13%	14%
Reduction of other emissions to the air	9%	16%	19%	5%
Reduction of emissions to water	0%	8%	9%	5%
Improving water efficiency	6%	4%	2%	9%
Other resources saved	9%	13%	7%	36%
Other effect	9%	15%	13%	23%
Do not know / no answer	0%	6%	7%	3%

Source: EIM and CSES, 2011.

Purpose of seeking finance

The percentages in table 3.7 on innovativeness relate to the nature of the SMEs, indicating a good level of innovative SMEs being present among the group of beneficiaries of the SMEG and GIF facility. As to the exact purpose for seeking finance (table 3.10) most SMEs benefitting from the SMEG facility state that they needed the funding for starting up their business (40%), followed closely by financing a new product or service (36%). For the GIF beneficiaries, financing a new product or service is the purpose most stated (62%), followed by working capital, and entry to a new market. This latter purpose corresponds with the high percentage of GIF beneficiaries that are internationally active (see table 3.27).

When the group of eco-innovative beneficiaries is analysed further, some interesting differences occur in the percentages of 'purpose for seeking finance'. For the eco-innovative SMEG beneficiaries financing for 'working capital' is more often sought. And financing for a new product or service is also more often the purpose for applying for the guaranteed loan or micro credit, than average. See table 3.10 for the details. Eco-innovative GIF beneficiaries also seek financing for working capital more often, and besides working capital there are also more seeking finance for entry to a new market and for capital purchases.

Table 3.10: Purpose(s) for seeking finance, percentage of beneficiaries

	GIF total	Eco-GIF	SMEG total	Eco-SMEG
Financing a new product or service	62%	56%	36%	39%
Start-up business ⁵³	32%	32%	40%	34%

⁵³ This category might partially overlap with other categories, like financing a new product or service, working capital, capital purchases, entry to a new market. But can also apply to other start-up costs such as legal and administrative costs, housing etc. The distinctive factor here is the fact that costs relate to the actual start up of the business.

Data & Survey Results

3

	GIF total	Eco-GIF	SMEG total	Eco-SMEG
Expansion of premises	28%	29%	18%	20%
Working capital	45%	56%	20%	24%
Capital purchases	23%	27%	16%	16%
Entry to a new market	42%	47%	13%	15%
Relocation	8%	3%	3%	3%
Other	15%	15%	23%	17%

Source: EIM and CSES, 2011. *Multiple responses possible.

Further analysis revealed that eco-innovative SMEG beneficiaries responded more often⁵⁴ that the finance was not sufficient to cover their funding needs. For the GIF beneficiaries, eco-innovative SMEs stated less often that the financing was not sufficient. There were 44%, saying that finance was not sufficient compared with 53% on average for GIF beneficiaries.

The SMEG and GIF facility do support a high number of innovative SMEs, so it can be stated that the reach of the instruments in this respect is good (table 3.7). But, although innovative SMEs are being supported, these percentages do not necessarily mean that the extended loans and equity capital are directly used for (eco) innovation.

When splitting up the group of beneficiaries according to type of innovation, it becomes clear that for example 48% of the innovative GIF beneficiaries active in product and/or service innovation finally use the funding specifically for financing a new product and/or service. See table 3.11. And the group of GIF-beneficiaries innovative in Strategy and Business practices use the financing for innovation in 58% of cases. Specific use of the funding for eco-innovations is still quite low for all forms of eco-innovation. This might imply the need for more specific allocation of funds to eco-innovation.

Table 3.11: Use of financing for innovation and eco-innovation, percentage of beneficiaries active in innovation

	GIF	SMEG	(SMEG) Guaranteed loan	(SMEG) Micro
<i>Financing used (partly) for innovation in:</i>				
Strategy and business practices	58%	41%	41%	38%
Products and services	48%	44%	42%	52%
Processes	54%	39%	35%	54%
<i>Financing used (partly) for innovation and eco-innovation in:</i>				
Strategy and business practices	35%	24%	24%	29%
Products and services	36%	23%	21%	28%
Processes	35%	25%	24%	29%

⁵⁴ 9% more than was the case for non-eco-innovative SMEG beneficiaries.

Data & Survey Results

3

	GIF	SMEG	(SMEG) Guaranteed loan	(SMEG) Micro
Financing used (partly) for eco-innovation in:				
Strategy and business practices	3%	5%	5%	5%
Products and services	9%	9%	11%	0%
Processes	5%	2%	3%	0%

Source: EIM and CSES, 2011.

Reaching start up and growth SMEs

As to the objective of facilitating access to finance start up and growth of SMEs: it can be said that the level of beneficiaries that have been established for less than 5 years varies between 47% for the GIF beneficiaries and 71% of the SMEG beneficiaries in the micro credit window. The micro credit window of the SMEG seems to be easier to access for starting businesses and entrepreneurs. GIF capital is, as expected, more utilised by older companies (53%) with high growth potential, see table 3.12. This coincides with the percentages in table 3.13 explaining that a higher percentage of GIF beneficiaries are in their expansion stage.

Table 3.12: Age of the beneficiaries, percentage of beneficiaries

	GIF	SMEG (Total)	(SMEG) Guaranteed loan	(SMEG) Micro
Younger than 5 years	47%	59%	56%	71%
Older than 5 years	53%	41%	44%	29%

Source: EIM and CSES, 2011.

For the SMEG facility, there is a difference between the loan window and the micro credit window, in terms of the development stage⁵⁵ of the business. A majority of the SMEG (loan window) beneficiaries are in the expansion stage (43%) followed by a large group of SMEs in the start up stage (34%). For the beneficiaries of the micro credit window, the number of SMEs in the start up stage is considerably higher (49%). For the GIF beneficiaries, most are in the expansion stage (53%), see table 3.13.

Table 3.13: Stage of the business, percentage of beneficiaries

Stage of development business	GIF	SMEG	(SMEG) Guaranteed loan	(SMEG) Micro

⁵⁵ Definition of terms: Seed: Main activities include research, assessment and development of an initial concept before a business has reached the start-up phase. Start up: Main activities include product development and initial marketing. Businesses may be in the process of being set up or may have been in business for a short time, but have not sold their innovation commercially. Expansion: An innovation has been launched or implemented and the main focus is on growth and expansion of the business, which may or may not break even or trade profitably. Later: Business is established and the main focus areas include replacing capital or preparing for exit, such as by preparing to be bought out.

Data & Survey Results

3

Stage of development business	GIF	SMEG	(SMEG) Guaranteed loan	(SMEG) Micro
Seed stage	4%	4%	5%	2%
Start up stage	34%	37%	34%	49%
Expansion stage	53%	38%	43%	18%
Later stages	9%	21%	18%	31%

Source: EIM and CSES, 2011

Additional support by fund managers (GIF)

The financial intermediaries that distribute capital from the GIF instrument also provide other forms of support, thus adding value to the instrument. In 64% of cases, beneficiaries get a non-executive director appointed to their business. Over half of the beneficiaries receive support on general business planning and access to a network from the fund. See table 3.14.

Table 3.14: Additional types of support from Venture Capital or Private Equity fund, percentage of GIF beneficiaries

Appointment of a non-executive director	64%
Financial advice	42%
General business planning	54%
Specialist business advice	37%
Use of a mentor	25%
Access to a network	50%
Other	21%

Source: EIM and CSES, 2011. Multiple answers possible

Beneficiaries who received several forms of support were asked to name the type of support they appreciated most. Foremost among these was getting access to a specific network, followed by support on general business planning, and the appointment of a non-executive business director.

Growth of the beneficiaries

During the past three years a majority of beneficiaries achieved growth. 48% percent of GIF beneficiaries can be labelled as high growth SMEs; and 28% of the SMEG beneficiaries. Among eco-innovative SMEG beneficiaries there are less high growth enterprises (25%).

For the GIF, these percentages are not surprising since these SMEs are selected on the basis of high growth potential, percentages might even get higher during better economic times. See table 3.15. 38% of GIF beneficiaries state that they are in the seed or start up stage; in these cases the capital provided by the GIF facility can be regarded as early stage venture capital. Among eco-innovative GIF beneficiaries there are more high growth enterprises (54%).

Data & Survey Results

3

Table 3.15: Average growth in annual turnover during past three years, percentage of beneficiaries

	GIF	SMEG
Negative growth (decline)	2%	7%
0% growth	16%	24%
1-10%	16%	24%
11-20%	18%	17%
21% or more	48%	28%

Source: EIM and CSES, 2011.

Long term prospects

The financial instruments schemes started in 2007, but there was some delay in SMEs receiving support, because of the processes involve. Most respondents interviewed received their financial support in 2009. See table 3.16.

Table 3.16: Year the financing was received, percentage of beneficiaries

Year	
2007	11%
2008	17%
2009	36%
2010	30%
Don't know	6%

Source: EIM and CSES, 2011.

Consequently, longer term effects are not yet quantifiable. These survey results are based on the SMEs' own estimation of results to come and short term effects. As for the long term growth prospects attributable to the financial support, beneficiaries are quite positive, especially the GIF beneficiaries. See table 3.17. Extending the analysis to specifically eco-innovative SMEs, the results show that eco-innovative SMEG beneficiaries are more positive (84%) about their long term growth prospects than their non eco-innovative counterparts (69%). For the GIF beneficiaries both groups are mainly positive about long term growth prospects, although non eco-innovative GIF beneficiaries are more positive.

Table 3.17: Influence of financial support on long term growth prospects, percentage of beneficiaries

	GIF	SMEG
A very positive influence	62%	36%
A fairly positive influence	32%	40%
No influence at all	2%	23%
A negative influence	4%	2%

Source: EIM and CSES, 2011.

Data & Survey Results

3

Not having received funding would have meant not setting up the business or going ahead with the investment in 66% of the GIF cases, and 45% of the SMEG cases. See table 3.18.

Table 3.18: Percentage of beneficiaries indicating that the business have been set up or the investment been made without the financial support

	GIF	SMEG
Set up	32%	51%
Not set up	66%	45%
Don't know / no answer	2%	4%

Source: EIM and CSES, 2011

The SMEG beneficiaries who answered that their business start up or investment plans would still have been followed through, even if they had not received finance indicate that in many cases the investments would have been scaled down. See table 3.19.

Table 3.19: Share of the investment that would have been made without the financial support, percentage of beneficiaries

	GIF	SMEG
Up to 25%	28%	17%
26% to 50%	29%	24%
51% to 100%	41%	47%
Do not know / no answer	0%	12%

Source: EIM and CSES, 2011

The results from the survey indicate that positive changes have been brought about by the EIP financial instruments, including a good indication that beneficiaries have grown, despite economic conditions. Turnover levels in the year beneficiaries received financial support are presented in table 3.20.

Table 3.20: Size of the turnover in the year financing was received (euro), percentage of beneficiaries

	GIF	SMEG
Less than 100.000	45%	40%
100.000-500.000	9%	25%
500.000-2 million	11%	13%
2 million- 10 million	17%	6%
10 million- 50 million	8%	1%
50 million or more	2%	0%
Do not know / no answer / refusal	8%	15%

Source: EIM and CSES, 2011

When asked after the levels of growth in annual turnover that can be attributed to the financial support, the GIF beneficiaries especially are very positive. Further additional growth is also expected for 2011.

Data & Survey Results

3

For the SMEG uncertainty is higher, but the difference can mostly be explained by the higher capital intensity and longer investment period, for the GIF recipients, making growth more likely. See table 3.2.

Table 3.21: Increase in annual turnover attributed to the financial instrument, percentage of beneficiaries

	GIF (2010)	GIF (2011)	SMEG (2010)	SMEG (2011)
26%-100%	47%	64%	10%	14%
1%-25%	15%	11%	22%	20%
0%	11%	8%	18%	14%
Too early to say	10%	2%	8%	3%
Not possible to estimate the effect	6%	6%	21%	27%
Do not know / no answer	11%	9%	21%	22%

Source: EIM and CSES, 2011. Rough estimates by SME.

As for the beneficiaries' growth prospects in terms of employees, it should be noticed that GIF beneficiaries tend already to be larger than the SMEG beneficiaries. See table 3.22.

Table 3.22 Employment (in terms of full time equivalents) in the year financing was received, percentage of beneficiaries

Full Time Equivalents	GIF	SMEG
0-9	52%	89%
10-49	29%	10%
50-249	19%	1%

Source: EIM and CSES, 2011.

When asked about the number of newly created or saved jobs in 2010, a majority of GIF beneficiaries responded positively, stating that between 1-10 jobs were created or saved in 2010 (49%) and in 40% of cases this amounted up to more than 10 jobs. The SMEG beneficiaries were less positive but also stated in 47% of cases that they had been able to create or save 1-10 jobs in 2010. Their outlook for 2011 is somewhat less positive. See table 3.23.

Table 3.23: New or saved jobs (in full time equivalents) attributed to the financial instrument, percentage of beneficiaries

	GIF (2010)	GIF (2011)	SMEG (2010)	SMEG (2011)
> 10	40%	28%	2%	1%
1-10	49%	47%	47%	35%
0%	8%	13%	45%	51%
Not possible to estimate the effect, too early too say	2%	8%	3%	8%
Do not know / no answer	1%	4%	3%	5%

Source: EIM and CSES, 2011.

Data & Survey Results

3

Efficiency

For SMEs it is generally important to receive the funding requested in a timely manner. From the results of the survey it is clear that the SMEG procedures are generally much shorter. This is to be expected since more standardised procedures are involved in experienced banks and lower amounts of capital.

For the GIF the procedure takes more than 3 months generally. This is most likely because of the 'due diligence' process and demands for good financial and business plans from the side of the beneficiary.

Table 3.24: Time passed after application and before receiving the funds, percentage of beneficiaries

	GIF	SMEG
Less than 30 days	2%	30%
Between 30 and 60 days	4%	29%
Between 60 and 90 days	15%	15%
Longer than 90 days	77%	23%
Do not know / no answer	2%	3%

Source: EIM and CSES, 2011

Utility and Sustainability

Need for Financing by the beneficiaries

On the question whether these financial instruments meet the needs of final users and contribute to solving their present problems and issues, an affirmative answer can be given regarding a large part of the beneficiaries. As described, a majority of both GIF and SMEG beneficiaries indicate that the finance made available was the only option for them to receive the full amount of financing needed, for 39% of GIF beneficiaries and 46% of SMEG beneficiaries it was the only option at all for financing. See table 3.25.

The percentage of eco-innovative SMEG beneficiaries stating that the guaranteed loan was the only option for them is lower than for non-eco-innovative SMEG beneficiaries. But within the group of SMEG beneficiaries stating that 'Other sources of financing were available, but did not cover the full amount of financing needed', more eco-innovative SMEG beneficiaries responded this was the case (23%) than non-eco-innovative SMEG beneficiaries (15%).

For the GIF beneficiaries that are active in eco-innovation 32% versus 5% of non eco-innovative GIF beneficiaries responded that other sources of finance were available to them, but that they preferred this facility. This is an interesting outcome that could possibly have to do with the expertise of the involved fund managers, and access to the other forms of support (see table 3.15 earlier).

Data & Survey Results

3

Table 3.25: Financial situation of the business at the time of the application, percentage of beneficiaries

	GIF	SMEG
The SME financial instrument was the only option	39%	46%
Other sources of finance were available, but would have covered only a part of the amount applied for	23%	18%
Other sources of finance were available to cover the full amount applied for, but this facility was preferred	38%	36%

Source: EIM and CSES, 2011

As stated before, see table 3.5, the capital received was not always sufficient to cover the beneficiaries' needs. Being approved for the financial instrument however did increase their success in accessing funding from other sources. There is a leveraging effect for the final beneficiaries.

Source of information

The beneficiaries of the SMEG facility most often heard of the possibility of the guaranteed loan or micro credit guarantee through their bank (47%). 15% found the instrument through their own research. The GIF beneficiaries were mostly informed by an Enterprise Agency (51%) and in 6% of cases by an Industry Federation. See table 3.26.

Table 3.26: Source of information about the financial instrument, percentage of beneficiaries

	GIF	SMEG
Bank	4%	47%
Own research	4%	15%
Enterprise agency	51%	10%
Accountant	2%	8%
Chamber of Commerce	4%	4%
Family & Friends	2%	2%
Another business / entrepreneur	2%	2%
Industry federation	6%	2%
SME organisation	0%	1%
Government literature	2%	1%
Other	4%	8%
Do not know	19%	0%

Source: EIM and CSES, 2011.

Internationalisation

From the results of the survey it can be seen that SMEG beneficiaries are largely active on a national or local level, only 9% see Europe as their main market, and 2% the rest of the World. Need for finance, however increases with the degree of internationalisation. About 35% of

Data & Survey Results

3

nationally active SMEG beneficiaries indicated that the received loan was not sufficient to cover their needs, for SMEG beneficiaries active on the European or world market this increases to 63%.

Leverage effects seem higher for internationally active SMEG beneficiaries, since 38% of the nationally active SMEG beneficiaries responded that obtaining additional financing was easier, while this were true for 56% percent of SMEG beneficiaries which are mainly active on the European or world markets. Internationally active SMEG beneficiaries also have a stronger positive view on the influence that the financing had on their long term growth prospects⁵⁶.

Table 3.27: Main markets of the business, percentage of beneficiaries

Main market of business	GIF	SMEG (total)	(SMEG) Guaranteed loan	(SMEG) Micro
National or local	21%	89%	90%	86%
EU (other Member States)	34%	9%	8%	10%
Rest of the world	45%	2%	2%	4%

Source: EIM and CSES, 2011.

The GIF beneficiaries are generally more internationally active and within the group of internationally active GIF beneficiaries the need for finance after receiving the investment from the GIF facility is 9% higher than it is for nationally active GIF beneficiaries. 48% percent of the internationally active GIF beneficiaries state that the facility was their only option to receive finance versus 9% of the nationally active GIF beneficiaries.

Similar to the SMEG beneficiaries leverage effects seem higher for internationally active GIF beneficiaries, since 60% of the nationally active GIF beneficiaries responded that obtaining additional financing was easier, while this were true for 81% percent of GIF beneficiaries that are mainly active on the European or world market. Internationally active GIF beneficiaries do not have a more positive view of the influence that the financing had on their long term growth prospects but do represent a larger group of high growth SMEs.

Gender Distribution

There is a clear unevenness in the distribution between male and female entrepreneurs among the beneficiaries of the financial instruments. It is mainly male entrepreneurs who make most use of these instruments, especially the GIF instrument (97% male). Female entrepreneurs comparably make most use of the micro credit window under the SMEG (35%).

Table 3.28: Gender of the entrepreneurs, percentage of beneficiaries

	GIF	SMEG	(SMEG) Guaranteed loan	(SMEG) Micro
%female entrepreneurs	3%	28%	26%	35%
%male entrepreneurs	97%	72%	74%	65%

Source: EIM and CSES, 2011.

⁵⁶ 45% of internationally active SMEG beneficiaries expects a 'very positive influence' of the Financial instrument on their long term growth versus 35% of the nationally active SMEG beneficiaries.

Data & Survey Results

3

3.3 Monitoring Data for the Enterprise Europe Network Currently Available

The budget allocated over the 2007-2011 period for Objective B of the EIP – has been € 325.6 million, 21.9% of the total. Amounts committed for the Enterprise Europe Network over the 2007 – 2010 period were € 86.9 million, € 82.8 million, € 19.0 million and € 68.2 million respectively, with the variation being largely explained by the timing of the dispersion of grants to the Network members. The amount planned for the Network for 2011 is € 39 million.

The annual Implementation Reports and the PES monitoring tool, provide data on the performance of the Network for its 17 specific indicators. The situation is summarised in the following table :

Table 3.29: Enterprise Europe Network Performance Data

	Anticipated Level	Latest known Level	Source Notes
No. of promotion and informational local events organised	14,560 after 30 months (i.e. 5,824 per year)	14,926	EACI data (30 month)
No. of SMEs participating in local events	3.5 million after 18 months, (i.e. 2..34 million per year)	600,098	EACI data (30 month)
No. of SMEs being contacted via Newsletters	(SMEs reached by the European awareness-raising activities)	2,003,973	2009 EIP Implementation Report (18 month data)
No. of SMEs helped with questions on EU subjects		295,945	EACI data (30 month)
No. of SMEs receiving specialised advisory services (EU programmes, IPR, technology review, financing services etc.)	90,000 (3 years target)	73,436	2009 EIP Implementation Report (18 month data)
No. of SMEs consulted (SME Panels and SME Feedback database cases)		4,000	2009 EIP Implementation Report (18 month data)
No. of brokerage events co-organised		1,727	EACI data (30 month)
No. of SMEs participating in brokerage events		29,848	EACI data (30 month)
No. of company missions co-organised	1,500 (3 years target)	1,386	EACI data (30 month)
No. of SMEs participating in company missions*	25,000 (3 years target)	19,357	EACI data (30 month)
No. of partnership proposals produced and disseminated to SMEs (Business, Technology, Research)		21,799	EACI data (30 month)

Data & Survey Results

3

No. of expressions of interest on partnership proposals		79,581	EACI data (30 month)
Number of partnership agreements signed		2,773	EACI data (30 month)
Total workforce involved in providing services		1,246	2009 EIP Implementation Report
Client's satisfaction rate		68%	<i>CSES survey (Q3 2010, 33 month)</i>
Availability of the network IT tools: no. of reported problems		2,943	2009 EIP Implementation Report
No. of network partner staff participating in training courses and working groups		1,332	2009 EIP Implementation Report

The Network is well on its way to fulfilling the three-years targets set for the number of co-operation events organised, the number of SMEs participating in such missions and the number of companies receiving specialised advisory services. This is encouraging, bearing in mind that the targets were set in 2007, at the inception of the Programme; a number of interviewees have stressed that the context in which they were set was very different from the current one, following the global financial crisis. Furthermore, it is clear that there is a gathering momentum in a number of areas. For instance, against the key indicator of signed partnership agreements, the numbers attained in the first 18 months were around 1,000 per annum, by the period up to 30 months, it was around 1600 and the target agreed by Network members for 2011 is 2,500.

However, although these output indicators give a good sense of the progress being made by the Network, they do not relate to the policy instrument's ultimate results and impacts. Importantly there are no data on the satisfaction rate of clients. The 2009 EIP implementation report states that this indicator is under development and the survey carried out for the evaluation also provides significant information on this point, but this is in the nature of a one-off snap-shot rather than the source of on-going feedback to the Network. The actual results of the survey are set out in the next section.

3.4 Results of the Survey of Enterprise Europe Network Clients

The results presented below are based on responses to the Network clients survey by 4th November 2010.

Overall, the survey attracted a good level of response with 2,532 contributions in total. It had been expected responses in English, French, German and Spanish would be relatively high and that other languages such as Maltese would be lower. In fact, the four languages mentioned between them did account for 1,021 of the responses, but there were also some surprises, such as the high number of respondents in Romanian (342) and Finnish (180). Other languages such as Slovenian or Slovakian (9 each) or Portuguese (only one answer) had rather poor responses and this makes it difficult and statistically unsound to provide disaggregated data by language.

Data & Survey Results

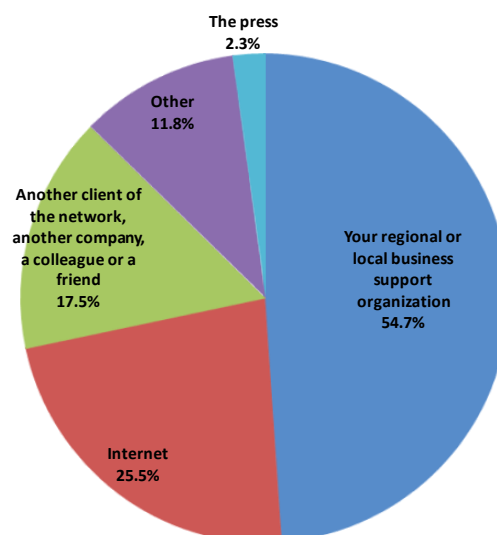
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In addition, this section refers to results of the EACI's own clients satisfaction survey in 2009 and findings from two surveys conducted in Flanders and Sweden⁵⁷. The first survey (Flanders) concentrated on outputs and efficiency, while the Swedish study looked at the outcomes and impacts of the services to clients.

Awareness of the Network

The first question asked how clients had got to know about the Network.

Figure 3.1 Survey - How were you informed about the existence of the Network? (n=2,351)



The majority of respondents (54.7%) were informed of the existence of the Network by existing local or regional business support organisations such as the Chamber of Commerce or the local development agency. A further quarter of respondents (25.5%) found out about the Network through the internet. A substantial minority (17.5%) heard of the Network by word of mouth from other clients of the Network, friends or colleagues. Other sources of information on the Network (12%, 277 answers) mentioned included EU offices, regional or local authorities not specifically designed for business support and national SME support institutions such as Oséo in France or Technopolis (Romania). A few others had located the Network through their own research.

The majority of the Network's clients (73%) are aware that the Network is a European Commission initiative and that it is partly funded from the EU budget. A few mention difficulties in accessing the Network ('you are very difficult to locate'). A substantial number of 'other' responses refer to the host organisation or local or regional business support organisations.

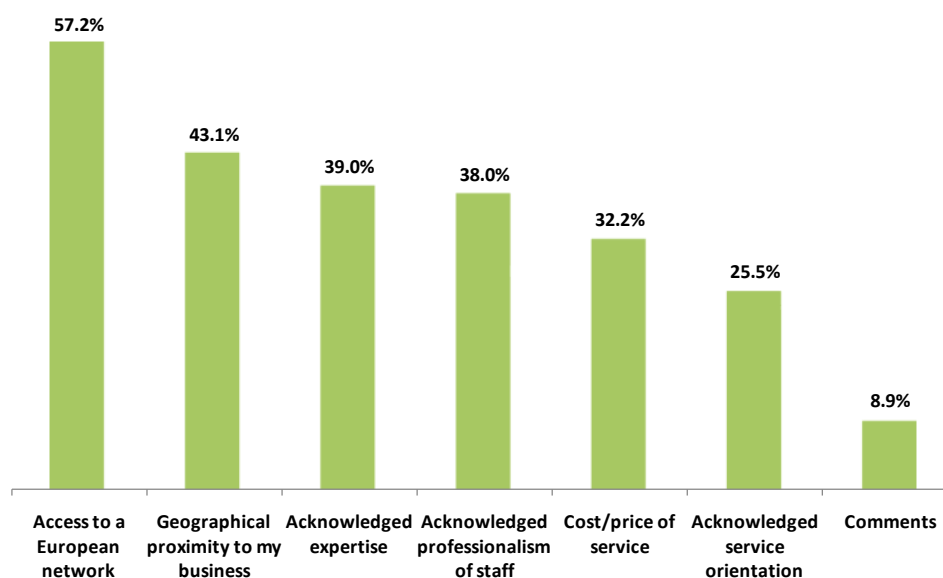
The next question asked why the Network had been approached rather than other business support providers.

⁵⁷ *Customer Survey – Spring 2010*, Enterprise Europe Flanders; Christine Vanhoutte with the assistance of Preben Bruylandt and *Impact evaluation of the Enterprise Europe Network*, Swedish Agency for Economic and Regional Growth, PriceWaterhouseCoopers, April 2010.

Data & Survey Results

3

Figure 3.2 Survey – If there were other providers offering similar services as the Network, why did you prefer the Enterprise Europe Network's services? (multiple answers)



59% of clients stated that when looking for support services, the Network was the only provider they had found. The remaining 41% were asked why they chose the Network over the possible alternative. The Network's competitive advantage stems principally from its European dimension (57%). The perceived quality of the service provided by the Network is also important with 39% of the respondents that chose it for its acknowledged expertise, 38% for the acknowledged professionalism of the Network's staff and 25% for its acknowledged service orientation. Less service-related reasons also played a role, with 43% choosing the Network for its geographical proximity and 32% for the costs of the services compared to other providers. Other reasons stated included the reputation of the Network and negative experience with the alternative provider. Some respondents stated that they used both the Network and alternative providers.

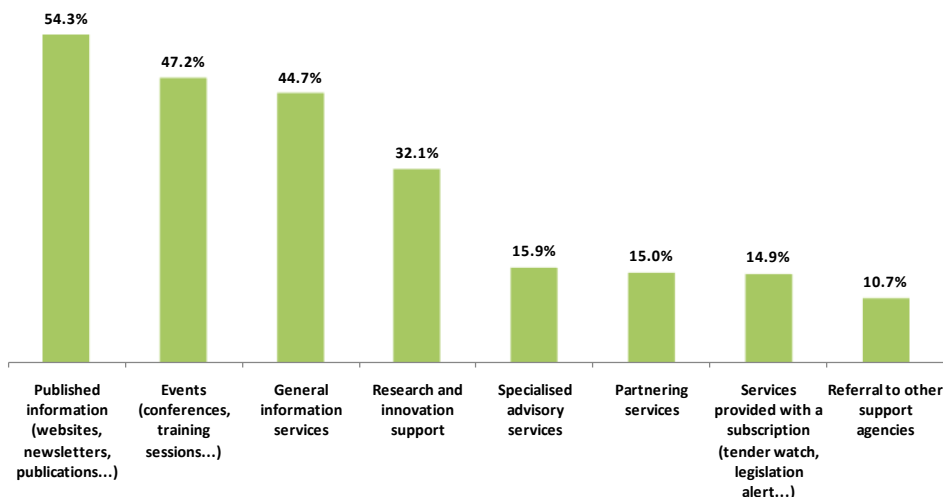
Services provided

Two questions related to the nature of the service used by Network clients and the frequency of use.

Data & Survey Results

3

Figure 3.3 Survey - What service have you received from the Network? (multiple answers)



Multiple answers to this question were allowed. Nonetheless it is clear that basic information services are an important feature of the service package. 54% of respondents use published information (newsletters, websites...), 45% use the Network's events (conferences, training sessions etc.). General information services are also a significant category with 47% of respondents benefitting from them.

Among the high profile services of the Network, research and innovation support stands out as a service used by a third of the Network's clients (32%), while linking and partnering services are used by 15% of clients, with specialised advisory services (16%) and subscription-based services - tender watch, legislation alert etc. - (15%) at a similar level. Finally, 11% of clients are referred to other support agencies. In Flanders, the most popular services are published information (45%), subscription services (38%) and general information services (35%). Events are less popular with only 17% of service users having participated.

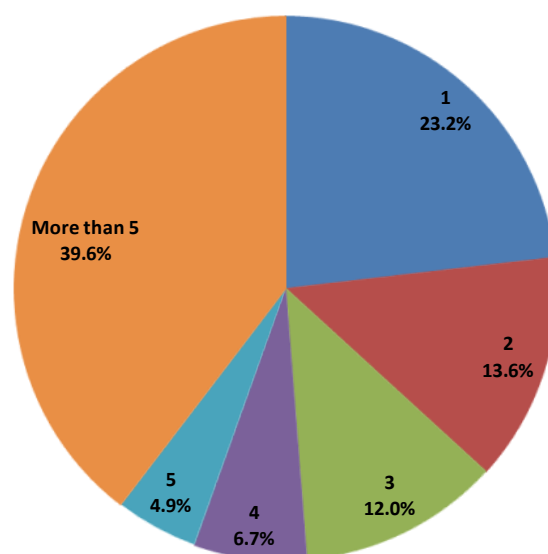
The client satisfaction survey conducted by the EACI shows similar results. The services that satisfy clients most (over 80% satisfaction) are editorial services, services provided with a subscription and General Information services. In fact, according to this survey, all services performed fared well, with satisfaction rates of over 60%, but partnering services are those that had the lowest rating.

In relation to the frequency of service use, clients were asked how often they had received services in the past three years:

Data & Survey Results

3

Figure 3.4 Survey - How many times have you received this service/these services in the last three years? (n=2,439)



Nearly 40% of clients had received more than 5 services, including a core client group with whom some Network members have developed close working relations. On the other hand, nearly a quarter of clients have only used the Network's services once.

The Flanders survey asked a slightly different question, concentrating on the number of services used. The majority of respondent (55%) claimed not to have used any service (despite the survey covering all organisations that had actually received a service from the Network) 21% of respondents used one service, 16% used two; leaving only 8% that had used three or more.

Respondents were also given the opportunity to list the services not offered by the Network which they thought would be the most helpful and appropriate. One of the recurring themes in the responses to this question is that clients would like to have access to more information about the EU itself and funding opportunities. A number of clients would like to be offered a service such as guidance and support for accessing EU funds or grants, beyond information on programmes such as FP7. More generally, information on EU legislation and regulation for specific sectors is also a popular demand. For instance, a number of clients are interested in having the Network provide them with information on the application of EU rules in other countries and guides for in their local language compliance with regulations for particular products and services. Interestingly, softer services are also very much sought after by the clients. Events are especially popular, with a number of clients asking for matchmaking events, innovation fairs and, more generally, any opportunity to meet potential clients or partners.

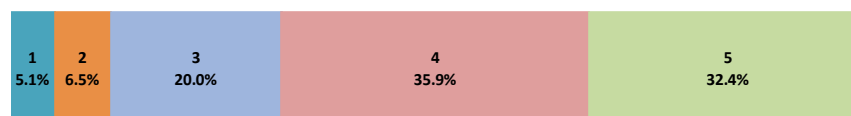
Usefulness and Impacts of the Services

A central question concerned the level of satisfaction with the services of the Network:

Data & Survey Results

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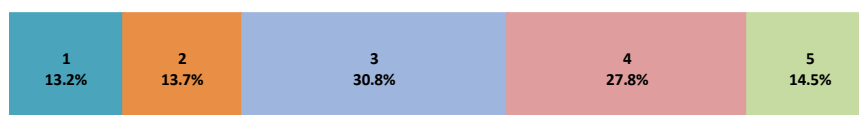
Figure 3.5 Survey - To what extent were you satisfied by the service? Please mark (from 1- not satisfied at all to 5 - very satisfied), n=2,413



Overall, clients are satisfied with the services offered by the Network. Over 68% of respondents rated the services as 4 or 5 (with 5 standing for 'very satisfied'), with a further 20% indicating that they were satisfied. Still nearly 12% of respondents were less than satisfied or not satisfied at all (1 or 2). In Flanders, the satisfaction rate is broadly similar, with 75% of respondents being 'satisfied' or 'very satisfied'. The Swedish survey developed this question further by asking how satisfied clients were with respect to accessibility, treatment, knowledge of law/EU regulations and knowledge of finance/EU funding. Results show that while clients are satisfied with the Network with regards to accessibility and treatment at relatively similar levels to those above (67% and 77% respectively), the satisfaction level drops when clients are asked about the knowledge Network members have on regulatory, or financing/funding issues (46% and 49%).

The significance of services for business success was the issue in the next question:

Figure 3.6 Survey - Do you think that these services have improved your business? Please mark (1 - not a lot – 5 very significantly), n=2,408



The services provided by the Network have had a significant impact on the businesses of a substantial number of respondents. 42% of all respondents found that the services received had significantly improved their business (4 or 5). 30% indicated some significance, whereas 27% of respondents believed that the services received from the Network had only slightly improved their business, if at all. (1 or 2).

While the Swedish survey asked slightly different questions, the answers were similar, with 51% of respondents finding that the services received had helped develop their business. This proportion was lower when clients were asked if the service helped to accelerate co-operation with actors abroad (47%) and even lower when asked if it helped increase their growth in new markets (31%).

Data & Survey Results

3

In order to find out in greater detail how the service had helped businesses, a question on this issue was included that allowed multiple answers :

Figure 3.7 Survey - How did the service help your business? (multiple answers)



By far the largest contribution made by the Network from the clients' point of view is in the provision of better business intelligence (58%). The Network's help in developing new markets is also important, with 35% of respondent finding that it gave access to new clients and 25% access to foreign markets. A further 30% of respondents found it useful in helping with the development of R&D efforts. Importantly, some hard outcomes have also been identified, with 15% of respondents indicating that the service provided by the Network had had a direct and positive impact on their turnover and 6% identifying a direct increase in employment.

The Network Operation Unit of the EACI also tracks the impacts of signed partnership agreements by sending questionnaires to companies that have signed a partnership agreement. Out of 637 answers received (from 1,520 agreements signed), 52% of respondent stated that the agreements had led to the development of products, services or processes, 54% stated they had access to new markets and almost half (48.5%) stated that the agreement had or was expected to have an impact on their turnover in the range of up to € 3 million⁵⁸. The impact of partnership agreements was lower on job creation or safeguarding, but still with 27% of respondents expecting an impact on their workforce.

Clients were asked in the evaluation survey what other service they would wish to receive from the Enterprise Europe Network. A substantial number of respondents (854 or 34%) made at least one suggestion. In total, almost 1,400 different answers were supplied. In a number of cases, the suggestions referred to services that are already offered by the Network. In terms of information, clients would like to see guides offered on different aspects of EU legislation and, in general, services and advice on legislation and regulations would be popular. A few clients also state an interest in being informed about potential or future changes to regulations. More information on potential partners is also sought. Lists of certified companies (such as firms with ISO certification), of companies by sector and of companies offering different services (manufacturers assembling products, importers, wholesalers) are also popular. Another type of service that clients would like the Network to offer could be described as

⁵⁸ In the case of one commercial Partnership Agreement, the impact on turnover was expected to reach EUR 25 million

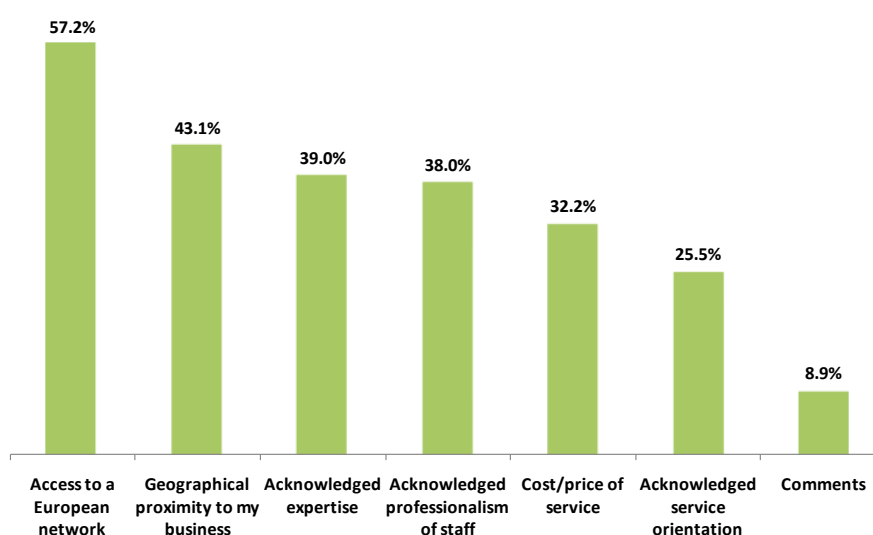
Data & Survey Results

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facilitation services. These include information on the exchange rate between currencies of Member States that are not part of the euro, translation of legislation and access to translation services. Finally, some clients would like to see services not directly linked to sales. Examples include technology services such as a 'technology watch' where the Network would flag up new technologies that could be of interest to companies.

Clients were also asked whether when looking for support services, other service providers offered the same or similar services. 41% of respondent said that they had found other service providers. They were then asked why they chose the Network over the other provider:

Figure 3.8 Survey - why did you prefer the Enterprise Europe Network's services? (multiple answers)



The European dimension of the service offered is clearly a bonus and was key for 57% of respondents, while the acknowledged expertise (39%), professionalism (38%) and service orientation (25%) of the staff and services were also of note. However, the geographical proximity of the Network member was important for 43% of respondents and the costs of the service made a difference for 32%. A further 9%, or 121 respondents added other comments. These included the wide scope of the service offered, the higher quality of service or the fact that the Network member responded more quickly than the alternative. It should be said that a number of respondents used the opportunity to state that they did not chose the Network when they had an alternative or, in a very few cases, to state that they had regretted choosing the Network.

Other issues

Despite the Flanders survey being sent to organisations that had in fact received a service from the Network, the results show that 55% of respondents claimed not to know of any services offered by the Network. This result can be explained by the fact that respondents tend to regard the service as being provided by the host organisation. A similar point is made by half a dozen respondents to the Network client survey.

Data & Survey Results

3

One interesting addition to the two local surveys is the breakdown by topic of the questions asked of the Network. The majority of questions concerned general financing support (33% in Flanders, 81% in Sweden)⁵⁹ and EU legislation (16.5% in Flanders, 21% in Sweden). Other questions of importance included information about EU programmes and CE marking.

Finally, the Swedish survey enquired about the number of contacts established abroad as a result of advice or services received from the Network. On average, respondents established 1.2 contacts abroad; unsurprisingly, the majority of respondents (61%) established only one contact.

3.5 Monitoring Data for the Innovation Area

All forms of innovation in enterprises

Both the Europe Innova and PRO INNO Europe initiatives represent a continuation and further development of the activities carried out by DG Enterprise and Industry under the 6th Framework Programme and fall under two work programmes – “Research and innovation” and “Coherent Development of policies”. A total of €29.5million was allocated to Europe Innova activities and €35.1 for PRO INNO Europe⁶⁰ from the FP6.

The first calls for proposals for activities related to the Europe Innova initiative under the EIP were issued in 2007. They included a platform for start-ups in knowledge intensive services (implemented during the 2007-2008 period), the Sectoral Innovation Watch and the Europe Innova Communication strategy. However, the bulk of the activities started in 2009 with the development of public private partnerships in knowledge intensive services, eco-innovation and cluster co-operation.

PRO INNO Europe activities under EIP were initiated in 2009 with the publication of a call for proposals for INNO-Nets and INNO-Actions. During the 2007-2008 period the PRO INNO Europe activities were still funded through FP6 with the exception of INNO-METRICS and the European Cluster Agenda conference (covering the European Innovation Scoreboard and the Innobarometer).

Table 3.30 - Budget allocated for Europe Innova and PRO-INNO related activities (2007-2011)

Year allocated	Europe Innova	PRO INNO
2007	€10million ⁶¹	€0.9 million ⁶²
2008	€3.4 million	€0.15 million
2009	€29 million	€18.5 million ⁶³
2010	€1.2 million	€0.6 million
2011 ⁶⁴	-	-

⁵⁹ More than one answer possible in Sweden

⁶⁰ GHK and Technopolis (2008), Ex-post evaluation of the activities carried out by DG Enterprise and Industry under the Sixth framework programme for research, technological development and demonstration activities, innovation and space research activities, Final report

⁶¹ Includes €3million allocated in the 2007 work programme for 2008.

⁶² Refers to Inno-Metrics activity that is currently part of PRO INNO Europe

⁶³ Allocated for the period 2009-2012

Data & Survey Results

3

Total	€43.6 million	€19.5 million
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Source: EIP 2007-2011 Work Programmes

Eco-Innovation

The Eco-Innovation scheme was initiated in 2008 under the EIP and, so far, three calls for proposals have been published (2008, '09, and '10). From the 2008 call, 44 projects were selected out of a total of 134 proposals with a total budget granted of €28 million. With the exception of one project that was terminated due to the bankruptcy of the project coordinator, the remaining 43 projects are running and most of them recently finished their first year of operation. For the 2009 call, there were 202 proposals submitted of which 45 were approved for funding with a total budget of €32million. The projects of the 2009 call started coming into operation in March 2010. The 2010 call was published in April 2010 with a deadline of 9th September 2010. A total of 287 proposals were received and it is expected that 40-50 projects will be selected for funding. Contract negotiations will be completed in the second quarter of 2011. Based on the data from the 2008 and 2009 calls, SME participation has accounted for more than 65% of the total number of participants and the vast majority (83%) are organisations from the private sector, either commercial or non-profit.

Table 3.31 Eco-innovation budget allocations

Calls	EIP budget allocated	Total budget	Proposals submitted	Projects approved	Number of applicants	Number of participants	% SME participation
2008	€28 million	€56 million	134	44	444	186	66%
2009	€32 million	€64 million	202	45	614	185	70%
2010	€35 million	n.d.	287	40-50	895	n.d.	66% ⁶⁵

Source: EACI

The size of the budget of the projects supported ranged from as low as €0.23 million up to €3.9 million. The typical project has a size of around €1-1.5 million. In the 2008 call, EU participation varied between 40 and 60% of the total for each participant depending on its size. SMEs could benefit from a higher level of EU contribution at that stage. However, this rule proved rather complicated to apply in practice and a standard 50% EU contribution applied to all projects in the 2009 and 2010 call.

Table 3.32 Eco-innovation Scheme project budgets

Calls	Projects approved	Average budget size (million €s)	Maximum (million €s)	Minimum (million €s)	Standard deviation (million €s)
2008	44	1.26	3.20	0.23	0.51
2009	45	1.43	3.94	0.53	0.63

⁶⁴ There is no budget allocated specifically for Europe Innova or Pro-INNO actions in 2011, although there are actions that build on earlier activities of these initiatives

⁶⁵ Refers to the total project applications, not projects selected.

Data & Survey Results

3

In relation to the country of origin of the project beneficiaries, there is a very clear dominance of a small number of countries. Three countries: Spain, Italy and, to a lesser extent, Germany had a dominant share, together representing 50% of the total number of participants over the two calls. In contrast, a number of countries – especially among the newer Member States – have a very small number of participants (1-3 per call) or – in the case of Romania, Latvia and Lithuania no participation at all. Judging from the analysis of the proposals for the 2010 call the dominant role of Italian and Spanish participants will continue⁶⁶. As with the Programme in general, participation in the scheme is not limited to the EU27. There has been an important number of participants from Turkey (10 in total) in both calls and also from Israel and Montenegro.

The uneven level of participation can be explained, to a certain extent, by the national context. Participation is strong in the countries where firms have significant experience of EU projects and where national support schemes are either non-existent or appear to be rather weak in supporting the translation of research into market applications. Administrative and other implementation problems that discourage participation are also reported in the case of the national schemes of Italy and Greece⁶⁷ – both countries with disproportionately high shares of participation. Similar issues were not reported in the case of Spain, the country with the highest level of participation. The interviews with Spanish beneficiaries indicated that national programmes did not adequately support commercialisation activities. In contrast, the countries with more developed national support structures (Nordic countries or Germany) have, in proportional terms, the lowest level of participation. As suggested by one German stakeholder the eco-innovation scheme is not the first one to be promoted to German SMEs seeking support. There are much larger national programmes. This is the case even if the eco-innovation scheme is only partly overlapping with the national programmes. Finally, in some other countries the low level of promotion of the scheme by national intermediaries is also a contributing factor.

In terms of the technology sectors supported by the selected projects, during 2008 there was a strong focus on the recycling sector that represented 52% of the total projects selected. It included recycling processes and technologies new products from recycled material and new recycling services. The green business sector included projects on cleaner production, the greening of businesses and new materials or products and represented 20% of the total. The third sector, with 14% of the projects, was the food and drinks sector that covered waste treatment, food packaging and labelling and eco-innovative food chain logistics. Finally, the building sectors also accounted for 14% and involved projects, mostly related to new construction materials and developments which reduce the consumption of resources and production of waste. The 2009 call was more balanced. Recycling represented 33% of projects, while green business and food and drink 29% each. The buildings sector was reduced to 7% with an additional 2% belonging to other sectors. In the 2010 call, there was an increase in the share of green business applications (35%) and a relative reduction of the recycling (23%) and the food and drink (17%) sectors. The remaining application fell under the building and construction and other sectors.

⁶⁶ 308 of the total of 895 applicants were from Italy and Spain (35%). Source:

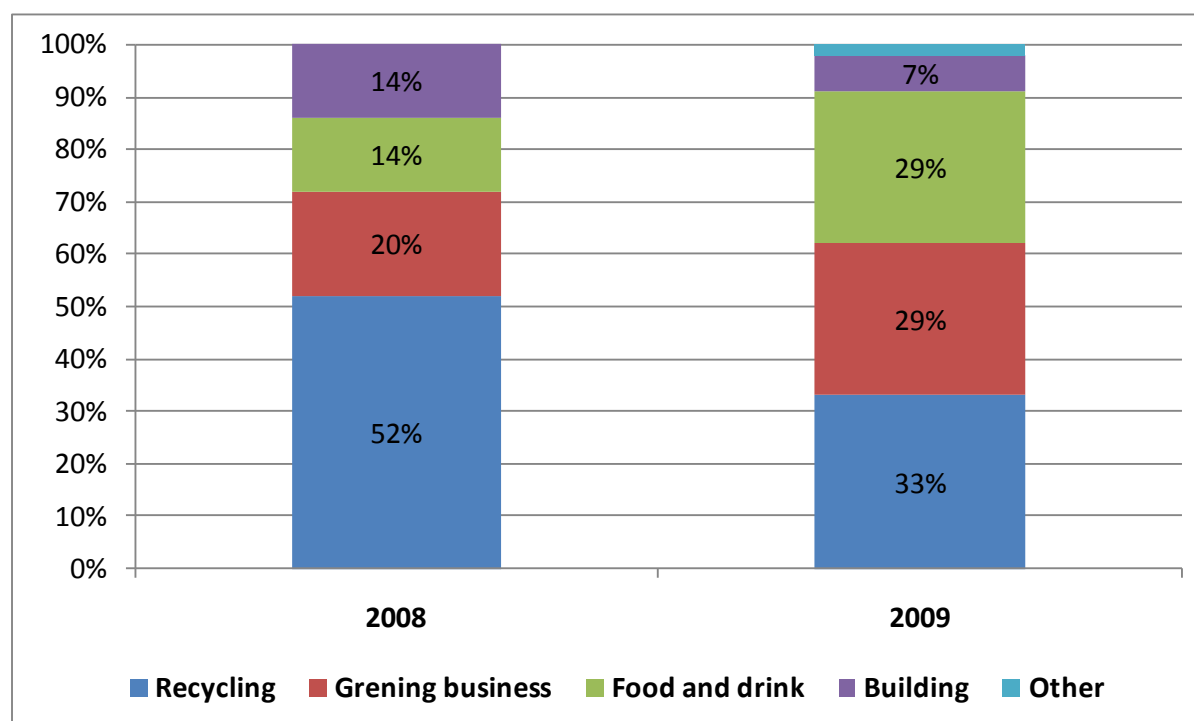
http://ec.europa.eu/environment/eco-innovation/files/docs/projects/overview_2010_call_en.pdf

⁶⁷ INNO-Policy trendcharts, Annual country reports, <http://www.proinno-europe.eu/trendchart/annual-country-reports>

Data & Survey Results

3

Figure 3.9 – Distribution of projects supported by the Eco-innovation funding scheme by sector and year of call.



Source: EACI

Monitoring Data

Although it is clear that monitoring frameworks are now emerging for the various innovation activities supported under the EIP, the evaluation team has not been able to identify reports or data sources that are able to give more than a sketchy overview of current performance. The data that are available can be summarised as follows:

Table 3.33 Indicators for Europe Innova

Europe Innova: accelerating innovation through public-private partnerships	2007	2008	2009	Total	Qualitative assessment
Number, type and impact of new concepts, methods and approaches developed, tested and promoted		3	3	3	High and improving, climax mid 2010
Number of SMEs having benefited through active involvement in the testing of the new concepts and the impact on their innovation performance		60	200	750	At the end of 2008 about 30% of this target has been reached.
Number of innovation professionals across Europe, who shared directly or indirectly the knowledge gained from developing, testing and promoting the new concepts		200	500-1,000	1,000-2,500	Currently at 60% of target

Data & Survey Results

3

Europe Innova: accelerating innovation through public-private partnerships	2007	2008	2009	Total	Qualitative assessment
Number, type and impact of new methods and tools proposed to the European Enterprise Network			16	16	13 are innovation tools, 2 are Innovation platforms and one is support to clusters;
Level and impact of liaising with related initiatives across Europe, demonstrating the openness of the Europe INNOVA initiative		100%	100%	100%	all 3 KiS platforms are embedded into European innovation networks

Table 3.34 Indicators for the Europe Innovation Scoreboard and Innobarometer

Indicator	2007	2008	2009	2010	Total	Qualitative
European Innovation Scoreboard						
Timely delivery of the different reports	100%	100%	100%	100%	100%	X
The number of downloads of the EIS from the Trend Chart website	19,824	15,481	Not avail.	Not avail.	35,305	Large amounts of downloads of the EIS.
Public attention raised by the publication of the EIS (measured by the press coverage)	56%	63%	Not avail.	Not avail.	Not avail.	Press coverage in 2007: 15 countries, in 2009 17 countries Press coverage in 2011, 21 Member States
Innobarometer						
Timely deliverable of the report	100%	X	100%	100%.	100%	delivered on time
Relevance and utility of collected statistics, which are not covered by other statistical instruments	19 questions	X	24 questions	38 questions.	43 questions	
Provision of indicators on EU innovation performance	3 topics covered	X	4 topics covered	1 topic covered.	7 topics	

The monitoring framework is still under active development in the innovation area and more data are now being required of participants in projects that have been supported. In many cases, however, the results of this activity have not yet become available. It is therefore not possible to present comprehensive monitoring data comparable to those for the Financial Instruments and the Enterprise Europe Network. This is unfortunate, since in the other cases, the information on the indicators makes a significant contribution to the overall assessment of their performance. Continuing efforts to put innovation in a similar position will be one of the main recommendations of this Report.

Data & Survey Results

3

3.6 Results of the Survey and Other Information Gathering

In the general innovation area, an on-line survey was organised of participants in PRO INNO activities. In total, 76 policy makers, representatives of innovation service providers but also other experts that have been involved in one or more of the activities organised under the PRO-INNO participated in the survey⁶⁸.

Figure 3.10. What type of organisation do you represent? (% of total of 76 respondents)

PRO INNO survey

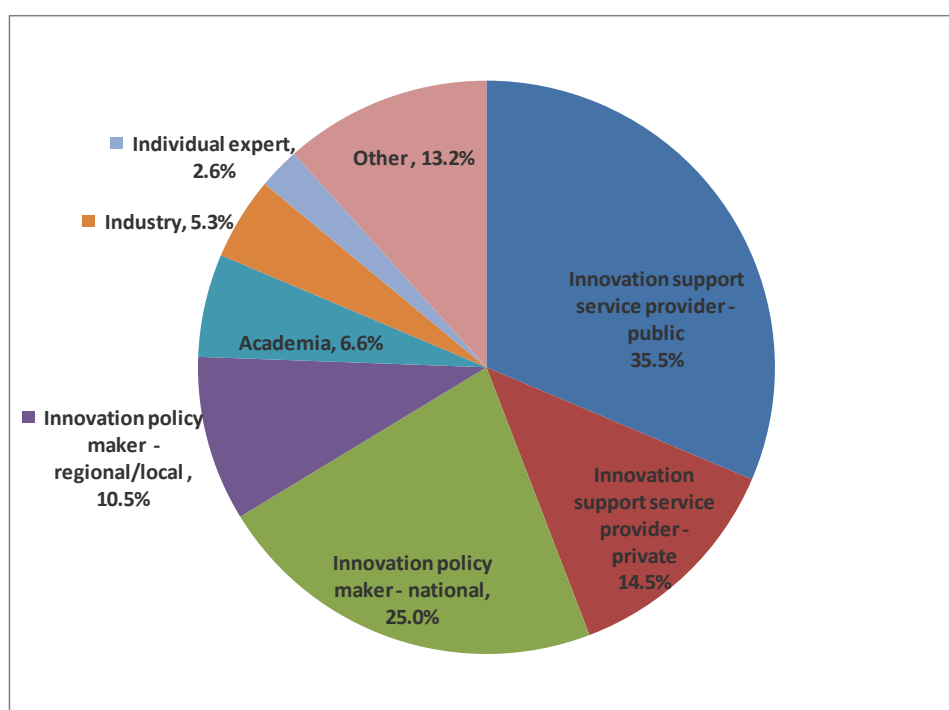


Table 3.35. In which country is your organisation located?

Country of origin	Number of responses	Percentage
Austria	4	5.3%
Belgium	3	3.9%
Bulgaria	1	1.3%
Czech Republic	1	1.3%
Cyprus	0	0.0%
Denmark	5	6.6%
Estonia	2	2.6%

⁶⁸ Answers to the open-ended questions of the survey are not presented.

Data & Survey Results

3

Country of origin	Number of responses	Percentage
Finland	3	3.9%
France	6	7.9%
Germany	8	10.5%
Greece	0	0.0%
Italy	9	11.8%
Latvia	0	0.0%
Luxembourg	0	0.0%
Lithuania	3	3.9%
Hungary	0	0.0%
Ireland	2	2.6%
Malta	0	0.0%
Netherlands	5	6.6%
Poland	3	3.9%
Portugal	1	1.3%
Romania	0	0.0%
Slovakia	0	0.0%
Slovenia	2	2.6%
Spain	5	6.6%
Sweden	7	9.2%
United Kingdom	4	5.3%
Norway	0	0.0%
Iceland	1	1.3%
Croatia	2	2.6%
Turkey	1	1.3%
Total	76	100%
EU15	60	79%
EU12 (New Member States)	12	16%
Other	4	5%
Top 10 EU Member States in terms of innovation performance	47	62%

A good cross-section of organisations and countries participated in the survey, with a predominance of countries with an active innovation record, but also others, showing a potential for effective dissemination. As verified by the Commission services, the contributions to the survey reflect the actual participation in the majority of PRO-INNO Europe activities.

In terms of the projects represented there was a mixed response.

Data & Survey Results

3

Table 3.36 . In which of the following projects and activities supported under the PRO INNO Europe® initiative have you been involved? (more than one answer possible)

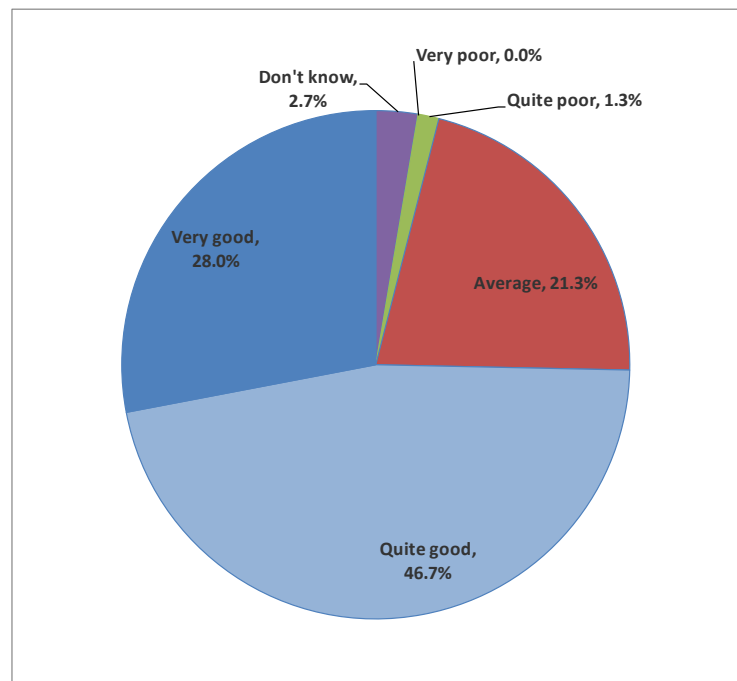
Name of project/initiative	Number of responses	Percentage of total
European Cluster Alliance	29	40.3%
INNO-NETs – Tactics	17	23.6%
INNO-NETs - INNO-Partnering Forum	17	23.6%
INNO-NETs – EPISIS	12	16.7%
INNO-Actions - Cluster Excellence	9	12.5%
INNO-Actions - Innovation Festival	9	12.5%
INNO-Grips	7	9.7%
INNO-Metrics	5	6.9%
INNO-Learning platform	4	5.6%
INNO-Appraisal	0	0.0%
INNO-Views	0	0.0%
Other	10	13.9%

Around 40% of respondents were involved in the European Cluster Alliance activities and a significant share has been involved in the INNO-Nets activities. The sample was possibly biased, since the contact details of participants were provided by the co-ordinators of the INNO-NETS, European Cluster Alliance and INNO-Grips activities. Nonetheless, since a number of them had participated in more than one activity, we conclude that a rather good indication is provided of how the PRO-INNO initiative is perceived by its key target group - innovation policy makers and innovation support providers.

Data & Survey Results

3

Figure 3.11. What is your assessment of the overall organisation of the PRO INNO Europe® project/network activities? (percentage of 76 responses)



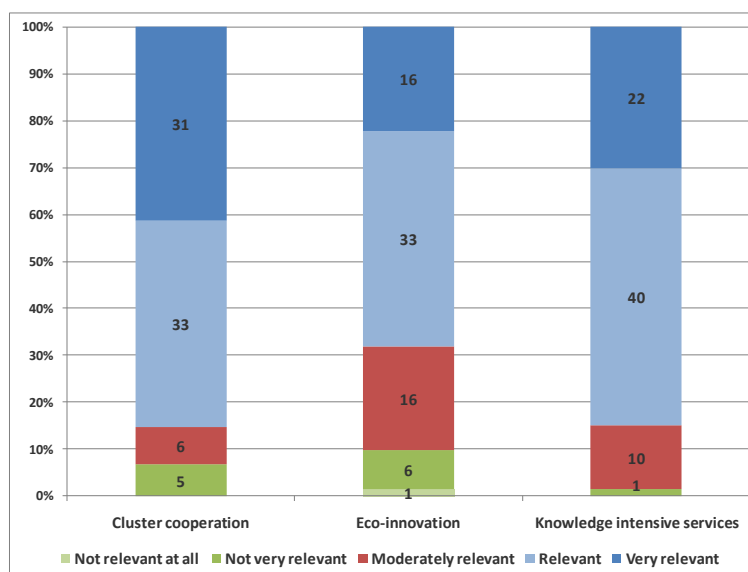
Three quarters of those who participated believed that the organisation of the project and network had been 'quite good' or 'very good' and only 1.3% thought that it had been 'quite poor'.

There is strong support for the choice of the three topics that have been given priority under the PRO-INNO and Europe Innova initiative - knowledge intensive services, eco-innovation and cluster cooperation. The great majority of innovation policy makers and intermediaries (>70%) that participated in the survey considered them to be relevant or very relevant.

Data & Survey Results

3

Figure 3.12. How relevant do you consider the topics prioritised by the PRO INNO Europe® initiative for the development of innovation policies in Europe? (76 responses)



A high proportion of respondents felt that participation in PRO INNO activities had assisted in the development of innovation policies and in the development of knowledge and improved understanding of innovation policies and tools. In around half of these cases the assistance was modest, but in the other half, it had been more substantial. Clearly overall, it was believed that participation had contributed to the development of innovation policies and practice.

Table 3.37 . What do you consider to be the benefits from your participation in PRO INNO Europe® projects and activities? (percentage out of 76 responses)

	Not applicable	No opinion	Not at all	A little	Somewhat	A lot	Very much
Assisted in the development of innovation policies	6.6	1.3	2.6	11.8	42.1	30.3	5.3
Assisted in the development of innovation support services	9.2	1.3	3.9	13.2	36.8	31.6	3.9
Exchange knowledge and improve understanding of innovation policies	1.3	0.0	1.3	2.6	27.6	38.2	28.9
Exchange knowledge and improve understanding of innovation support tools	2.6	1.3	0.0	10.5	26.3	36.8	22.4
Supported in developing cooperation with policy makers in other regions	9.2	1.3	6.6	9.2	28.9	17.1	27.6
Supported developing cooperation with innovation support providers in other	7.9	1.3	5.3	9.2	30.3	25.0	21.1

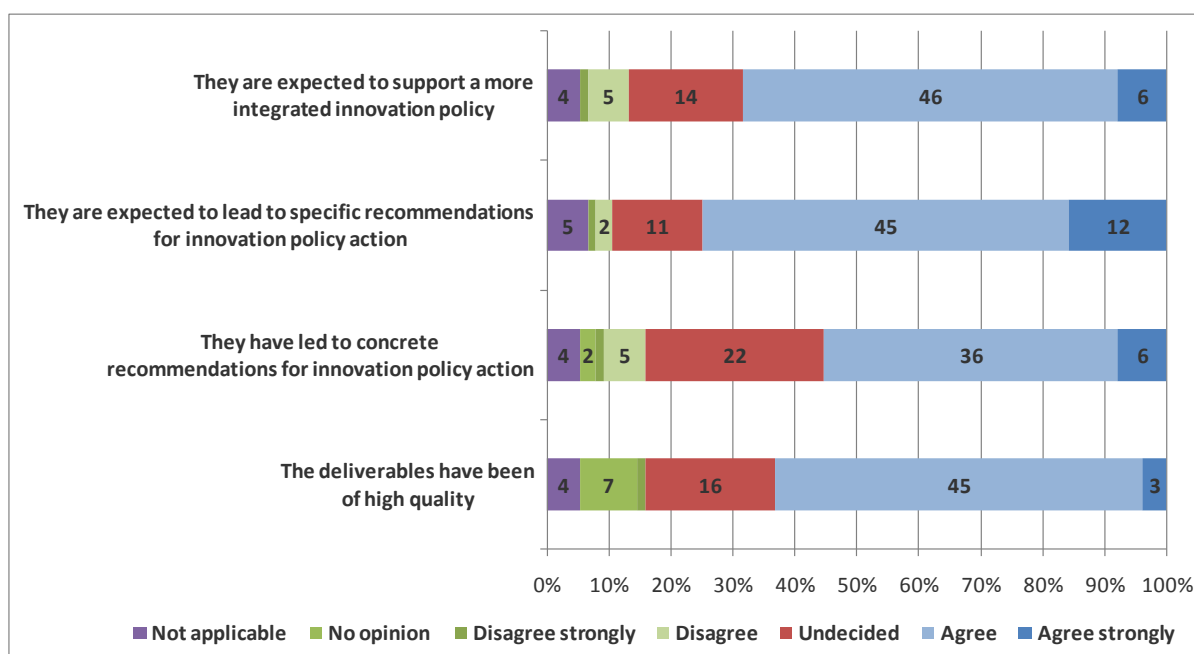
Data & Survey Results

3

regions							
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In terms of the more direct, practical outcomes from the projects, around three quarters of participants reported positive assistance with the development of co-operation with policy makers or innovation support providers in other regions. And, as indicated in response to the following question, activities under PRO INNO had already led to concrete recommendations for innovation policy action in 42% of cases and were expected to lead to specific recommendations for innovation policy action in 57%. 50% of respondents thought that the activities are expected to lead to a more integrated innovation policy.

Figure 3.13. Please indicate the extent that you agree with the following statements concerning the activities of PRO INNO Europe® (76 responses)

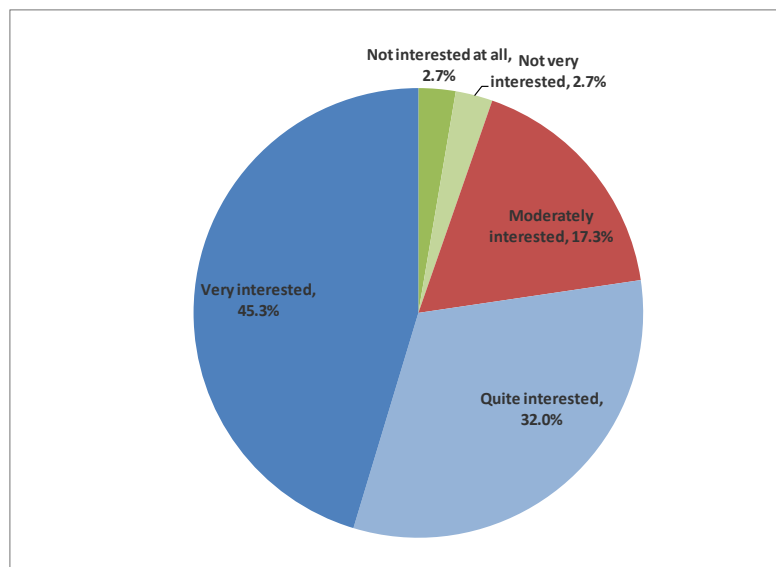


94% of participants in the survey expressed an interest in participating in similar activities in the future.

Data & Survey Results

3

Figure 3.14 Would you be interested in participating in similar activities in the future?



In addition, the survey allowed open-ended responses to a couple of questions about the organisation of the activities and the main added-value derived from networking and partnership promotion activities at the European level.

There were a number of comments about the procedural difficulties experienced with European projects and the top-heavy governance structure, plus a feeling that participation could have been broader and there could be better cross-fertilisation between projects. There were also one or two remarks that the topics addressed were not innovative enough! However, the many comments on the value-added of participation made it clear that the networking and contact with colleagues, policy makers and industry is highly appreciated and has resulted in the adaption of already existing schemes for local application and a wider take-up of good practice. The possibility of a greater coherence between policy at a European level and that at national and regional levels was also a common theme.

In the case of Europe Innova, there was no direct survey in this evaluation of the kind conducted for PRO INNO, but a more extensive interview programme has provided a good indication of the type of impact that is expected.

Data & Survey Results

3

Table.3.38. – Examples of expected results and impacts of Europe Innova innovation platforms

Biochem	<p>250 SMEs in the bio-based sector to be supported for innovation management and investment preparedness;</p> <p>10 innovation agents trained to do audits of SMEs</p> <p>1 EU wide database of relevant actors in the sector</p>
Innowater	<p>Tools to support innovation and first users</p> <p>€900,000 Innovation voucher scheme for 180 SMEs in NL, UK, CY, ES</p> <p>450 SMEs to participate in workshops</p> <p>14 partnerships with cluster and network organisations</p> <p>55 Innovation intermediaries reached</p>
ImMediaTe	<p>250 SMEs to receive investment readiness training</p> <p>MoU signed with public and private schemes in NL, DE,IT for development of funds for digital media</p>
GreenConserve	<p>Develop sector-specific technical and business support toolbox</p> <p>1700 SMEs reached through awareness raising activities</p> <p>Innovation training workshops for 375 SMEs in Norway, France, Germany, UK and Finland;</p> <p>€1.8 million Innovation voucher scheme for 117 SME innovators in DE, FR, NO</p> <p>Training of 10 innovation intermediaries</p> <p>Promoting use of voucher scheme by regional authorities including 6 Managing authorities of Structural & Cohesion Funds</p>
KIS Pims	<p>Trained 14 experts in the 3 countries (+ BE) to provided innovation support to firms</p> <p>Sector specific tools for innovation (risk assessment, cash flow simulator, IPR manual)</p> <p>100 SMEs supported for the development of proposal for the voucher scheme</p>
EcoClup	<p>Provided access to support tools for over 1700 SMEs</p> <p>Tools to support internationalisation and training of cluster managers</p> <p>One business plan training course for 17 SMEs in Finland, 3 more to follow</p>
AchieveMore	<p>Develop online community of experts and professionals (investors, incubator managers , VC) – 77 intermediaries involved</p> <p>€4 million seed fund established</p> <p>180 SMEs trained to use innovation tools – 613 SMEs reached</p> <p>Established seed fund in the UK to support 75-100 SMEs</p> <p>€260,000 additional funding leveraged</p>
REMAKE	<p>Innovation services voucher scheme for 200 SMEs in FI, DE, ES, IT, UK</p>

While SMEs are not a direct target of the Europe Innova initiatives, an important number of SMEs – more than 300 per project - are expected to benefit from the tools developed or adopted.

Data & Survey Results

3

3.7 Data on Other Activities

The data that can be presented on 'other activities' are rather limited, both because the monitoring system in this area is still under development and these activities have not been subject to the systematic investigation that has been applied to the three main areas of the Programme. Furthermore, the variety of activities detailed in the Work Programmes and documentation on support measures and in the Implementation Reports makes it difficult to present a summary overview. However, it is possible to indicate the range of the activities covered by citing a set of examples and also to give indications of how these have been managed.

The following actions relate primarily to measures under objectives E and F of the EIP but also a significant number under objectives B and C.

Table 3.39 – Selected sample of small budget measures

	Obj.	Measure name (Code)	Type of activity implemented	Years	Budget
1	F	The Community programme for the reduction of administrative costs HLG of Independent Stakeholders on administrative burdens	mapping and measurements of administrative costs from EU legislation in 13 policy areas The High Level Group advises the Commission on the reduction of Administrative Burdens	2007 2008 2009 2010 2011	€10m €6.7m €1.2m €0.4m €0.7m
2	B	IPR Helpdesks (European Helpdesk on IPR and China SMEs Helpdesk)	Support services; training, Information dissemination	2007 2010	€5.5m €5.5m
3	C, E	E-skills	Study; conferences; seminars; best practice exchange	2007 2008 2009 2011	€0.4m €1.2m €2.5m €3m
4	E	European SME Week/ European Charter for Small Enterprises / SBA conference: dissemination of good practices and information	Conferences; workshops Conferences; campaign; Reports; Distribution material	2008 2009 2010 2011	€1.875m €2.225m €1.7m €1.5m
5	F	Information campaign on CE marking	Campaign activities (leaflets, video/audio material, conferences, marketing, ads)	2009	€2m
6	E,F	SME performance review	Studies, Workshops/meetings	2008	€0.7m

Data & Survey Results

3

	Obj.	Measure name (Code)	Type of activity implemented	Years	Budget
				2009;	€3.7m
				2010	€0.9m
				2011	€1.5m

Other measures are also referred to in the annexed case study on the relationship between the Small Business Act and the EIP.

During the years under consideration, it will be seen that there has been a considerable evolution in some of the measures highlighted. A number of activities initially implemented as stand-alone measures were integrated into new measures with different titles (e.g. activities relating to the European Charter for Small Enterprises have been subsumed under activities relating to the Small Business Act).

Reduction of Administrative Costs

This is an area of activity that has taken place across the current Programme, but with a concentration of expenditure in the early years. The initial intention was that the Community programme for the reduction of administrative costs would carry out mapping and measurements of administrative costs deriving from specific EU legislation in 13 policy areas, as described by the Commission in its January 2007 two year Action Programme for the reduction of administrative burdens, and subsequently endorsed by the 2007 Spring European Council. The aim was to achieve a 25% reduction target in administrative burdens and to have recommendations on national measures implementing or transposing EU legislation available by December 2009.

Overall, the screening of the 42 EU acts in scope of the programme resulted in the identification of 356 EU information provisions. Implementation or transposition of EU obligations had led to the adoption of almost 10.000 national obligations across the 27 Member States. Their review showed that more than 1000 were going beyond what is required by EU law.

The High Level Group of Independent Stakeholders on administrative burdens was established in 2007 to advise, particularly on the implementation of the potential reductions in the administrative burden identified under the Action Programme. A new mandate from the Commission in August 2010 extended the work of the Group until the end of 2012.

The expenditure under this heading was initially to support the screening and analysis. In more recent years it has primarily been to support the work of the High Level Group, in studies meetings and also communication of the results.

It was estimated that if the proposed measures are adopted, and fully implemented in the Member States, there could be a reduction in administrative burdens for European businesses (in particular SMEs) valued at €38 billion. By June 2010, 54 reduction measures had already been adopted (representing savings of approximately € 7 billion) and 15 additional measures representing estimated savings of € 31 billion were under discussion in the European Parliament and Council. The situation at the end of 2010 was that the Commission had proposed measures to reduce administrative burdens by more than 31%. Out of this, Council and Parliament had at that stage adopted measures amounting to a reduction of 21.8 %. The Commission is currently preparing new proposals that would bring the total reduction potential to almost 33 %, valued at € 40.7 billion.

Data & Survey Results

3

IPR Helpdesks

As part of the measures implemented under objective B, a separate IPR Helpdesk measure was included in the 2010 programme. It includes two main actions:

- The **European Helpdesk on IPR** that supports the beneficiaries of EU funded programmes and other EU SMEs in the form of a website, support documents, FAQs, brochures, e-learning tools and case studies, a helpline, training for intermediaries and awareness actions. It is a continuation of the activities supported as part of a 2007 EIP measure and is implemented by the Executive Agency for Competitiveness and Innovation (EACI).
- The **China IPR SME Helpdesk** offers first-line advice on IPR issues for European SMEs in relation to China both in China itself and around Europe. This helpdesk offers practical business advice from experienced professionals (lawyers, business executives, IPR investigators) in person, on-line, and through workshops, e-learning materials, and training. The pilot project concluded at the end of 2010 and after a call for proposals a new contract was signed in December 2010. The Helpdesk will continue over the 2011-2013 period.

The indicators proposed for the monitoring of the two helpdesks attempt to monitor both short term results (usage of some of the services) and some of the longer term results and impacts expected, where information is collected through surveys and other proxy mechanisms (number of hits/downloads). There is a combination of qualitative and quantitative indicators that provide a good picture of the measure performance. In 2010, for the IPR Helpdesk, there were 44 training actions, with approx. 1,320 participants and 22 awareness actions, with around 7,000 participants. 1,375 queries were answered (16% SMEs, approx. 30% universities and approx. 24% research institutions) and there were 34,008 daily hits on the website with 2689 daily visits.

An external evaluation was undertaken on the China IPR SME Helpdesk, with generally positive results. An average of over 30 workshop events were conducted each year, 2000 persons per year were trained about, about 20 individual confidential business inquiries were handled each month in addition to those arising at workshops, and substantial web-based materials, publications and e-learning tools were developed, with 2 million hits on web materials, from about 60,000 different users over the pilot period.

A lesson from experience in the initial period was that there was a greater need to 'take services to businesses' than to run a large static office in one (or several) place(s). During the last 18 months of the project more resources were therefore devoted to taking customised training and expert Q-and-A sessions to clusters of SMEs, in order to respond to their demands.

E-skills

E-skills related measures have been included in all five annual Work Programmes so far under objective C (All forms of innovation in enterprises) and E (Entrepreneurship and innovation culture). The activities supported by the EIP each include a combination of studies/reports, conferences, awareness raising campaign activities and training activities. All activities fall under the Policy Communication and Action Plan on "e-Skills for Competitiveness, Employability and Workforce Development" and attempt to serve some of the objectives stated in the document. The EIP has been the main mechanism for implementing the specific actions.

Data & Survey Results

3

The Evaluation of the EIP Indicators found a relatively consistent use of indicators in the e-skills area, where short-term output indicators have been combined with longer terms result and impact indicators. The accessibility and profile of these results could be improved along with the information on other indicators, but information has been provided, for instance, on e-skills dissemination activity, notably in relation to the first European e-Skills Week (1-5 March 2010). The Week involved more than 445,000 participants in 1,163 events, which took place in 35 countries across Europe. 65 million people were touched by the campaign.

European SME Week and SBA exchange of good practices and conference

The European SME Week and SBA exchange of good practices have been jointly included in the Promotion of Entrepreneurship measure in the 2010 Work Programme falling under Objective E (Entrepreneurship and Innovation culture).

The **European SME Week** is a campaign consisting of events and other promotional activities. It aims to disseminate information on what the EU, national and regional authorities and other relevant organisations are doing to support small businesses. It promotes the image of entrepreneurship and entrepreneurs and recognises their essential role in the European economy. It aims to convince young people that entrepreneurship is a viable career option.

The **SBA** (Small Business Act) activities involve the exchange of best practice, with the aim of ensuring that the most effective means of implementation are scaled up. It is based on the monitoring of EU and national activities by the Commission, organising the systematic exchange of good practice through events (including a high-level conference), online tools and an annual competition (European Enterprise Awards).

Many of the activities mentioned here have been underway throughout the operation of the Programme. In 2008, the planning began for various initiatives that came together in the European SME Week that was staged in 2009 with more than 1,200 national, regional and local events. A further European SME Week took place in 2010 and one is planned for October 2011. During 2010, 1,504 events and activities took place across the 37 participating countries, representing an increase of 25% compared to the previous year. Of these, 687 events (45.7%) were purposely designed for the ESW; nearly 300 were (co-)organised by members of the Europe Enterprise Network but the bulk of them were organised by Chambers of Commerce (and Industry) at national and regional level. National campaigns were rated by the National Coordinators as "good to very good" in 24 cases, "average" in 8 cases and below average in 5.

Similarly, in 2007, there were actions to promote the exchange of good practice. These were with reference to the European Charter for Small Enterprises at the time and followed on earlier actions in the same vein. However, as the case study on the relationship between the SBA and the EIP makes clear, the various activities have been increasingly organised as an on-going follow-up to the Small Business Act and this has provided a greater degree of coherence and direction. This has meant, however, that information on the effectiveness of the actions undertaken has been increasingly bound up with an assessment of progress with the SBA and consequently there is little information on the performance of these instruments presented in the Implementation Reports. Information on the results of activities to promote the take-up of identified best practice is largely restricted to the measurement of visits to the best practice web site rather than the actual adoption of best practice at the Member State level.

Data & Survey Results

3

Information campaign on CE marking

The information campaign on CE marking was initiated in 2009 under Objective F (Enterprise and innovation related economic and administrative reform). The main objective has been to raise awareness on the meaning of CE marking amongst economic operators (manufacturers, distributors), consumers and market surveillance authorities and to address the perceived confusion about the meaning of CE marking. The activities supported included participation of Commission officials in events, promotional material, multi-media actions and marketing activities. The intention was also to make use of networks such as the Enterprise Europe Network and the European Consumer Centres.

The implementation of the measure started in 2010 and will continue throughout 2011.

This measure is typical of one-off actions to address a particular issue. It is also of interest in that the indicators proposed to assess its performance ('Increased number of consumers actively looking for CE marking' and 'Increased number of non-CE marked products stopped from circulating on the market') address exclusively medium and long-term effectiveness questions. It will be interesting to see how far it is possible to measure these concrete effects.

SME performance review

The SME performance review measures were implemented in 2008, 2009 (as part of the measure Promotion of reform and better regulatory environment) under Objective E (Entrepreneurship and innovation culture) and in 2010 and 2011 under Objective F (Enterprise and innovation related economic and administrative reform). In the last two years the Promotion of reform was qualified in the Work Programme as 'SBA Implementation' and the performance review was presented alongside other measures relating to best practice exchange, communication and the follow-up campaign.

The 2009 measure fiche defined three level of objective:

- General: to provide an empirical and analytical foundation for SME policy measures and enable the Commission to effectively monitor the implementation of the Lisbon Partnership for Growth and Jobs at Member States and EU levels as regards SME-related policies.
- Specific: to increase and disseminate knowledge on characteristics and specificities of SMEs in Europe, on economic performance and its main determinant factors, as well as other SME policy related issues.
- Operational: develop annual report with key information on SMEs, including country specific fact sheets, studies, publications and workshops as an input to the Commission Progress Report under the Growth and Jobs Strategy and as a support to the so-called "Lisbon reporting cycle".

As the means for providing the empirical and analytical foundation for SME policy measures and enabling the Commission to effectively monitor the implementation of the SBA as well as the SME-related policies elements of the EU2020 strategy, this measure has a fundamental intelligence role. The main outputs – the SME Annual Report and the SBA fact sheets – have now become an established reference point.

Data & Survey Results

3

However, evidence on the take-up or effectiveness of the instruments used is rather limited, not least because of the difficulties in obtaining information at a Member State level about reactions to the information generated by these instruments. Again comments on the specific instruments can only be made in the context of the operation of the SBA as a whole, which, of course has been the subject of recent Review of the "Small Business Act" for Europe⁶⁹.

Overall, it has been seen that the 'other measures' covered by the EIP are very diverse in nature and in the extent to which it is possible to assess their performance. Further comment is provided at the end of the next chapter.

⁶⁹ Communication from the Commission to the European Parliament, the Council, Economic and Social Committee and the Committee of the Regions 'Review of the "Small Business Act" for Europe' COM(2011) 78 final of 23.2.2011

Evaluation Results

4

This chapter provides the core evaluation results, combining the implications of findings set out in the previous chapter with the results of an extensive interview programme. The results relating to each of the main areas that have been considered are set out separately, but there are also comments on the EIP as a whole.

4.1 Introduction to the Conclusions

The previous chapters provided an important basis for beginning to draw conclusions on the appropriateness and achievements of the Entrepreneurship and Innovation Programme. It set out the established objectives of the EIP and the expectations relating to it that are to be found in the Decision of the Council and Parliament that established the Competitiveness and Innovation Framework Programme. It noted that these expectations were more detailed in some areas than in others. It then specified the anticipated outcomes to be found in the Impact Assessment that accompanied the Commission proposal relating to the CIP and finally summarised the recommendations of the Interim Evaluations of the EIP and CIP, relating to the future operation of the Programme. This all provided a **basic framework against which to assess the actual achievements of the EIP.**

Again, it should be said that this 'Final Evaluation' is being conducted while **the Entrepreneurship and Innovation Programme still has two and half years to run** and well before the Programme's real impacts in terms of the growth of enterprises, its generation of employment and its contributions to overall welfare are evident. The assessment provided by this evaluation is necessarily partial.

On the other hand, the previous chapter has also shown that there is already a **substantial body of evidence** on many of the results of the Programme and on some of its longer-term outcomes. First, there is a relatively **well-established monitoring system** associated with the EIP. This has been built on earlier monitoring systems established under the predecessor programmes of the EIP and is a major asset for the Programme in terms of the development of evidenced-based policy making in this area. The Interim Evaluation of the Programme recommended that the system be further developed and there has certainly been some progress in the area. This process is not complete and there will be comment subsequently on further steps that are necessary, but it has been possible to bring together a considerable amount of monitoring data and this has allowed the evaluation team to compare the anticipated effects of the Programme with what is currently being achieved.

In addition, there has been evidence brought together from particular **investigations undertaken during the course of the current evaluation.** This evidence, mainly in the form of responses to structured surveys, was generated in line with the requirements of the Terms of Reference for this evaluation, which envisaged that the emphasis in the evaluation work would be less on processes, which had already been covered in a significant way by the Interim Evaluations and more on the impacts that are evident, especially in terms of the benefits of the actions undertaken to the ultimate beneficiaries. The previous chapter has presented the results of these surveys and structured interviews in a fairly direct way, without much comment on their implications. It is now necessary to highlight these implications, along with other evidence, including that derived from comments in interviews with a wide range of stakeholders, from Commission and Member State officials and business organisations at European and national levels, to the financial intermediaries, Enterprise Europe Network members and host organisations and beneficiaries of the Eco-innovation and other innovation programmes that have commented on particular aspects of the EIP.

The following sections will set out the comments of the evaluation team on the main issues that have

Evaluation Results

4

arisen as a result of the investigations. They aim to address all the main evaluation questions listed in the introductory chapter and others beside. They begin with an assessment of the relevance and coherence of the EIP as a whole and then continue with a sequential examination of the three main areas under investigation, before finishing off with comments on the effectiveness, efficiency, utility and European value-added of the programme as a whole. These sections will also refer to other areas of the Programme and some of the cross-cutting themes that run across more than one area. A final section will review the responses that have been made to the recommendations of the Interim Evaluations. This will all provide the basis for a summary statement of the main conclusion and the recommendations from the evaluation team that will be set out in the final chapter.

First, however, it may be useful to provide a summary overview of the situation, by way of a direct response to each of the evaluation questions. It will be evident from the fuller discussion that follows that these summary statements cannot capture all the nuances. Nonetheless, they do have the merit of providing a relatively short statement of in relation to the main issues.

Summary of Evidence relating to the Main Evaluation Questions

The assessment of the EIP has been guided to a significant extent by a series of evaluation questions posed at the beginning of the project. These have helped to provide focus for the investigations. The questions have been behind comments made elsewhere, but an overall summary is provided here of the main conclusions in relation to each specific question.

Relevance

1. *To what extent are the Programme's objectives pertinent to the needs, problems and issues it was designed to address?*

With its practical orientation, the EIP is judged to be addressing the needs, problems and issues it set out to address, and, furthermore, is doing so in ways that can be particularly effective at a European level. Mechanisms are needed, however, to strengthen the links between major developments in Enterprise policy, such as the Small Business Act and aspects of Europe 2020, and the EIP and its operational activities.

2. *Are the Programme's objectives coherent and do they promote synergies with other EU and Member State measures that aim to promote similar or associated objectives?*

While addressing multiple operational tasks, the Programme's overall objectives are seen to be coherent and the implementation processes are generally designed to ensure integration with Member State measures. However, because of the Programme's focus on practical implementation in a range of areas, the evaluation concludes that the active management of synergies between the different areas and with parallel measures will increasingly be necessary.

3. *To what extent would specific consideration to gender mainstreaming increase the Programme's relevance?*

As the Small Business Act recognises, there is a need to care for future entrepreneurs better, in particular by fostering entrepreneurial interest and talent among young people and women. Gender mainstreaming, as part of greater attention to cross-cutting themes, would be a more consistent approach to addressing this issue than the welcome, but more

Evaluation Results

4

restricted, specific initiatives for women.

Efficiency

4. *To what extent have the desired effects been achieved at a reasonable cost (including the burden on participants, beneficiaries, stakeholders)? To what extent have the human resources (in terms of quality and quantity) and financial resources been appropriate for an efficient application of the management methods chosen?*

The Programme is on track to achieve the impacts anticipated at its outset and in line with the anticipated budget and the dedicated resources are deemed to be at an appropriate level by stakeholders. The success of the eco-innovation scheme may lead to problems of over-subscription.

5. *What aspects of the EIP have been the most efficient or inefficient, especially in terms of resources mobilised by stakeholders during the different phases of the process?*

The long-term nature of many of the effects of the Programme make it difficult to assess relative efficiency at this point, but certain actions are expected to have major impacts. The Community programme for the reduction of administrative costs, supported under the EIP, is expected to lead to a reduction in administrative burdens for European businesses valued at € 40.7 billion.

6. *Are there overlaps/ complementarities between the EIP and any other EU or Member State action in the relevant areas?*

While some overlaps were reported, in general, the aim of pursuing actions where European value-added is apparent has meant that there were no particular problems identified.

Effectiveness

7. *Is the design of the Programme optimal?*

The design of the Programme, with separate points of focus on major areas where Enterprise policy at a European level can make a distinctive contribution, has been appropriate up until now. However, the achievements in the initial phases are increasingly giving rise to potential synergies which require an active management of cross-cutting activities.

8. *To what extent do indirect measures effectively benefit end-users, in particular SMEs?*

While most parts of the Programme work with intermediaries of one kind or another, the surveys of end-users have shown that the Programme is effectively benefitting end-users.

9. *To what extent have market replication support measures resulted in real replication in the market (notably financial instruments, eco-innovation and innovation)?*

In general, the evaluation has taken place too early in the cycle to judge whether or not there has been extensive market replication in any of the areas mentioned. However, in relation to the financial instruments and eco-innovation, in particular, the conditions for such a development are certainly being created.

10. *What is the European added value of the Programme for stakeholders and in particular end-users? Have there been any unintended effects on stakeholders?*

Evaluation Results

4

A significant degree of focus is evident in the Programme on generating value in areas where it is adding to Member State action, either by addressing issues that need to be tackled at a European level or by building on exchanges of experience to create new and innovative action. No major deleterious effects on stakeholders have been identified.

11. Has there been any noticeable sectoral distribution in the SMEs benefitting from the Programme?

Data collected did not allow a detailed sectoral analysis across the Programme, but apart from the inevitable sectoral bias in targeting actions at eco-innovation or, more generally, (a wide range of) sectors with growth potential, no significant problems of a sectoral nature were identified.

12. Which measures under the Programme have been the most effective or ineffective?

The diversity of the measures makes it difficult to address this question. In each of the areas considered, the evidence collected suggested that levels of performance were more than 'satisfactory' across all the main actions.

13. To what extent has the Programme contributed to "the competitiveness and innovative capacity of the EU as an advanced knowledge society, with sustainable development based on robust economic growth and a highly competitive social market economy with a high level of protection and improvement of the quality of the environment"?

Given the scale of the resources devoted to the pursuit of these aims, the Programme's main contribution is in developing innovative approaches that can have beneficial demonstration effects and in addressing issues that have a particularly 'European' significance. This the programme is doing.

14. To what extent has the Programme achieved its specific objectives, to "support, improve, encourage and promote: access to finance for the start-up and growth of SMEs and investment in innovation activities; the creation of an environment favourable to SME cooperation, particularly in the field of cross-border cooperation; all forms of innovation in enterprises; eco-innovation; entrepreneurship and innovation culture; enterprise and innovation-related economic and administrative reform"?

The questions relating to the specific contribution of the Programme in each of its constituent action areas are addressed in chapter 4.

Information and awareness

15. To what extent has information about the availability of the Programme instruments and the results and impacts of actions effectively been transmitted to potential stakeholders and beneficiaries?

Some scope was identified for a more co-ordinated and targeted promotion of the Programme's instruments and results. A greater awareness of the Programme's instruments among organisations representing business, for instance, might assist the involvement of a wider group of beneficiaries.

Utility and Sustainability

16. To what extent do the impacts of the EIP meet the needs of its final users and contribute to solving their present problems and issues? To what extent could measures be taken to

Evaluation Results

4

improve the utility of the EIP and what measures would these be?

Evidence currently available, including evidence collected for the evaluation, suggest that, within its areas of focus, the Programme is being successful in meeting the needs of its final users and contributing to solving their problems and issues. To an important extent, Improving the utility of the current measures is a matter of increasing the scale at which they operate.

17. *Are there any positive changes brought about by the EIP to the competitiveness and innovative capacity of the EU or are there any likely to be? Has the Programme had negative side-effects?*

The Programme is showing that it is possible to help enterprises that otherwise would find it difficult to raise finance; it is helping enterprises to be more innovative and to trade successfully across borders. It also is helping to move innovation policy forward across the EU and is developing innovative forms of support in important areas such as eco-innovation. The impacts of such developments are growing and will continue to grow as the momentum of the Programme builds. Effective management of the synergies between the different actions could increase these impacts further.

18. *In the cases where sustainability is identified, what measures could be taken to foster the sustainability of the positive changes?*

The fact that most of the main measures of the Programme are achieving sustainable results is a significant part of the generally positive assessment of the EIP. In most areas, success is generating its own momentum. There are, however, parts especially of the finance and innovation areas where success requires the definition of new challenges, if the process of pushing back the frontiers is to be sustained.

In the following sections, not only will the information presented add to the summary assessments in relation to specific evaluation questions, but the analysis will address the key themes that are the centre of any evaluation. It will do this by providing **an assessment in relation to each of the standard evaluation criteria in turn, for each of the areas that have been considered, plus assessments for the programme as a whole.** This way of proceeding also has the advantage of mirroring the structure of the Interim Evaluation of the EIP and thus facilitating comparisons.

4.2 The Relevance and Coherence of the EIP as a Whole

The first thing to say about the EIP is that **the overwhelming weight of the evidence** from the evaluation is that its general orientation and its concentration on some of the central issues faced by SMEs is appropriate and highly relevant to the enterprise needs of the modern European economy. This general conclusion that the Entrepreneurship and Innovation Programme is going in the right direction is an important background, as the general position is qualified by observations on particular aspects of the Programme in the rest of this chapter.

It is noted that this general conclusion is very much in line with the responses to the **CIP public consultation** and the conclusions of the "Ready to Grow?" conference on 25 January 2011 that reviewed the operation of the CIP. More than 550 participants took part in the conference and their key message was : "Don't fix what is not broken".

Evaluation Results

4

Furthermore, a view expressed by a number of those involved in the evaluation is that **any future programme should be careful to build on what has been achieved** in the current period. To varying extents, all of the main components of the EIP suffered a considerable amount of disruption at the beginning of the Programme. All have now established a certain presence and momentum and this represents a significant asset for the future of Enterprise and Innovation policy in the European Union. If this asset is to be effectively exploited a strong theme of continuity is advisable.

As an operational programme, **a major strength of the EIP is that it is able to concentrate on core issues for Small and Medium-Sized Enterprises in a direct and practical way**. Access to finance is a major issue for SMEs and increasing this access is a direct benefit, while information, assistance and contacts are basic business needs, especially when trading internationally. Even in the innovation area, the Eco-innovation funding scheme is seen to be addressing particular problems faced by enterprises in getting their goods onto the market in an interesting and innovative way, while the significant element of good practice exchange in the Europe Innova and PRO INNO measures is seen to be a practical approach to addressing issues faced by support agencies and policy developers. In addition, within these core areas, the current EIP is perceived as having an increased focus as compared with earlier programmes, on the needs of enterprises and also to have concentrated on areas where the European Union can clearly add value to national efforts. In this respect the EIP is generally perceived to be compatible with national and regional measures and indeed in numerous instances has a role in promoting new thinking and approaches, as a result both of spreading existing good practice and of exploring new areas and techniques. Innovative and even experimental initiatives are approved of – as the leading edge of the more general process of promoting the exchange of good practice. Increasingly, it is reported, in some Member States, regional and local authorities are also looking to the Programme to provide a lead in exploring new avenues in Enterprise policy. Overall then, at this level, the EIP' objectives and implementation are seen to be coherent and consistent with what is happening in the Member States. Furthermore they are seen to add to measures with similar or associated objectives, either by bringing an extra European dimension to what is happening or by providing examples of approaches that could be adopted locally.

Generally then, the practical orientation of the EIP is approved of and the Programme is also seen as contributing to the important policy objectives of competitiveness and enterprise. But, the legacy of earlier programmes (MAP and FPs) is very apparent in the structure and design of the EIP and there is a certain unease that has been expressed in discussions with Member State and other participating country representatives and with business organisations about the overall structure, orientation and coherence of the EIP. As a matter of perspective, it should be said that there is not thought to be a major problem here, since the EIP is clearly addressing issues that are the central concern of Enterprise policy, but there is a **perception that there is something missing**. For, although the CIP Decision and the orientation of the EIP within it, made reference to major strategic priorities, and notably the Lisbon Agenda, there is no real mechanism subsequently either for pursuing cross-cutting objectives or for articulating the implications for the Programme of developments in strategic thinking at a European level. The Small Business Act, for instance, has clearly influenced the way that the Programme has been implemented at a detailed operational level and influenced the thinking of all involved in the Programme. This relationship between the SBA and the EIP is explored in a case study to be found as Annex A.1. But, as the case study shows, the processes of ensuring that the orientations of the SBA are carried through into the operational actions of the EIP are partial and lack a systematic management process, particularly where co-ordination across the various strands of the EIP is required.

Evaluation Results

4

This perception of a **'missing middle'** was expressed in different ways. There were some explicit comments that there is a gap in the hierarchy of objectives, between the high level aims – the objectives of promoting competitiveness, enterprise and innovation - that all can subscribe to and the orientation of the Programme that is seen to be guided by the particular problems that are being addressed. This suggests that **the Intervention Logic is in need of further elaboration**, in particular in relation to how direction can be given to the operational activities. Others have said that **the links with other elements of Enterprise policy ought to be more explicit, such as reference to the relevant Flagship Initiatives of Europe 2020 or the priorities of the Small Business Act**. This could provide the required middle ground and also promote better co-ordination across the Programme, which otherwise sees its component parts operating more or less independently.

There are, of course, some actions, such as the Lead Market Initiative, that bring together various elements both within and beyond the Programme in a co-ordinated drive to pursue particular objectives – in the LMI case, to promote innovation through a demand-driven approach. And there is a co-ordinating role for Unit A1 of DG Enterprise and Industry - in managing for the Commission's input into the process leading to the initial decision and, on an on-going basis, bringing together the various elements in annual Work Plans, leading discussions with the EIPC and reporting on progress in the Implementation Reports. But the formal management of the Programme, which is seen to operate well is not the same thing as developing the rationale of the Programme as a whole during the course of its implementation or ensuring that there is a co-ordinated approach, followed through to the operational level, to the policy issues that have cross-cutting implications – an aspect that is further reflected in the way that the EIP is communicated, as will be explained in section 4.7. This lack is even more evident when it comes to co-ordination with the other programmes of the CIP. To this extent, the Programme is less coherent than it could be and probably less effective.

One instance of this lack of a cross-cutting responsibility is that there is **no overall approach to gender issues**. In the recitals of the initial Decision on the CIP, it was stated that the principles of equal gender opportunity should be taken into account in all the programmes and activities covered by the Framework Programme and that where possible, evaluation reports should examine gender mainstreaming in programme activities. In the Chapter on the implementation of the framework programme, Article 6 says that 'the principles of transparency and gender mainstreaming shall be taken into account' and Article 8 of the Decision on monitoring and evaluation then says that, again where possible, the Commission should examine the gender dimension and the respect of the principle of non-discrimination in programme activities.

There is a specific action to encourage female entrepreneurs through the European Network of Female Entrepreneurship Ambassadors and the broader conception of innovation that is now applied provides more opportunities for female participation than the traditional approach with its focus on technology, but in this context there is a broader consideration. If one of the main objectives of the Programme is to 'Promote an entrepreneurship and innovation culture' (Objective E) and female entrepreneurs constitute only 34.4% of the self-employed (in EU25) and only 20% in industry, a major target, as is recognized by the Small Business Act, has to be the female population. Recognition that women are still held back from launching their own companies by a range of barriers including education, stereotypes, lack of confidence and difficulties in accessing start-up finance means that a gender mainstreaming approach is highly relevant to achieving some of the core objectives of the Programme (and also helping to promote the coherence in Enterprise policy by aligning implementation with an objective set out in the Small Business Act.). There has already been acknowledgement that Europe cannot afford to neglect the entrepreneurial capacity of women and specific consideration to this issue through a gender

Evaluation Results

4

mainstreaming approach can only help to increase the Programme's relevance for this significant target group. It is therefore necessary, especially now that the main actions of the Programme are bearing fruit, to find a way to fine-tune implementation of the Programme in line with the prescriptions in the Decision on gender and other equality issues.

A further instance relates to the **coherence of the EIP with other EU actions**, such as those undertaken under the Structural Funds or the Framework Programme for Research and Technological Development. There are particular questions relating, for instance, to the way that the Financial Instruments are coherent with financial support to enterprises offered under the Structural Funds. Similarly there is the issue of how effectively actions promoting innovation are related to the other elements in the knowledge triangle¹ of research, education and innovation. These will be addressed in the relevant sections below. However, there is also a more general question of how the relationships with these other EU programmes is managed and here again there does not appear to be a systematic mechanism for doing so.

There is even a question of **coherence with other aspects of Enterprise policy**, although this may be more a matter of presentation and communication than of substance. However, until recently some of the main aims and the progress of the EIP have not really featured in the stated objectives of DG Enterprise and Industry in its annual Management Plans. As a central reference point for the activity of the DG, a greater profile for all the main actions of the EIP would assist, at least in communicating the links between the Programme and other areas of Enterprise and Industrial policy.

The other main issue raised particularly by Member State representatives but also some business organisations was the **number of small scale activities** that are supported. A common comment was that there ought to be a greater concentration on the three main areas of the Programme, but also that it was difficult to keep track of all the separate activities, that consequently they had a relatively low profile and that they also took up a disproportionate amount of time in the discussions on the Annual Work Programme. It was also remarked that there was a danger that the EIP could become a funding mechanism for various activities that had little to do with the core objectives of the EIP.

The view of the evaluation team is that the comments reported in the previous paragraph do not represent a balanced assessment of the small scale activities under the EIP. Some smaller scale actions such as the work undertaken to provide **basic statistical information on enterprises and the performance of the SME sector** across Europe are very much appreciated by the business organisations and Member States. The publication since 2008 of the Annual Report on EU Small and Medium-sized Enterprises, as part of the SME Performance Review, is developing a fundamental information resource on the performance of the SME sector. Complemented by the SBA Fact Sheets on the relative performance of individual countries against the 10 criteria established in the Small Business Act (SBA)⁷⁰, the data presented in the Annual Report are becoming an essential element in informed policy making. As well as generally feeding the debate on policy at all levels, these publications provide the framework and some of the basic data for the particular development of monitoring and indicator systems and thus make an important contribution to the process of evidence-based policy making. Further work needs to be carried out to resolve outstanding data issues and to develop a consensus on the scope of their application, but an important contribution has already been made and some Member States saw scope

⁷⁰ Communication from the Commission "Think Small First" A "Small Business Act" for Europe COM(2008) 394 final of 25.6.2008

Evaluation Results

4

for more actions allowing them to identify and exchange good practice across the whole range of Enterprise policy issues.

It was also seen in the previous chapter that expenditure on certain small scale actions can have **major effects on policy and for enterprises**. The work on the reduction of administrative costs will potentially lead to reductions in costs estimated to be worth €38 billion. Furthermore, there is a clear tendency evident towards bringing actions within particular frameworks, as is the case with the various best practice and other actions that now support the SBA implementation, but also with regard to intelligence on the performance of enterprises mentioned above. Undoubtedly, this process could be taken further and stricter criteria applied to specific studies, so that they are clearly seen to be contributing to the overall framework, but the general view is that there is not a significant problem in this area.

Commission officials have also pointed out that the small tail of the EIP – the smaller scale activities, including those that support conferences and studies, represent a relatively small proportion of the total budget but allow a useful degree of flexibility in responding to issues that arise in the course of the programme period.

A major instance of this has been **the financial and budgetary crises** that have arisen since the launch of the Programme. As with the Interim evaluations, written shortly after the initial crisis had broken, this Evaluation has not attempted specifically to address the question of how effectively the Programme is contributing to resolving various aspects of the crises. Of course, given its nature it is making such a contribution, but that is not its prime purpose and the changes it is attempting to bring about should mainly be seen in a longer-term perspective.

The main impact of the crises from the point of view of this Evaluation has been on **the degree of difficulty experienced in implementing the Programme**. The Financial Instruments find themselves in a very different environment from that at the time of the Decision on the CIP, while the implementation of other aspects too has been made much more difficult than was originally envisaged. This consideration is especially **relevant in assessing progress against the originally anticipated outcomes**.

4.3 Conclusions on the Financial Instruments

Relevance

Empirical research shows that access to **finance is still one of the major constraints faced by small- and medium-sized enterprises (SMEs)**. The Financial Instruments of the EIP can ease this access. This is a significant consideration in the current difficult circumstances, a view which has been confirmed in the interviews with EIPC members, financial intermediaries and with business organisations.

About **two thirds of the beneficiaries of GIF, indicated that they would not have set up the business or made a particular investment without the financial support received. This also holds for almost half of the beneficiaries of SMEG**. In addition, about 39% of the **GIF** beneficiaries state that the funding was the only way to receive the full amount of finance needed. For **SMEG**, this was the case for almost half of the beneficiaries. About one fifth of the beneficiaries of SMEG as well as of GIF, indicate that other sources are available but that these sources would have covered only part of the funding needed. About 43% of the GIF beneficiaries indicated that the support received was sufficient and 60% of the beneficiaries of SMEG. It can be concluded that these instruments met a clear need for finance on the part of the beneficiaries, demonstrating that gaps in SME finance can be addressed.

Evaluation Results

4

By the end of 2010, only one agreement had been concluded through the SME window **guarantees for equity and quasi-equity investment** and there seems to be limited support for this window. In addition there has been no take up of the guarantee scheme to support **securitisation structures**, due to market conditions for securitisation. But in contrast to the third window, this fourth window does have support from both the EIF and the Commission, and sufficient arguments for its continuing validity are present.

The objective of the financial instruments is to facilitate access to finance for the start-up and growth of SMEs and encourage investment in innovation activities. This objective is very much in line with the objectives of the other instruments and activities carried out through the EIP. **Entrepreneurship is promoted** through GIF 1 and the SME micro credit window. GIF 1 and GIF 2 focus on **innovation** and in the case of GIF 2 also on **high growth**. Under GIF 1 and GIF 2 specific targets are set for support of **eco-innovation**. These activities accord well with the activities carried out in the Eco-innovation block of the EIP.

The degree of synergy between **GIF and national instruments** is rather limited. Some national governments do run instruments similar to GIF, but considering the large demand for venture capital, this is not seen as a major issue. There are no detrimental spill-over effects that have been identified as a result of these overlaps.

Similar instruments to **SMEG** operate at a **national level**. In some of the older Member States loan guarantee schemes have already existed for decades. Stakeholders indicate that synergy between the measures is limited. Through SMEG however, more beneficiaries can be supported than just through national instruments, and in some cases SMEG guaranteed loans are provided to beneficiaries that are not covered by national schemes. In addition, a contribution to the process of exchanging best practice can be made.

Overlaps exist between the Financial Instruments and the Structural Funds, under which venture capital and loan guarantee schemes can be developed. The EIP Interim Evaluation suggested that the Commission should encourage EIF to develop a **visible deal allocation policy** for the different mandates. The report to the EIPC on the Follow-Up of Recommendations of the Interim Evaluation states that co-ordination mechanisms have already been established between the Directorates General involved (Directorate General Enterprise and Industry, Directorate General Economic and Financial Affairs, Directorate General Regional Policy) and the European Investment Fund, and a deal allocation policy has now been developed.

The vast majority (about 97%) of beneficiaries of GIF are firms run by male entrepreneurs. Somewhat in contrast, one quarter of the beneficiaries of the SMEG loan window and one third of the beneficiaries of the SMEG micro window are firms run by female entrepreneurs. However, only in the case of the SMEG micro window, is the proportion in line with the share of female entrepreneurs in the total population and there are reasons set out in section 4.2 above for saying that this proportion needs to be increased. One new venture capital fund supported by the EIF is specifically focussed on enterprises run by women and this may be a way forward. But, now that a number of funds have been established, it may be more productive if communication about them and assistance with access is re-examined. Currently, for the stakeholders interviewed the gender dimension was not an issue on their policy agenda, although it was emphasised that there is equal opportunity in applying for funds under the financial instruments.

Evaluation Results

4

Effectiveness

The programme started in 2007 and runs till the end of 2013. This means that agreements can be concluded up to 31st December 2013. The **availability periods** for SMEG may **last until the end of 2016**. For **GIF the investment period runs even beyond 2016**. This means that this evaluation covers only an initial period of the implementation of the Programme. This is an important consideration in the assessment of the levels reached up until now and the results that are to be anticipated in the coming years. Most effects, however, will be visible after the closing date of the Programme in 2013. This is especially the case for the GIF instrument.

For GIF, the CIP Decision specified the **anticipated number of funds** to be supported - 17 for GIF 1 and 15 for GIF 2. To reach these levels, 4 agreements have still to be signed for GIF 1 and 9 for GIF 2. Among the funds, 4 should be focussed on eco-innovation. At the end of December 2010, agreements had been signed with 3 funds, under the eco-innovation envelope, so this element has nearly been achieved. There are also new agreements in the pipeline. For **SMEG** no values for the number of **agreements with intermediaries** were set.

GIF 1 includes the option that intermediaries with co-investment arrangements with business angel networks may receive an additional and separate commitment for co-investments. At this stage no co-investments have been made with **business angel networks**. The main reason for this is the incompatibility between the flexible and rather independent approach of business angels and the structured framework of the GIF. Considering that business angel finance and other informal investors, like friends and family members, comprise the main source of equity finance for early stage SMEs ways should be examined to stimulate the supply of business angel finance. This was also suggested in the interim evaluation, but the emphasis could be on facilitating a 'marketplace' and promoting networks of business angels and SMEs, rather than fitting business angels into a formalised and inflexible structure.

SMEG and/or GIF intermediaries are located in 21 Participating Countries of which 18 are EU Member States. Agreements with intermediaries in other countries are in the pipeline. At this stage, intermediaries from a limited number of Participating Countries are participating in SMEG. The same holds for GIF. In the case of GIF, intermediaries are located in 12 Participating Countries, and because some funds have a multi-country focus, there are beneficiaries in 16. Intermediaries of SMEG (loan and micro credit window), are located in 15 Participating countries. The reasons that intermediaries in some countries do not participate in GIF or SMEG may be the existence of national schemes, or the use of other EC instruments for example those available under the Structural Funds. The policy has been to make the allocation of the funds demand-driven, so the distribution does reflect the fact that institutions in some countries have been more active in seeking funds than in others or that in the case of GIF, there are not sufficient co-investors for funds. In addition, it has to be remembered that the Programme is still half way in its implementation period and there is still room for further developments, but the differences between countries certainly cannot be explained by the extent to which SMEs meet problems with accessing venture capital or debt financing.

At the end December 2010, the number of GIF beneficiaries was 143. The anticipated level for the whole period, as indicated in the annex to the CIP Decision, is 1,200. Given, however, the budget and the average investment per fund, this anticipated level would be difficult to achieve.

Evaluation Results

4

The **number of SMEs benefiting from SMEG** is 109,775 whereas the anticipated level over the whole period of the programme is 315,750. The momentum is clearly building, with the numbers benefiting almost doubling in 2010 and, as mentioned, the availability period can run until 2016.

The survey among final beneficiaries shows **considerable leveraging effects** attributable to the investment made by the beneficiary. A large percentage of SMEG beneficiaries (42%) stated that receiving the guaranteed loan made it easier to obtain additional financing. For the GIF beneficiaries, often innovative and capital intensive SMEs, this was the case for 77% of beneficiaries seeking additional financing. Impact from SMEG and GIF is therefore a combination of the financing provided in combination with a real leveraging of other financial sources.

Beneficiaries stated that the financial support will most likely have a **positive influence on long-term prospects**. More than 90% of the GIF beneficiaries indicate that the financial support has a positive or fairly positive impact on their long term growth prospects. For SMEG this is indicated by 76% of the beneficiaries.

Furthermore, these activities are **feeding through into growth in turnover and jobs** in a substantial majority of cases. 62% of GIF beneficiaries expected an increase in turnover in 2010 and 75% in 2011 and in most of these cases a growth of between 26% and 100% was expected. Since GIF 2 in particular, focuses on high growth enterprises in the expansion phase, these levels can be expected to materialise. As for the turnover related to eco-innovations, the percentage of GIF beneficiaries that declare their share of turnover related to eco-innovation to be between 50 and 100% has risen from 53% to 70%. This is an indication of the success of GIF in facilitating eco-innovation uptake in the markets.

From the SMEG beneficiaries almost half were expecting growth of turnover in 2010 and 2011. Similar results are found for job creation. Almost half of the SMEG beneficiaries attributed new or saved jobs to the support, while for GIF this figure was 89%.

Many **beneficiaries**, most notably the GIF beneficiaries, declare that they are active in **innovation**; 83% of GIF beneficiaries are engaged in product or service innovation, 70% in process innovation and 76% in innovation of strategy and business practices. For SMEG, the figures are 61%, 50% and 60% respectively. Of the GIF beneficiaries, 55% are engaged in **eco-innovation** in products and services, 38% in processes and 36% in strategy and business practices. For SMEG beneficiaries, the percentages are 32%, 27% and 30% respectively. The facilities do therefore seem to be reaching the right target groups and having the intended effects, but this does not mean that the financing is specifically used for innovation or eco-innovation. The **financing** is for example also **used for** working capital or for entry to a new market.

Apart from the financial means, GIF beneficiaries also received **other support from the funds**. In sequence of importance, this consists of: appointment of a non-executive director, advice on general business planning, access to a network, financial advice, special business advice and a mentor.

Overall, the conclusion is that the **funds are getting through to the intended beneficiaries**, that this is having the desired effects in terms of innovation, growth and employment and that, although there is still a long way to go to reach the levels anticipated at the time of the CIP Decision, a momentum is building as more intermediaries are being supported and they in turn are being more active.

Evaluation Results

4

Efficiency

In general stakeholders have the impression that the **instruments are administered efficiently** and that money is not wasted. The perception however of many stakeholders, is that the **procedures for intermediaries participating or willing to participate are complicated** and the administrative burdens are high. In some cases this has inhibited certain major banks from participating.

This issue was also raised in the Interim Evaluation, during which a large number of intermediaries were interviewed. One of the suggestions was that EIF should improve its **communication with financial intermediaries** so that they have a better understanding of the rules governing the financial instruments. Actions in this field were in fact taken (for example improvement of the website). The recent evaluation of financial instruments by the Court of Auditors concludes that 88% of financial intermediaries agreed that the operational instruments provided by EIF were clear. Furthermore 98% of the intermediaries stated that the EIF is always willing to provide further information to clarify operational issues. This could mean that the perception of procedures by potential intermediaries is of greater complexity whereas this is less the case for intermediaries actually participating in the scheme.

This Final Evaluation focuses on the perception of the final beneficiaries. One third of the beneficiaries of SMEG received the financial means within 30 days of the application and another third within 60 days. Application for GIF support took longer, as expected. For about three quarter of the beneficiaries the procedure took more than 3 months.

Some difficulty was experienced, both in the current and Interim evaluations, in gaining access to final beneficiaries, in spite of the helpful intentions of all those involved. The problem arises from a lack of clarity about the obligations of those supported. It is necessary to have clear contractual terms, obliging beneficiaries to make their contact details available for evaluation as well as auditing purposes, and informing them that they may be requested to provide information. Resolving this issue would not impact directly on the efficiency of the execution of the instruments, but it would facilitate the evaluation process and thus help in the future development of the Instruments.

Awareness and communication

About half of the **GIF beneficiaries** indicate that they were informed about the instrument by an enterprise agency. The proportion that received information from other sources such as banks, accountants, Chambers of Commerce, business organisations is much smaller. As expected, almost half of the **beneficiaries of SMEG** received information on the instrument from banks. Around one tenth, found information through their own research, from an enterprise agency or an accountant. Also in this case, a small share received the information from other sources.

The stakeholders suggest that **information and communication about the financial instruments should be improved**. This holds for all target groups: stakeholders, financial intermediaries and possible final beneficiaries. The “EU finance days for SMEs” are seen as helpful, but feedback should be given by country about the results. Also the website of EIF has been further improved in recent years to provide information on the instruments, though not all stakeholders appear to be aware of what is available. In addition, the Commission has set up the “access to finance” site in the SME Portal, providing details on the intermediaries by country.

Evaluation Results

4

In addition, stakeholders (business organisations as well as national officials) would like to have more detailed information on the support received by SMEs in their own country, in order to promote involvement. The financial instruments are an instrument “for and of the market”, which as some, though not all stakeholders acknowledge, means that the aggregate level of activity is most important, but that does not mean that detailed information at a country level is not useful in encouraging business organisations and national governments to be more active in stimulating the use of the Financial Instruments.

In the Annex of the Council Decision of the CIP, the indicators are listed that have to be monitored by the Commission in total, for the EU and by Member State. As chapter 2 shows, some of the indicators are not publicly available and not all are included in the annual Implementation Reports.

Utility, Sustainability and European value-added

As described, a large part of beneficiaries of both GIF and SMEG indicate that the **financial support received was the only option** for obtaining the funds needed. One quarter indicated that there were other options but these sources would not cover the total amount of the financing needed.

The possible improvements raised by EIPC members and representatives of business organisations, regarding the existing measures relate to more general issues such as more information, more transparent information, more communication to intermediaries. No improvements were suggested relating to the details of the instruments.

In the Interim Evaluation, it is suggested that action is needed to monitor the supply of **early stage venture** capital to innovative high growth potential. Considering the contribution of this type of enterprise to the European economy, support for these enterprises is indeed needed. However, although little direct information is available on the share of these enterprises in the European business sector, the share is almost certainly relatively low (around 10%). Further research by the Commission may help to gain greater insight. Monitoring of the level of innovation and growth of the beneficiaries can only be done by surveys. As also suggested in the Interim Evaluation this can be done cost-effectively through regular surveys, if intermediaries provide EIF with at least the e-mail addresses of the beneficiaries.

Opinions differ as to whether the **SMEG facility** or this type of instrument should be implemented at a **European level**. In some Member States, in particular the older Member States, guarantee schemes have already existed for decades. Some are therefore of the opinion that the instruments are most relevant for the new Member States, where they could be provided through the Structural Funds. However in countries where similar national support systems do exist, the focus of SMEG can be on beneficiaries that are not yet covered by national schemes. Coverage of ostensibly riskier enterprises engaged in innovative activities is one possibility. In addition, others indicate that in this period of crisis in which it is more difficult for SMEs to find finance, it is important that the SMEG should be continued.

The opinions of stakeholders are divided on whether **SMEG** should focus more on **innovative enterprises** (an area where market or national provision is still weak). This divergence in opinion is in line with that evident in the CIP conference “Ready to Grow?” where although there were arguments in favour of concentrating support on highly innovative SMEs, there was also a case presented for support to more traditional SME and therefore a continuing need for loan guarantees.

Evaluation Results

4

One of the most notable sources of European value-added from the instruments is the **leverage effect** or the multiplier. The support of beneficiaries by the EIF through guarantees or equity encourages other investors or financiers to come on board either as a result of the vote of confidence made by the EIF (GIF), or the sharing of financial risk (SMEG).

An additional element in the value added of SMEG is that EIF provides **skills** on how to run loan guarantee schemes in countries in which these are not available and thus promote best practice in a direct way.

The **beneficiaries of GIF, in particular, operate on an international market**; only one fifth work mainly in a national or local market. In addition, seven of the venture capital funds have a broader geographical focus and operate across boundaries. The beneficiaries of **SMEG**, in contrast, and this holds for both the loan and micro window, are mainly active in their national market. From the perspective of stimulation of cross border activities, therefore, GIF is far more relevant than SMEG.

As already described in the Interim Evaluation there are **overlaps with other EU financial instruments** run by other Directorates General. In the context of micro credit, the relevant Directorate Generals have joined forces and developed the European Progress Microfinance Facility (EPMF) that became operational in June 2010; although this does not mean that the current instruments have ceased to exist. Guidelines have been defined clarifying when EPMF or the SMEG micro credit window should be used. In addition, the relevant Directorates General are developing a code of conduct for micro finance institutions in close cooperation with stakeholders.

The take up of the **guarantee scheme for equity and quasi-equity investment** is very low. The advantage of this scheme is that it enables the EIF to have a complete portfolio of support to intermediaries, but support for this window is limited. The take up of the guarantee scheme to support **securitisation structures**, has not been realised yet, as a result of the current situation in the market for securitisation with the continuing influence of the credit crunch. But expectations are high due to the high potential leverage effects of this instrument.

4.4 Conclusions on the Enterprise Europe Network

Comment on EIP actions relating to the Enterprise Europe Network is made under each of the evaluation headings referred to in the previous section. As with the section on the Financial instruments, the evidence supporting conclusions is drawn from monitoring data, from the evidence of the survey and interviews with Network members and their host organisations, plus the comments on the Network made in the course of more wide ranging interviews with Member State representatives, business organisations and Commission staff.

Relevance

Overall, the Network is perceived by partners, hosts organisations and clients to work efficiently and to provide adequate services to SMEs. The difficult process of fusing former networks (EICs and IRCs) and operating in a new framework has now reached a stage where the benefits clearly outweigh the disadvantages. As a result, a **tremendous asset** has been created in the well-developed personal relationships between Network members across Europe. This is an element that is highly valued by network members and the basis of services of great value to enterprises.

Evaluation Results

4

The **Network is seen to be adequately addressing the needs of SMEs in Europe**. The survey conducted with SMEs that have used the Network, shows that over 68% of respondents were 'satisfied' or 'very satisfied' by the services offered. 42% of clients also said that the Network's services had improved or significantly improved their businesses and a further third of clients (31%) thought the Network had some significance on the improvement of their business. Slightly over 10% of clients were less than satisfied with services provided. Some of these clearly had unrealistic expectations (e.g. expecting the Network to be able to provide them with grants or other funds), but there were still a small number whose dissatisfaction needs to be addressed.

One of the interesting results from the survey of Network beneficiaries is that **the basic information function** of the Network – explaining European legislation and its consequences - is an important function and one that is valued by Network clients. A number of beneficiaries and network members believed that the Network could offer other services in this area. These mainly include the production of guides explaining the legislation in place, both European legislation and that in other Member States, particularly in relation to specific products, translation services and information and support for finding research and other EU grants.

Network members who had been involved either with the IRCs or the EICs expressed their belief that the **Network had efficiently merged some of the positive aspects of its predecessors** by generalising the services offered while keeping a level of specialisation. It is noticeable, for instance that the number of offices that are actively engaged in assisting SMEs with innovation and participation in Research programmes considerably exceeds the number of former IRC members.

Effectiveness

The Agency determines **targets for the Network**, based on a consultation with members, but with a strong element of direction. Currently this has led to a marked emphasis on support for innovation and internationalisation, with partnership agreements being the prime indicator for EACI. These can take the form of commercial, technology transfer or research partnership agreements. It is felt by a number of Network members that this emphasis does not give enough recognition to other activities, for instance, the basic service of explaining EU regulation and procedures to enterprises. This is particularly true in newer Member States and countries where enterprises seek more understanding of the impacts of regulations on their markets. This perspective is also supported by the survey of clients according to which the three most used services are 'published' information (54%), events (47%) and general information services (45%).

In spite, however, of the stress on technology services, the situation with regard to **innovation support still appears to require better overall management and organisation**. In particular, the relationship between the Enterprise Europe Network and the FP7 National Contact Points (NCPs), which was raised in the Interim Evaluation still needs further work on the ground. Centrally, there is now a co-operation agreement between the two networks and in practice the system seems to work well when the NCP is a member of a consortium. In other cases too, the two organisations are clearly working well together⁷¹. However, in some instances, especially when an NCP is hosted by the same organisation as the Network member, the networks are kept separate and queries to the Enterprise Europe Network about research are diverted to the FP7 National Contact Points. This poses a problem for internal management of the

⁷¹ In Latvia for instance, the Network organised FP& regional information day; in the UK, joint visits were made by the NCP and the Network

Evaluation Results

4

Network, since the organisations concerned are not in a position to respond to the technology agreement targets. However, more significantly, it also poses a problem for the provision of seamless business support, an important element of best practice in this area. It is the sort of situation that has led one Member State representative to argue strongly for the creation of a one-stop-shop for enterprises, where they can get direct access to all EU support schemes.

More generally, a number of members of the Network stress that it is important to place the promotion of participation in research in a proper context. It is necessary to see **research as an important element in the innovation cycle**, but not the full story. There is a perception that research-driven development is putting too much emphasis on that part of the innovation chain and that this does not correspond to the realities of a modern economy. Research thus is of less importance to some enterprises than other services, such as the access to good marketing and design.

There is no overall picture of **the relationship of Network members to their host organisations**. In some countries, such as France or Lithuania, there are real synergies, while in others, the Network is perceived as being 'bolted on' to the host organisation. There is scope to develop the conception that the Network is the natural EU extension of the services offered by the host organisation. Complementarity between the services offered by the host organisation and the Network could, in a number of cases be strengthened.

The survey of Network clients showed that the most used services are the most wide-reaching ones, such as published information, general information services and events. Other more specialised services and support services such as research and innovation support and specialised advisory services and subscription-based services (15%) are also popular amongst clients. Finally, linking and partnering services are also used 15% of clients using partnering services. This bodes well for the Networks' concept of functioning using a funnel approach. A large number of SMEs are contacted; out of these, a number use the Network further by benefiting from specialised services. Finally, a core of companies will be helped to build partnerships with other SMEs.

In spite of the difficulties of assessing the ultimate effects of business support services, where it is often difficult to say if they have made a critical difference in a complex situation, there is some evidence of longer term effects on business growth and employment. 15% of respondents to the evaluation survey said that the assistance from the Network had helped to increase turnover and 5% said that it had allowed the client to increase employment.

In examining the question of **the use of the Network to provide feedback to the Commission on SME issues**, another matter highlighted in the Interim Evaluations, the evaluation team found a mixed picture. First, a number of successful consultations have been organised. However, the scope for continuing to stage these events is sometimes rather limited. This service needs a lot of time (identification and selection of the companies able to answer, translation of the questionnaires, follow up and feedback) and can incur large indirect costs for the Network member, with limited perceived results. There is also a question about the extent to which enterprises can be persuaded to participate in a series of such events, when their ultimate impacts on regulation and policy are not evident. The Agency and the Commission could have a role in emphasising the usefulness of such exercises beyond the summary provided to participants, particularly if it is possible to show how such events can make a difference to legislation. Greater co-ordination with instruments, such as the European Business Test Panel might also contribute to a steady process of building up of this service.

Evaluation Results

4

Efficiency

The Enterprise Europe Network was created as a result of the merger of two pre-existing networks, the Euro Info Centre (EIC) and Innovation Relay Centre (IRC). The effective merging of the operational side of the two parts is still in progress and there are still different approaches between former EICs and IRCs concerning the development of partnerships. Some respondents felt that IRCs had higher standards in some areas than the EICs, especially in relation to providing in depth assistance with business strategy issues for their SME clients. Another concern about the integration of the two networks has been the IT tools. The development of a joint system was delayed and has led to problems of communication, including some issues between Network members. Former IRC members also regret the abrupt interruption of the IRC database which had been regarded as a useful and efficient tool that has not yet been fully replaced. One member from Denmark, who believed the good functioning of the Network in his country was partly due to it not being divided between modules⁷², believes that the heritage of modules has led to a slower integration and welcomed their abandonment in the next period.

However, the general perception is that the difficulties of the past are being left behind and **the benefits of integration, especially for SME clients are now being felt**. Everyone contacted during this study was on balance positive about the Network. Overall the quality of the service provided is seen by users as very positive, with 68% of survey respondents either satisfied or very satisfied and only 12% not satisfied or not at all satisfied with the services provided.

Furthermore, the information provided in section 2.9 shows that **the Network is on track to achieve the outcomes anticipated at the beginning of the Programme and the targets established since**. In fact, performance is continuing to improve and the Network is providing a wider and more sophisticated range of services than was anticipated in the initial Decision and Impact Assessment. The one qualification to this concerns the number of business co-operation contacts that were anticipated. One interpretation of the estimate is that 130,000 enterprises would be put in contact with a potential partner each year. The nature of this contact is not specified and the number anyway is surprisingly high. No data are in fact gathered on the number of contacts facilitated with potential partners; only signed agreements are accounted for. The evaluation team believes that the Agency has been correct to focus on the number of partnership agreements eventually signed as the most significant indicator and this number is bound to be substantially lower (2,773 recorded after 30 months) than that apparently anticipated. What is particularly significant, however, is that the number of agreements of this kind is now two to three times higher in each year than at the beginning of the new Network.

Some host organisations, including associate members of the Network feel that **ownership and governance** are an issue and would like to be consulted more. There would also appear to be a problem of divided loyalties in some cases. At a recent meeting, a question was raised of whether those involved in the Network felt they were primarily Network members or primarily belonged to their host. Those present were split relatively equally between the two positions. The host organisations cover around 40% of the costs of the Network and this represents a reasonable degree of leverage for EU funds, but more effort is needed to align the interests of the Network and its hosts, if the areas of common interest are to be exploited further. This should include a process of building the status of the Network within the business organisations that host them, increasing awareness of the nature of the services that the

⁷² In the first phase of the Network's operation, members could choose between different 'modules' – service packages – which allowed some to concentrate on business co-operation or internationalization, while others concentrated on promoting innovation or promoting participation in research and development programmes.

Evaluation Results

4

Network can deliver for host organisations' members. It is again relevant in this context that the main business representative organisations at European and national levels have little appreciation of the nature of the EIP at an operational level. This is not an easy task. There is no obvious mechanism for engaging with a large number of host organisations at the same time, but a consistent policy of consciously building relationships where the opportunity arises could help certainly help to increase the leverage that the Network is able to obtain.

Some members of the Network also believe that the **vision and leadership** required for the Network gets lost in procedural interactions. The Agency has clearly established a framework in which Network members have a clear and common understanding of its main objectives and the need to measure performance and improve it over time. However, a number of respondents feel that the Agency adopts a relatively formalistic and bureaucratic approach to the delivery of services, with little interest in the real processes that are involved in the interaction of the Network with their SME clients. In addition, some parts of the Agency are said to have a tendency towards micro-management, where a more strategic approach would be appropriate. Some respondents also complained about long delays in resolving administrative matters, especially when this involved contractual changes, for instance, in order to address changes in the legal status of host organisations,.

In general such comments tended to refer to the early period of the transfer of responsibilities from DG Enterprise and Industry to the Agency and it is generally felt that matters are improving, although the high turn-over of Agency staff is hindering this process. The majority of people who raised issues were also keen to point out that some Agency staff members were extremely helpful and efficient and that aspects such as training provision were highly appreciated. The overall impression of the evaluation team is that after the difficulties of establishing a solid foundation for an efficient Network that performs well, there is scope for developing a more mature relationship with Network members, with greater attention to strengthening the strategic position of the Network and its services.

Two particular problems remain for improving the efficiency of the Network. One relates to **continuing to improve the IT support provided**, which is currently seen as only being adequate. Important developments in this area are planned for 2011. It remains to be seen if these will deliver a clear improvement. The other relates to the development of a more effective way of **changing and improving the composition and quality of the Network**. Part of this relates to contractual matters – the need to be able to adjust the contractual arrangements for Network membership more easily both in response to institutional changes on the ground and in response to failure on the part of some consortium members to adequately deliver their required contribution. Another part relates to finding ways to apply peer pressure more effectively, when the obligations of some of the Network members to their colleagues are not being met. This is a matter of some importance for the reputation and effectiveness of the Network, given its dependence on reciprocal arrangements between its members.

In relation to the **funding of the Network**, while no one saw the co-financing rate of consortium members as too low, some specific problems were identified with the national financing. In one country at least, no agreement of financing had been reached for 2010 by December of that year.

On the other hand, a number of Network members are having difficulty in securing (agreed) national or regional funds and it is felt that the consequences of the **on-going financial and budgetary crises** in a number of Member States should be a matter of high priority for the Commission and the Agency.

Evaluation Results

4

Awareness and communication

The Network is a major vehicle for communication to and from the business community across Europe and can play an important role in **highlighting Commission initiatives and disseminating the results of actions** that have taken place under other parts of the EIP and other EU programmes. Consideration is given in section 4.7 and elsewhere to the role that the Network could play in generating important synergies for the Programme through this process and the case study 'Dissemination of EIP Results by the Enterprise Europe Network' – to be found as Annex A.2 - also directly addresses this issue. The point at this stage is to remark that, as well as making known its own services, the Network does have this important function, that considerable efforts are being made in this direction, but that the calls on the Network in this way are many and diverse and there is a need for a more systematic approach to the management of this important process.

In relation to awareness of the Network itself and the communication of its presence and the services it can offer, a number of Network partners identify a **visibility problem**. This was underlined by the Impact Evaluation of the Network in Sweden, where a number of companies contacted during the research were not aware of its existence, even when they had actually made use of Network services. In the majority of cases, the contact point is hosted by a regional or national business support organisation such as Chambers of Commerce. Clients approach the Chambers as the natural point of support and may be offered services from the Network which are not labelled as such. Visibility is also affected by a parallel issue, where in at least two cases, the host organisation does not allow promotion activities from the Network on their premises.

The lack of clarity about the nature of the service provider also stems from the deep integration of the network in some host organisations. The majority of staff only perform Network tasks part-time allowing them to continue working for the host organisation itself. **Confusion with other Networks** such as ECC-NET and Solvit are not uncommon while other members refer to clients' uncertainty about the difference between them and FP7 National Contact Points.

For some EIPC members, the longest lasting negative effect of the merger of the EIC and IRC is the loss of **the brand name**. With the creation of the Network two brand names that were known and recognised in a number of countries disappeared. It has taken some time for the Network to re-establish itself and some evidence points towards the fact that it is still doing so. The insistence on the use of the term 'Enterprise Europe Network' in English in all circumstances is thought not to be helpful in some cases.

Some consideration could be given to an alternative approach to promoting the Network, moving away from an emphasis on the Network as such, where there may be a conflict perceived with the branding of the host organisation, towards **the promotion of the distinctive services** provided by the Network, which the host organisations can actively promote, without the thought that they might be undermining their own position.

Utility & Sustainability and European Added value:

The Network has **clear European added-value**. The survey of Network users shows that the majority (60%) of respondents did not have alternative organisations offering similar services. In addition, 57% of those who had access to local (national or regional) organisations offering the same services chose the Network for its European dimension. One aspect that was emphasised by a wide number of

Evaluation Results

4

respondents is the informal benefits of the network. There is a clear sense that members of the consortia know each other well and that this can have a real input in helping SMEs in their queries. In this respect, such events as the annual conference are very important for the creation and continuation of this informal aspect. A few members interviewed expressed their belief that while they did not offer the same services as existing local organisations, their hosts feared that this was the case. While the notion of the integration of the Network into existing structures is subjective, according to one EIPC member who has an in-depth knowledge of the EIP, the Network is much more effective in countries where the Network is integrated than where it is in competition with existing structures.

In this context, some business organisations have reservations about **a perceived extension of the Network outside the European Union**. For some business organisations, there is a confusing picture across the different Commission DGs that have developed initiatives in third countries. And national Chambers of Commerce often have offices in the target countries. An extension of the Network to Third Countries risks causing confusion. The Commission's position is that the Network will focus on providing services to EU SMEs and will remain an EU network. However, trading with third countries is a natural extension from trading across borders within the EU and in supporting these developments, links with existing networks and structures outside the EU are certainly helpful. Existing structures, such as SME centres, have direct links with local organisations but the Network would also like to develop its presence in other countries, either through the creation of consortia or through the sharing of working tools such as databases with them. In this area, developing better working relationships with organisations that already have a presence in third countries is an obvious way for the Network to serve clients with an ambition to trade beyond the European Union. In this, observing the principles of best business support practice is important, particularly in ensuring that provision is coherent and co-ordinated and avoids presenting a confusing picture to enterprises.

4.5 Conclusions on the innovation Actions (All Forms of Innovation in Enterprises)

Comment on EIP actions relating to 'innovation' under each of the evaluation headings referred to in the previous sections will be divided into general comments on innovation actions including Europe Innova and PRO INNO and those more specifically relating to Eco-innovation, in line with the distinctions made earlier in the Report. The comments on Eco-innovation are to be found in section 4.6.

As with previous sections, the evidence supporting conclusions is drawn from monitoring data, though this is relatively weak, in the innovation area, from the evidence of surveys and interviews with the beneficiaries of support, plus the comments on innovation activities made in the course of more wide ranging interviews with Member State representatives, business organisations, innovation support organisations and Commission staff.

It should be remembered that **the original Decision on the CIP made relatively little reference to innovation activities** and that there was a similar situation with the initial Impact Assessment and indeed in the Interim Evaluations, where it was thought to be premature to make extensive comment on this part of the EIP, since it had only recently been transferred from the Research Framework Programme. In contrast to some of the other elements of the EIP, there is less of a reference point in terms of expectation for the innovation activities and also a less well-developed monitoring framework. In fact, **the monitoring framework in the innovation area is still in a less developed state** than that in the other areas and consequently this plays a correspondingly less significant part in the conclusions of this section.

Evaluation Results

4

Relevance

The basis of the Europe Innova and Pro Inno initiatives is the perceived need for the EU to support the development and testing of new innovation support programmes and innovation services and to promote the identification and dissemination of good practice. While, in the case of PRO-INNO, the development of innovation policies is the responsibility of Member States authorities (national or regional), in isolation there is a rather limited check on their effectiveness. Cross-country comparisons and exchange of knowledge and experience are a significant missing element. Against a background of major differences in innovation performance across Member States, PRO INNO activities are to be seen as effective way of transferring good practice and promoting a general improvement in the shaping of innovation policy.

Most Member State representatives interviewed and business organisations see the innovation activities as important and relevant, especially within the developing context of Europe 2020 and the concept of the Innovation Union. Some reservations were expressed, however, about **the number of activities undertaken** and the difficulty in keeping track on the results of the various projects. It was suggested that there is a danger that action to promote improved innovation policy and support across Europe could lose focus and direction.

Similar concerns were referred to in the Interim Evaluation, where it was reported that some stakeholders considered that PRO INNO was rather complex and fragmented.

This **perception is not necessarily supported by those more directly involved in the actions**. The 2009 public consultation on the effectiveness of innovation support, organised by the Commission, had 73% of responses from institutional stakeholders saying that cooperation, exchange of information, good practice and policy learning have very high relevance and the same applied to actions to facilitate networking and cooperation. Both responses represent a strong endorsement of the PRO INNO activities that had been organised under FP6, but also of the approach adopted in the more recent period. Similarly 63% rated as highly relevant the efforts under Europe Innova to facilitate the development of new tools and instruments in support of innovation.

In the PRO INNO survey conducted for this evaluation, the great majority of innovation policy makers and intermediaries (>70%) that participated considered the three topics that have been given priority under the PRO-INNO and Europe Innova initiative - knowledge intensive services, eco-innovation and cluster cooperation to be relevant or very relevant.

The concentration on these topics does follow from a **strong existing political mandate**, expressed in policy documents that include Commission communications (Towards World-class clusters in the EU, Putting knowledge into practice: A broad based innovation strategy for the EU) and action plans (ETAP). A number of actions implemented by Europe Innova platforms or PRO INNO projects emanate directly from these policy documents.

Furthermore, the Commission has made **efforts to strengthen coordination** among the PRO-INNO activities under INNO-NETS and INNO-Actions based on cross-participation in workshops and platforms and the use of knowledge from studies and data analysis from the INNO-Grips and Inno-Metrics in other activities such as the Inno-Learning platform or Inno-Views. The **focus on the three thematic areas** has clearly helped in this direction. For example, in the area of clusters the Reflection Group under TACTICS aims to support the European Cluster Alliance and will help implement the policy recommendations of

Evaluation Results

4

the European Cluster Policy Group, another initiative under PRO-INNO Europe. Unavoidably in an area as rich and diverse as innovation policy, there will be some overlaps, but the real test of how coherent these developments have been will be if it is possible to identify coherent, consistent and effective messages in the detailed work that is being undertaken that can be communicated effectively to a wider policy audience and subsequently adopted.

The Commission services also state that there has been a consistent attempt to increase **the connection and synergies between Europe Innova and PRO INNO**. The joint conference of the Europe Innova Annual Partnering event and the PRO INNO Episis Inno-Net initiative is one such example of an attempt to bridge from the development of policy to innovation support services, on the basis of the actual experience of innovation service providers. There is also cross-reference to news items, outputs of the activities and reports in the web-sites of the two initiatives. Furthermore, some of the Europe Innova project coordinators referred to cooperation with participants in PRO-INNO activities in order to increase the visibility of their project. This will be reinforced further if the Commission's plan to increase synergies and cooperation is realised by bringing together the two initiatives under one single platform in the next round of calls.

The analytical tools under the INNO-Metrics, the INNO Policy TrendChart and INNO-Grips (Scoreboard, studies, briefs) are also seen as particularly relevant in addressing the need of the Commission and the Member States policy makers for **up-to-date information on innovation policy developments** and of a thorough assessment of policy practices. They provide analysis of relevant data and a cross-country comparison and assessment of the various tools that is important for the development of effective and relevant innovation policies. The Commission officers and Member States policy makers do not have the tools or the resources to undertake this analysis themselves.

In the case specifically of Europe Innova, most stakeholders recognise the existence of gaps in the provision of targeted innovation support services and tools, in part because it is difficult to develop a market and private sector provision for such tools. Europe Innova funding and the innovation platforms help by supporting the development of sector-specific tools and ensuring reference to a broadest possible market. Through activities like the standardisation and validation of the services or the adoption and extension of demand side measures like innovation voucher schemes the aim is to strengthen the recognition of, and the demand for, innovation services by SMEs.

The evidence collected also suggests the presence of **connections and linkages of the Innovation activities under the EIP with other EU policies**. A large number of Europe Innova platforms develop activities that are linked or are complementary to other EU policies and measures, such as the Lead Market Initiative or the European Technology Platforms.

The analysis of activities supported through the platforms confirms the presence of such linkages even though they appear not to be as strong as initially claimed. Thematically, four of the six Lead Market Initiatives (Sustainable Construction, Bio-based products, Recycling and Renewable Energies) are covered by one or more of the Innovation Platforms supported by the scheme. Project coordinators interviewed referred to certain complementarities with LMI activities in the case of BioChem (bio-based projects), GreenConserve and AchieveMore (sustainable construction) and REMake (Recycling) but most did not consider them as straightforward and clear, since the actions supported focus primarily on the supply side in contrast to the LMI's demand-side orientation. Still, certain demand side actions were also included in, for instance, REMake whose activities aim for "...the widest use and market uptake of

Evaluation Results

4

sustainability and innovation-enabling standards and regulations in the field of RRE in European manufacturing SMEs”.⁷³

The connection and synergies with the various Technology Platforms is more direct for most of the projects referred to above but also in the Innwater innovation platform. The coordinators interviewed also referred to direct cooperation with the coordinators and participants in the Technology Platforms either to validate the services developed (Innwater), to develop linkages with companies and other relevant organisations (GrenConserve) or help reach a more extended number of SMEs (BioChem).

Generally then, **the process whereby the Commission pushes forward ideas on innovation is welcomed** and there is evidence that the effort in this area has influenced debate across Europe and the way that national, regional and local authorities have developed their own policies and innovation support services. This approach is judged to be coherent in itself and also with the policies of Member States and other policies at a European level.

Effectiveness

The objectives of Pro-Inno Europe activities are the creation of new knowledge about innovation policy and the promotion of policy cooperation in order to share the acquired knowledge and experience and lead to the development of better innovation policies in Europe. The target group of PRO-INNO activities includes innovation policy makers and innovation support actors who, through better innovation policies, can help European enterprises be more innovative.

When measured against these objectives, the results of the survey indicate that, overall, **PRO INNO Europe is genuinely effective and particularly so in supporting the exchange of knowledge, experience and understanding about innovation policies and innovation support tools**. More than 60% of respondents indicated important or very important benefits. It is also considered to be effective in supporting the development of innovation cooperation among policy makers and support providers, though around a third of respondents appeared to be more sceptical on this point. On the follow-through of the knowledge obtained into the policies adopted by authorities at national and regional levels, there is more hesitation with a significant proportion of respondents saying that participation had only ‘somewhat’ helped with the development of innovation policies and support measures. Still, more than 35% of them were more positive, assigning an important added-value to their participation in the PRO-INNO activities. Individual comments made by respondents also suggest that the networking opportunities provided, the sharing of knowledge and the opportunities to learn about innovation policy and existing best practice represented key benefits from participating in PRO-INNO, very much in line with its stated objectives.

The hesitation noted here may well be explained by the fact that it is still early days to be applying the lessons learned. The interviews with a small number of policy makers were not able to provide concrete examples. Still, over 70% of the survey respondents stated that they expected them to lead to **concrete recommendations for policy actions** and just over 50% stated they have already done so.

When this overall picture is analysed in terms of the spread of activity, however, some important implications emerge. There is a rather **limited participation of policy makers and service providers from certain Member States** in PRO-INNO activities. Less than 16% of respondents in the survey were policy

⁷³ <http://www.europe-innova.eu/web/guest/eco-innovation/eco-innovation-platform/remake/activities>

Evaluation Results

4

makers from the new Member States (EU12) and more than 60% represented the 10 Member States with the best innovation performance according to the 2010 Innovation Scoreboard⁷⁴. Furthermore, for some respondents PRO-INNO is seen as a rather exclusive group of the policy makers and other actors from the most countries with the best innovation record. From the Commission side, the view is that this uneven participation is not necessarily a problem. PRO-INNO's prime role is to operate as a testing ground for new innovation policies implemented in the countries with the greatest experience in the area and it is to be expected that these countries will be the most active. Furthermore, PRO INNO has consciously carried forward the inheritance from framework research programmes of **pursuing excellence**. New knowledge created and the best practice identified have to be disseminated and adopted more broadly, but this should be done through the use of other support tools and schemes available, including the Structural funds. In addition, PRO-INNO does have an active communication and dissemination activity⁷⁵ aiming to promote the results of PRO-INNO. This is based on annual partnering events, an online repository of best practice and other promotional activities.

However, these dissemination activities still tend to focus on the Member States that are most active in promoting innovation. To reap the full benefit of the solid results that have been achieved, **a more systematic dissemination of the results is needed**, through a more conscious and co-ordinated approach to dissemination.

The connection already established with the Regions for Economic Change Initiative under INTERREG IVC⁷⁶ that supports the development of innovative policies and services, provides an example of the potential to reach a broader number of policy markers. In cooperation with DG Regional Policy there is an ongoing promotion of the activities and the knowledge base created from the Pro-INNO policy analysis tools. The activities related to cluster development and management (e.g. European Cluster Observatory and the European Cluster alliance) appear to be particularly relevant, with promotion of the relevant policy papers and the Inno-NETs network. The objective is to promote the relevant information and knowledge developed to Managing Authorities, policy makers and other regional players.

In addition to that, DG Enterprise and Industry has launched the Regional Innovation Monitor⁷⁷ that aims to provide policymakers and other innovation stakeholders with the analytical framework and tools for evaluating the strengths and weaknesses of regional innovation policies and systems. It will be based on the use of cases studies and a benchmarking tool. There is a direct connection with PRO-INNO Europe activities and the relevant outputs, since the analysis will be based on methodologies developed in the context of the INNO-Policy Trendchart.

The above activities already provide a platform for the dissemination of outputs and learning to key target groups outside the group of PRO-INNO participants. Despite that, there is still scope for a targeted promotion of PRO-INNO results to policy makers inside the framework of the initiative. This could be similar in form to the Take-It-Up project of Europe Innova.

This could start within PRO-INNO Europe through an activity with a similar character to the Take-It-Up project of Europe Innova, which explicitly focuses on the greater dissemination of the lessons learned. However, this situation is also an instance of a larger theme evident in this evaluation, which is the EIP

⁷⁴ SE, DK, FI, DE, UK, BE, AT, NL, IE, LU, FR

⁷⁵ Promotion of PRO INNO Europe® Results

⁷⁶ http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/index_en.cfm?nmenu=1

⁷⁷ <http://www.rim-europa.eu/index.cfm?q=p.home&content=intro>

Evaluation Results

4

has achieved some significant results, but that it is important that these are consolidated and that the growing momentum has the opportunity develop its full force, notably through better co-ordination of the dissemination and exploitation of the results achieved.

In relation to Europe Innova initiative, most of the platforms created are in their first or second year of implementation and there are still no aggregate data available on the direct and indirect effects of the project. However, there is already information on some of the project outputs the results that are expected by the end of each project. This is summarised in Table 2.43 presented in the previous chapter. This table shows that a range of projects are developing training, information and tools that are to be used directly with SMEs. In fact, while SMEs are not a direct target of the Europe Innova initiatives, **a large number of SMEs – more than 300 per project - are expected to benefit directly from the tools developed or adopted by the Europe Innova platforms.** The support instruments developed include financial support (seed funds, vouchers for innovation services) and tailored tools to improve investment readiness and enterprises' innovation capacity. The innovation services voucher tool is particularly prominent, since it combines the provision of services to SMEs with demand side support of innovation services. In parallel, intermediaries have been involved either directly, as participants in training events on the use of the various tools and as partners in expert networks and partnerships, or indirectly, by taking up the tools that have been developed.

Efficiency

At this point, there are no aggregate data concerning the outputs of the Europe Innova and PRO-INNO initiatives that would allow a direct assessment of the efficiency and value for money of the activities undertaken and given their diverse nature (studies, training, events, workshops, development of guides and tools), it is difficult to see how an overall measure could be arrived at in any event. The commentary will therefore have to relate to particular aspects of the initiatives undertaken.

Concerning the level of **absorption of the funding available**, the information available from the 2009 Implementation Report indicates both initiatives have absorbed almost all the resources initially allocated. €28.6 million were absorbed for the Europe Innova platforms (98.2 % of the initial allocation) and €17.6 million for PRO- INNO (95%). The Report indicates that the selection process for the activities of the Europe-Innova innovation platforms experienced some problems in identifying quality projects for the eco-innovation strand and the selection procedure was repeated leading to some delays. In the case of INNO-Nets the project on the eco-innovation network was also delayed and is expected to be launched early in 2011.

At the individual project or platform initiative level, no project beneficiary reported any delays or other problems in the implementation. To the extent that the progress in the implementation can indicate the extent that the set outputs targets have been met, this is clearly a positive signal. However, the majority of them were still at the very early stages and any conclusion would be premature.

In fact, **a major efficiency consideration arises in relation to time to contract** where the news is rather good. A major issue commented on by all stakeholders is the 'bureaucracy' that accompanies the operation of programmes at a European level. There were many complaints that procedures could be simplified. The regime for approving contracts under the CIP has certain advantages over the rules that apply to FP7. As a result, the move of the management of innovation programmes from FP7 to the CIP has led to a time to contract of 288 days in 2009 and 309 in 2010, whereas the average 'time to grant'

Evaluation Results

4

for the whole of FP7 in 2009 was 350 days⁷⁸ and the average time to contract for the eight innovation calls under FP6 was 331 days⁷⁹.

The discussions with stakeholders and project coordinators did not reveal any significant issues on the question of the adequacy of resources and the funding made available. Both the Commission services and the coordinators considered that the funding provided was more or less sufficient for the activities envisaged. While noting that the project proposals tend to fit to the budget made available, some suggested that additional funding would have been helpful for more in-depth analysis of certain issues or greater promotion of tools. Still, there is no indication that the available funding inhibited in any way the overall success of projects.

No issues or problems were identified in relation to the **management of the two initiatives**. The PRO-INNO survey responses indicate rather clearly that participants were pleased with the organisation of the various activities as 75% considered it quite or very good and 21% average. A small number of respondents complained that additional reporting requirements had been imposed after the signing of the contracts but these requirements were not seen as critically affecting the implementation of their activities. Similar complaints were expressed by the Europe Innova beneficiaries relating to the requests that they participate in more events and conferences than anticipated, which, after a certain point, did not bring any added value and worked against the execution of the actual work of the platforms.

Finally, there were comments made concerning the design and user-friendliness of the **web site**. While the presence of a single point of reference collecting all relevant information allowed for a unified view of the different activities, some felt that their activities and reports were easily lost in the plethora of links. The browsing from one activity to other was not as straightforward as it should be. In the case of Europe Innova, a view, broadly shared, was that the website design inhibited the presentation of activities in the most effective form. However, in general, despite some limitations, the website does help in presenting the activities in a consistent and coherent format.

Awareness and communication

In contrast to most other activities under the EIP programme, the Europe Innova and PRO-INNO Europe initiatives do not target SMEs directly. Thus the visibility of the two initiatives to SMEs does not represent a valid indicator of the general awareness of the two activities. Much more important is the **awareness of the initiatives** on the part of innovation policy makers and innovation service providers. The results of the consultation conducted in 2009 suggest that around 25%-30% of the 428 institutional stakeholders from across Europe (i.e. service providers, research organisations, national and regional authorities) were not aware of their existence. Our own fieldwork revealed a rather mixed picture. Some Europe Innova project coordinators thought that, beyond a small cycle, intermediaries are still not informed of these two initiatives and more needs to be done. Others were more positive suggesting that the initiative is quite visible. In the case of PRO-INNO, the Innovation Union Scoreboard is particularly popular among policy makers as is also indicated by the high number of visits in the webpage of the 2009 report⁸⁰.

⁷⁸ Third FP7 Monitoring Report, DG Research, 13 July 2010

⁷⁹ New Frontier Services – NFS (2007) FP6 Monitoring Assignment – Research & Innovation Programme

⁸⁰ Close to 4,000 in the period of around 8 months, three times more than any other single web page in the PRO-INNO website.

Evaluation Results

4

To the extent that the number of **visits to the respective web sites** can also provide any indication of the visibility of the Europe Innova and PRO-INNO, there were on average around 8,000 individual visits and 30,000 page views per month to the Europe Innova web-site in the period January-October 2010. The corresponding numbers for PRO-INNO web-site for the period May-October 2010 were 7,000 visits/month and around 43,000 page views/month⁸¹.

The horizontal Take-It-Up project has a particular role in promoting the profile and take-up of the services and tools developed by Europe Innova platforms. As well as working with the platforms directly, Take-It-Up has tried to develop **connections with the Enterprise Europe Network**, with limited success so far. At this stage, the approach by Take-It-Up has not been reciprocated, despite some effort on the part of platform co-ordinators, most of whom recognise the Network as an important group of intermediary organisations. Only one of them was able to refer to concrete linkages and results at this stage. The Take-It-UP project co-ordinators also agreed that in theory Network members represent an ideal vector for disseminating the tools. Certain actions have been taken in this direction and representatives of the Network participate in the Expert Validation Platform of the project. There have also been presentations in Network conferences (e.g. 2010 Network conference in Antwerp). However, up to this point there are no tangible results. It is probably too early to provide a complete assessment of the effects of this effort but again there seems to be a case for a more structured approach to the Network's involvement in enhancing the uptake of tools and services developed by Europe Innova platforms. The general issue of using the Enterprise Europe Network as a vehicle for the dissemination of results achieved elsewhere in the Programme is considered in the case study 'Dissemination of EIP Results by the Enterprise Europe Network' that can be found as Annex A.2.

Utility and Sustainability

Generally the process of the Commission pushing forward ideas on innovation is welcomed and there is clear evidence that the effort in this area has influenced debate across Europe and the way that national, regional and local authorities have developed their own policies. In particular, Member States, business organisations and innovation professionals all welcome the assistance that has been given in moving **the debate on innovation policy** on from a simple focus on technological development that characterised earlier conceptions towards a more balanced perspective that encompasses innovation in the service sector as much as in manufacturing, promotes innovation in processes and business models as well as in products and encourages creativity and enterprise as well as improvements in functionality and techniques. The genuine **leadership** that has been provided in both policy conception and applications has also been appreciated and although there is some criticism that policy debates at a European level does not always reflect the latest ideas stemming from academic research, the general view is that the Commission has been successful in identifying those new perspectives that can lead to viable policy implementation and has achieved a good balance between moving forward and consolidating progress. The perception therefore is that the Commission is successfully addressing a real need.

With regard to the **sustainability** of the particular actions supported and the extent of their contribution to the competitiveness and innovative capacity of the EU, it is still rather early in the process to come to definitive conclusions, but there are some good indications that the sustained effort by the Commission and the co-ordinators is having the desired effect.

⁸¹ Data provided by the Commission services.

Evaluation Results

4

The sustainability of Europe Innova activities is an important question, though it is clear that some of the key services and tools are expected to operate after the end of the project. Interviewees referred to the definite continuation of some of the support tools developed. For example, the Chemical Industry Association has agreed to support the promotion among its members of the tools developed by the BioChem platform. Around 20 incubators have already agreed to use the support tools developed by the AchieveMore project and one of the partners will continue operating the Entrepreneurship and Innovation Exchange online platform. GreenConserve and KIS-PIMS coordinators are in contact with regional or national entities (such as Development Agencies) to promote the uptake of the innovation voucher scheme. There are already a few examples (e.g. OSEO organisation in France) where the voucher scheme has been introduced and there is an expressed intention to continue and further develop the Cluster observatory with the support of direct funding by the Commission services. Similar efforts and arrangements have been identified in all the platforms examined. Furthermore, in order to allow for the greatest possible use by interested intermediaries, most tools have been developed in an open format.

The horizontal Take-It-Up project which supports platform partners in enhancing the marketability of the tools developed, also contributes to the overall sustainability of the platforms' results. While most have only recently started cooperating with the Take-It-Up team, some have already seen a tangible benefit in developing their strategies for long-term viability. The ImMediaTe project was assisted by the Take-It-Up team in signing a Memorandum of Understanding with three funds as part of the development of pan-European VC scheme for the digital media sector. However, the cooperation between the Take-It-Up and the platform coordinators initiative has not been as straightforward in all cases. Sometimes a dissemination strategy and the necessary contacts were already in place and Take-It-Up was seen as adding an unnecessary layer of communication.

The **longer-term viability** of PRO-INNO activities is not as easy to assess, particularly because some of them have only recently been initiated. A key indication is the uptake of the policy recommendations and the further development of the networks promoted. As already pointed out, the survey responses indicated that both policy makers and innovation intermediaries consider that PRO-INNO has assisted in the development of innovation policies and/or services and in the development of cooperation within the innovation community. There is some evidence of this already feeding through into policy formulation and this is the ultimate test. It is not possible to know whether the specific partnerships developed in the context of PRO-INNO will persist but this is only a secondary consideration.

In the case of Inno-Nets, the Cluster Excellence programme has developed a quality label for cluster managers that it aims to establish as the recognised indicator of quality across the EU. This is being supported by a European cluster managers club. The longer-term viability of the PRO-INNO analytical tools (Inno-Metrics, the INNO Policy TrendChart and Inno-Grips) clearly depends on the willingness of the Commission services to fund such data collection exercises, studies and workshops in the future and its decision on how these innovation policy tools should be linked to the analytical tools that support research policy.

Given the visibility of these activities - especially the Scoreboard, their acknowledged added-value and the general satisfaction expressed by most Member States, the Commission services and business organisations, continued support for them is highly recommended, although naturally the future development of the innovation policy monitoring and benchmarking tools, will have to take into account the developing Europe 2020 strategy and the significant place innovation has within that strategy and all the subsequent developments that are implementing it.

Evaluation Results

4

The survey results indicate a **strong interest by policy makers and intermediaries in participating in similar activities** organised by PRO-INNO Europe in the future (77% stating they are quite or very interested). The responses are very similar across the different activities. This represents a clear endorsement of the activities and evidence of future interest.

European Value-added

The evidence available clearly indicates a rather **strong EU added-value** from the Europe Innova and PRO-INNO Europe initiatives. The common view is that the great majority of activities would not have taken place without the Commission initiative. Even if they had, it is said, certain key elements would be missing.

In relation to PRO-INNO, important added-value comes from the bringing together knowledge and experience from different contexts, supporting cross-country comparisons of innovation policy tools and experiences and the opportunity to identify, promote and test best practice from over the widest possible area. For the PRO-INNO participants, the EU-wide scope of the activities supports the development of networks, the creation and sharing of knowledge concerning innovation policy tools and their effectiveness and the opportunity for the formation of co-operation networks. This applies to the INNO-Nets and INNO-Actions but also to the analytical tools under INNO-Metrics, the INNO Policy TrendChart and INNO-Grips (Innovation Union Scoreboard, policy briefs and intelligence studies) for which the EU dimension and the cross-country comparisons are fundamental for policy learning. **Most agreed that such EU-wide activities could not have taken place without Commission support and co-ordination** and that any similar actions at national level are much more limited and, critically, miss the element of cross-country comparison.

As far as Europe Innova is concerned, the feedback from the platform coordinators suggests the presence of a considerable degree of **EU added-value**. Some of them stated that certain activities under the platforms could have taken place at a national level but that these would have been much more limited in scale, would have had a much smaller level of participation and, crucially, would have missed the benefits of the rich range of experience in an EU wide approach. The platforms have brought together partners and resources from a number of countries – typically 10-15 partners from more than 3 Member States - and allowed them to test and validate innovation service support tools in different settings. This is considered to be a key feature in ensuring the widest possible reference and relevance of the tools developed and in enhancing their long term viability. Furthermore, as stated by a couple of the platform coordinators, the orientation of these tools towards a broad EU market – instead of that of individual Member States - is key for the sustainable development of a market for innovation services that are still rather specialised and lacking the necessary scale to be viable.

4.6 Conclusions on Eco-innovation

Relevance

There is in general **enthusiastic support for the Eco-innovation scheme** from a range of stakeholders, including Member State officials, business organisations and environmental groups and the participants in projects. The near-market character of the programme is a clear departure from the general approach at both European and national levels and there is a lot of interest in how the new approach is being made to work. It is in itself an innovation and has lessons that may apply beyond the area of current application. The need to see new ideas and the results of research applied, particularly in areas relating to the environment, is widely recognised.

Evaluation Results

4

It is important that the market failure basis for the Eco-innovation actions is clearly established. A number of arguments are advanced. The lack of alternative funding for pilot applications and market replication of new innovative products applies to many sectors but is considered particularly acute in the eco-innovation area. The unproven potential of the developed technologies makes banks and other providers of finance rather reluctant to support them. Furthermore, as suggested in a recent study on access to finance for the eco-innovation sector⁸² investors have particular difficulties in evaluating funding opportunities in the sector since there is not a common technological platform. Price distortions due to subsidies and the important externalities relating to the use of environmental products and technologies are also a contributing factor in certain sub-sectors. Moreover, in some eco-innovation markets SMEs suffer from the dominant role of large firms that create high market barriers.

The great majority of stakeholders consider that the scheme is highly relevant and that it covers an important gap at the European and at the national level.

The conceptual complementarity and continuity of the support provided by Eco-innovation with that offered by other European and national programmes (such as the Framework Programme for Research) for the conduct of R&D and the development of technologies is also seen as a positive element. Among the 16 projects examined closely, there were four cases that had used public funding to develop and test the products and services. Some referred to a danger that, since certain projects that would not otherwise be viable in the market are supported all along the way from the laboratory to the market, the result may be that soft money creates soft companies. However, this was a rather theoretical observation and there was no evidence provided that it is a current concern. Furthermore, Agency selection procedures and criteria mean that the support of non-viable projects is avoided, as much as possible.

The relationship between the Eco-innovation scheme and other actions within the EIP supporting eco-innovations is considered in the case study 'Eco-innovation as a Cross-cutting Theme' to be found as Annex A.3. Co-ordination at a policy level between these different elements of the EIP and with other related action for which the Commission is responsible is assured by DG Environment. However, now that the different actions are producing results, the case study concludes that there is scope for a further synergies at an operational level, that should be examined within a process for the overall management of cross-cutting themes. **The design of the Eco-innovation scheme is also seen to be particularly appropriate for SMEs** that are the prime targets of the EIP. The total budget of €1-1.5 million per project with 50% participation fits well with the characteristics of SMEs. This is also in agreement with the conclusions of the study on the access to eco-innovation finance where provision of small scale financing is seen as key to supporting eco-innovative SMEs. Larger project budgets could attract larger firms and would also make it more difficult for SMEs to secure the 50% of funding that they have to contribute. A few beneficiaries suggested that a higher level of EU support was necessary, but the majority thought that it provided the appropriate balance and ensured that the risk would still be assumed by participants.

In terms of the priority sectors of the programme, **all 4 sectors (food and drink, recycling, green business, building and construction) are considered as appropriate**. This broadly reflects the sectors that pose environmental problems in Europe. According to the study on the environmental impact of products, the food and drink sector is linked with 20-30% of the environmental impact when all the food

⁸² http://ec.europa.eu/environment/etap/published_files/0211_final_report_eco_innovation.pdf

Evaluation Results

4

production and distribution chain is taken into consideration. The housing sector (including buildings and construction covered by the scheme) also has an important impact and it consumes close to 50% of raw materials extracted. Some stakeholders suggested that additional sectors should be included in future calls, referring to energy efficiency, water technologies and Green IT. It should be noted that, although there are priorities, these are not exclusive and there are thus no obstacles in principle to extending the sectors covered and in the 2010 call, 7% of the proposal was related to other sectors. However, energy efficiency and renewables are deliberately excluded, since there are a range of national instruments that support demand in these sectors. Indeed, according to the study on financing eco-innovation⁸³, the energy related sub-sector appears to be the only one that is developed in terms of access to finance.

In addition, besides the market failure issue a more generally supportive argument for the scheme is that, through the market success of the products and services supported, there is a practical way of explaining how green markets can operate and how eco-innovative technologies can bring profits to firms.

Finally, there were some suggestions that the scheme could be extended to cover **other problematic areas**, such as markets close to health care systems or those where products leading to higher health and safety performance were concerned.

In relation to broader overlaps with other EU policies there is a rather direct linkage of the scheme to the ETAP priorities. The results of the scheme and its contribution are reported in the annual ETAP Implementation Reports. Some stakeholders suggested that synergies are rather hard to discern so far, possibly due to the limited results to this point. However, possible synergies were identified by stakeholders in relation to the Climate Change Package - given the emission reduction objectives set in the projects supported - and with the Sustainable Production Action Plan.

Effectiveness

As assessment of the effectiveness of the Eco-innovation programme at this stage is still rather difficult since no single project has been completed and there is no information available from the Interim Reports submitted to the Agency. A review of the project fiches indicates the development of one or more new products or services and – on the basis of an initial assessment – cuts of varying sizes in energy use and greenhouse gas emissions for given levels of production and in the consumption of water and other natural resources. In parallel, economic benefits – sales or cost reductions – have been identified for the firms involved in the project and/or the users of developed products or services.

However, **these are the expected results and impacts of projects which are still in the implementation stage and there are no actual data available**. Furthermore, the aggregation of the results from the different projects is not always straightforward. A study in 2011 under the EIP is expected to identify the best possible way to achieve this.

Given **the small size of the scheme**, there is also doubt about the its potential to have sizable and measurable impacts of a direct kind. 40-45 projects on an annual basis are not expected to bring

⁸³ Financing Eco-innovation – Final report, EIM and Oxford Research,
http://ec.europa.eu/environment/etap/published_files/0211_final_report_eco_innovation.pdf

Evaluation Results

4

sizeable changes. A more substantial budget for the scheme would be necessary to have clear effects of this kind. The Commission services point to the demonstration effect but also note that a substantial increase of the budget may bring more demanding monitoring procedures and affect the flexibility of the scheme. .

The **leverage effect of the programme** is significant given that participants are required to provide 50% of the funds. While some beneficiaries have suggested that a higher EU participation would have been preferable, the dominant view was that the required level was appropriate given the stage of the development of the products or service and the importance of bearing important part of the risk. In almost all projects examined, finance came from the own capital of the participants and there was no third party finance from a bank, a venture capital organisation or other source. This reflected the strategy of beneficiaries to maintain ownership of the firms and the related intellectual property and to attempt to achieve market penetration on the basis of the business plans developed and the support provided by participating trade associations. In that respect, no additional leverage effect is evident. A small number of beneficiaries indicated that the selection of the projects represented a marketing tool - a seal of approval – that could serve in the future for any requests for funding.

On the question of **the EU scope of the projects** supported, the evidence suggests that the selection process has been fairly effective so far. In the great majority of the cases, the projects selected include multinational consortia with firms and organisations from 2 or more countries. While only 45-50% of the applications submitted in response to the 2008 and 2009 calls involved partners from more than one country, the project selection led to more than 70% of projects being multinational. According to the EACI, even in those projects with partners from only one country, a clear EU-wide relevance and reference was ensured, in that the projects selected had business and sales plans targeting the EU market as a whole. This is generally supported by the evidence examined. Among the 16 projects examined, there were only two projects (NATSTOCER and PYRICE) that involved a single firm. In both cases, the scheme supported the development at an industrial scale of tested technology and the aim was to sell products in a number of EU markets. Furthermore, there was the potential through licensing agreements to have a more extensive application of the proposed technology.

In comparison to other EU programmes, **the average number of participants** (3-4) and the countries represented (2) is rather small. However, as most stakeholders commented, this arrangement fits well with the needs and limitations of SMEs that represent the main target group and the main category of beneficiaries (over 65% across the different calls). It is considered to represent a good and workable balance.

Efficiency

After some initial hesitation because of the novelty of the scheme, **the programme is running on a very efficient basis** with a high level of utilisation of the funding provided and of the resources made available to the Agency. In both the 2008 and 2009 calls the Agency achieved a full absorption of the budget dedicated. The personnel from the Agency occupied in the administration of the scheme – a total of 9 in 2010 - have the necessary technical and financial expertise and all operational procedures - application, selection, contractual and monitoring processes - are considered quite efficient by beneficiaries.

In fact, the feedback from almost all the beneficiaries is that the **application procedures are simple, clear and straightforward** and the IT system – adopted from Marco Polo programme – operates

Evaluation Results

4

smoothly. The guidance documents and examples provided are also effective and clear and there was no significant dispute reported on the project selection. There is also a positive assessment of the support provided by the Helpdesk, with particular praise for the pre-evaluation service and the useful feedback provided by the Agency team.

The **time to contract** from application was 288 days in 2009 and 309 in 2010. With few exceptions, beneficiaries consider this period reasonable and have also commented that it compares favourably with other EU financial support schemes (e.g. FP7⁸⁴), though the increase may be a sign of additional pressure. In terms of payments, the Agency data indicate that payment delays in 2010 were on average 22 days, against a target of less than 30. No complaints or other issues were raised during the interviews.

Equally positive were most of the comments of beneficiaries concerning the **support provided by the Agency officers** in the running of the projects and their contribution to solving problems that arise. However, internally, the Agency lacks the IT system for a more efficient and effective monitoring of the progress of projects. Agency staff have commented that this causes substantial additional work for reporting and does not allow a unified continuous monitoring of the key variables and performance indicators of the programme.

More generally, there is a level of concern for the **rather limited resources** currently available to the Agency, particularly in view of the popularity of the scheme, the increasing number of applications submitted and the number of projects run. At this point it appears that the Agency staff are fully occupied and possibly overstretched. In addition, the high turnover of personnel – especially finance officers - is also a problem that applies to Agencies in general.. With an increased number of applications anticipated, such problems may become even more acute in the future.

Awareness and communication

The **increase by over 100% in the number of applications and applicants between 2008 and 2010** represents a strong indication of the increasing visibility of the programme over time. SMEs are not directly targeted in information efforts, but the Agency has organised info-days before each of the three annual calls. In co-operation with some Enterprise Europe Network members and other national/regional authorities, it has also promoted the programme in a number of countries through presentations at national information days and other dissemination mechanisms. Authorities in some Member States have been particularly active (mainly Spain and Italy) and this is, to a certain extent, reflected in the level of participation of SMEs from these two countries. Among the beneficiaries, some suggested that the website itself was the primary source of information. In most cases though, information on the programme came from the public organisations, research centres and consultants working in the area that tend to work as the multipliers of the Agency message.

Some stakeholders did suggest that **more could be done to promote the scheme** and that the relevant industry associations could be better utilised to inform SMEs. The concentration of applicants from a few countries may have various explanations – including experience in preparing applications and presence of firms in the sector. Still, the active promotion in some Member States appears to be an explanatory factor.

⁸⁴ The average time to grant for the whole FP7 reported in 2010 is 350 days (median 335). Third FP7 Monitoring Report, July 2010.

Evaluation Results

4

A key consideration for the Agency is that the small budget of the programme imposes certain limitations. An extensive promotion campaign would be disproportionate to the support available and would only lead to an increase in the number of questions and applications with limited added-value.

Utility, and Sustainability

Beneficiaries and stakeholders indicate that **the scheme does effectively address the needs of innovative SMEs in the sector** by supporting first application and market replication projects. This is an area where private funding is very limited as a result of multiple market failures and where there are very few appropriate public support schemes at the national or regional level.

The question of the longer term viability of the supported projects is explicitly addressed in the programme design. The project participants are expected to develop business plans, with some support from desk officers, which identify market opportunities and appropriate development strategies. It is not possible at this stage to assess whether these plans are indeed realistic and whether they lead to viable products and services.

Some stakeholders have identified the link between the scheme and the Environmental Technology Verification (ETV) programme as potentially very significant, but have not yet been able to make use of ETV. Both the Eco-innovation scheme and ETV are part of the Environmental Technologies Action Plan (ETAP), but progress in bringing the two initiatives together in actual eco-innovation projects would provide an example of effective **synergies between EU policy initiatives**, help the products or services developed under the eco-innovation scheme to enhance their market position through a recognised verification mechanism. DG Environment indicated that this link is already being examined for future calls. Technology verification services by certified laboratories will help future marketability and in future calls the expenses may be included in the eligible costs. At this stage the ETV is in the process of certifying the laboratories that will be able to provide these services.

Considering the Eco-innovation scheme more generally, a common view of all interviewees is that it is successful scheme and should continue and expand significantly in both budget and scope. Two possible routes were identified in this direction. The one option would be a sizeable increase of the budget and resources as part of a future programme in the period after 2014 while the second could be a consistent attempt to promote the up-take and development of similar schemes at the national and regional level. These two options are clearly not necessarily mutually exclusive given the high demand for first application and market replication schemes.

European Value-added

As already indicated, the interviews indicate a rather **clear European value-added** from the Eco-innovation funding scheme that addresses an area where there is a clear market failure and –so far – rather limited support at the Member State level. It is clear that the European scale of the projects has had substantial leverage and multiplier effects. Most beneficiaries (14/16) indicated that they would not have moved forward with the development of the technology or, had they done so, it would have been at a much smaller scale focusing on the needs and characteristics of the national or regional markets. Some suggested that national support programmes could have been used but they would not have benefited from the cross-border cooperation and learning and the resulting EU-wide market scope. Especially in those projects that involved European Trade Associations (7 out of the 16 examined), the added-value of the EU-funding was considered as particularly strong and the prospects for success were

Evaluation Results

4

even higher. Their role and contribution was to promote the developed technologies more broadly once tested.

Furthermore, the EU- funding provided an important marketing tool for the supported projects. Almost all suggested that their selection increased their reliability and capacity to reach potential customers of the products/services.

4.7 Results for the EIP as a Whole

Now that more detail has been provided on the main components of the EIP, commentary can resume on the Programme as a whole and the elements that fall outside of the main areas.

Effectiveness

After a certain amount of disruption in the first years of the current EIP, it has been remarked that the various areas that make up the Programme have been able to develop a certain presence and momentum and that the effectiveness of the components of the Programme is therefore increasing and at an increasing rate.

The effectiveness of the main components has been commented on in the earlier sections of this chapter. There was, however, some doubt on the part of most Member State representatives about the effectiveness of some of **the smaller actions supported under the Programme**. Certain activities were certainly welcomed, including the provision of basic statistical information on enterprises and the analysis of the performance of the European SME sector, comparative reports on the performance of Member States across a range of enterprise issues, conferences and studies. Equally, work on issues such as promoting the development and enforcement of intellectual property rights was seen to be important. However, there was a feeling that there are other actions, where it is difficult to see the benefits.

The evaluation team has examined a range of small budget items that have been adopted under the Programme. It is worth remembering, first of all, that a number of the proposals initially made by the Commission in its draft Work Programmes have been modified or withdrawn after discussion in the EIPC. Secondly, there are clearly some elements which have tended to have relatively large (small item) budgets attributed to them, that have had a major effect that all would support. The Action programme for reducing administrative burdens and its follow-on actions has been very effective in identifying and following through regulatory simplifications valued at over € 40 billion. Other actions initiated are contributing to developments that have significant support, such as those addressing issues of growing importance such as the protection and enforcement of IPR and the measures that support SBA implementation. However, there does appear to be scope for a more consistent approach to the 'other actions', while still retaining the necessary flexibility. As a first observation, it should be recalled that indicators for these actions are relatively under-developed and do not facilitate comparisons in terms of relative effectiveness. Implementation of the recommendations of the Evaluation of EIP Indicators in this area could help establish the effectiveness or otherwise of specific actions. There is then the matter of continuing the process already underway of bringing disparate elements into a tighter framework, where their contribution to the overall aims of the Programme are more apparent and they are able to take advantage of synergies with parallel actions. There will continue to be good reasons for conducting stand-alone actions, particularly in areas that forward-looking. However, in the absence of evidence about their results and impacts, there should continue to be a question over such actions, unless it can be shown clearly how they could eventually contribute to the overall objectives of the Programme.

Evaluation Results

4

In many respects the problem referred to here may be another aspect of the growing need for a greater degree of overall management for some of the cross-cutting elements of the Programme. This line of thinking may also help across a broader front with regard to the development of the Programme over its remaining period. The main elements of the Programme are expected to continue to develop and to expand their own specific outputs, but there is also a potential for additional gain through greater synergies between the component parts and a better integration of the smaller activities. But, the point of the earlier discussion about the 'missing middle' in the Intervention Logic is that these **synergies have to be organised** rather than simply being left to manifest themselves. There is a need for a more active identification and follow-through of the gains at an operational level, so that they are picked up and amplified by applications elsewhere within the Programme and beyond. This process could include and make use of the smaller scale actions.

The development of this active co-ordination role within the EIP could also provide the basis for **co-ordination with parallel actions**. The Interim Evaluation pointed to an issue of co-ordination with the Structural Funds and more specifically a role for Enterprise Europe Network members in the dialogue at a national level on the priorities and implementation of the Structural Funds. If there are developments in this direction, a clear steer would be necessary and active co-ordination with DGs REGIO and EMPL, but even if this particular approach is not taken, there are other examples, where more active co-ordination with other Commission services and possibly even the Member State authorities could considerably enhance the effectiveness of the EIP instruments.

Efficiency

The overall efficiency of the Programme again builds on the efficiency of its component parts, but it has been observed that there have been substantial differences in the way that targets and anticipated outcomes have been set for the different parts of the Programme and also in the way that progress has been monitored. In particular there has been less precision with regard to the innovation area than in relation to either the Financial Instruments or the Enterprise Europe Network. Similarly the indicators relating to smaller scale actions have been less consistently developed than elsewhere. There is progress with all these elements, but this needs to be followed through. We would also note that even in the areas where monitoring data are more readily available, the process of gathering them together is not straightforward. The contribution of monitoring systems to the overall efficiency of the Programme could certainly be enhanced if the data were brought together and presented more consistently. The annual Implementation Reports are the obvious place for this, though they would need to be presented more clearly than at present, where reference to indicators is mixed in with other aspects of the reporting process. **A separate presentation of all the monitoring indicators together is what is needed.**

Comments on the formal management of the Programme and **relations with the Member States and non-EU participating countries' representatives in the EIPC** were generally complimentary. The preparation for, and staging of the meetings, are well organised, with a steady improvement over time in the quality of the documents and information presented. The fact that decisions were often communicated in the same meeting as the matter in question had been raised was particularly appreciated. There was an observation that with the number of countries involved, the meetings represented in total a considerable commitment of national officials' time and that it might be possible to find other ways to communicate comments. There was also some frustration that relatively small items in budgetary terms took up a disproportionate amount of time and attention, although it was acknowledged that this aspect was considerably influenced by the nature of the contributions made by EIPC members themselves. The representative of one Member State regretted that the formal meetings

Evaluation Results

4

did not allow much scope for discussions of links with developments at a national level or for consideration of the operational elements of Member State contributions to the achievement of EIP objectives.

Awareness and communication

Most of the national business organisations interviewed, and even some of the **business organisations at a European level**, had very little knowledge of the detailed objectives and operational processes of the EIP. A number of them explained that, since their main concern was to represent their members in dialogue on regulatory matters, they had little reason to be familiar with the detail of operational programmes. Nonetheless a greater general awareness might have been expected, since actions under the EIP certainly affect their members.

The view of the evaluation team is that this is another aspect of the gap between high level objectives and the operational activities that was commented on at the beginning of this Chapter. It is also an aspect of **the communication strategy** or lack of it for the EIP.

Our understanding is that although DG Enterprise and Industry has an overall communication strategy which determines priorities in an annual Communication Plan, there is no co-ordination otherwise of the promotional activities of the different elements of the EIP. While clearly the various parts of the Programme do have their different target audiences and need to undertake separate promotional activities, there is also scope for explaining what the EIP, and indeed the CIP overall, are doing to audiences that are in a position to contribute to the achievement of the Programmes' objectives.

During the course of the evaluation, the team has frequently encountered references to the Enterprise Europe Network being engaged in the further promotion of activities undertaken under the EIP. A case study, presented as Annex A.2, has begun to explore these **potential synergies with the Enterprise Europe Network**, although it has not been possible to do so in any depth. It is certainly the case that the Network has made use of a whole range of outputs from other parts of the Programme. However, our impression is that this has been done in a relatively haphazard way and in the one case that was investigated directly, which concerned the potentially rather significant use by the Network of tools developed under Europe Innova, we found that anticipated synergies had not really been generated at all.

The view of the evaluation team is that there is nothing wrong with members of the Enterprise Europe Network making use of any of the results of other activities under the Programme for the benefit of their clients, as and when they become aware of the particular results concerned. But, if the Network's potential as a systematic instrument for promoting the adoption of the results of other elements of the Programme is to be realised, this process needs proper attention and management and real resources devoted to it. The potential is considerable here, given the contact that the Network enjoys directly with enterprises across Europe and with a range of business organisations, local and regional authorities, the media and other influential bodies and also the range of knowledge and skills to be found among Network members, but there are many competing claims and there should at least be some system of priorities for indicating which of the outputs should be promoted systematically by the Network. Those elements that strengthen the Network's own capacity (such as innovation tools) should find a relatively high place among these priorities.

In particular, **the Network's role as a channel of communication could be enhanced**, both as a

Evaluation Results

4

feedback mechanism from enterprises and as a means of communication from the Commission to the business community. With day-to-day contact with enterprises, but also a familiarity with EU policy and the procedures of the European institutions, the Network is a natural bridge between European policy makers and the operational world of business.

The **feedback mechanism using the Network** has been commented on elsewhere. However, the evaluation team was struck by the comments of Network members on the fragility of such mechanisms. One member observed that participation by enterprises in some of the sessions already organised was almost as a personal favour, one that it would be difficult to repeat. It is absolutely essential if these feedback mechanisms are to be developed further that there is better information provided by the Commission on the effects of the input made by enterprises. They can only be persuaded to participate actively, if they feel that their input really makes a difference. Care should be taken to document where this is the case and the contribution publicised and the results even fed directly back to contributors. Greater co-ordination with the Business Test Panel of DG Internal Market in this and, more generally, could be encouraged.

At the same time, it may be possible to make more use of **the knowledge of the Network members** themselves. They have intimate acquaintance with issues faced by the enterprises that are their clients. At the same time they generally have a better understanding of the European policy context than most enterprise managers. This practical knowledge could be further exploited as an additional source of information, somewhere between the direct experience of enterprises and the policy positions of business representative organisations.

Utility, Sustainability and European value-added

The degree to which there is **European value-added** from the Programme has been a major consideration for this, as for any evaluation of an EU initiative and, guiding the approach to this issue in this particular evaluation, there has been the specific questions of the nature of the Programme's European added value for stakeholders and end-users and also whether or not there have been any unintended effects on stakeholders. For this reason, interviews and surveys of stakeholders and end-users have all asked about the nature and extent of value-added experienced.

Value-added can arise from activities conducted at a European level in a number of ways. The clearest examples for the EIP are to be found in those areas where it is extending the envelope, providing leadership with new approaches and promoting the wider dissemination of practices that are already established in some countries, but not widely used elsewhere, although there are also certain areas, such as promoting the internationalisation of enterprises, where action at the European level is best placed to have the desired effects. In the former case, once practices are more widely adopted across the Member States, it would be expected that action within the Programme would decline and eventually be phased out.

Stakeholders have recognized both the appropriateness of promoting new solutions at a European level, – in relation to the Financial Instruments and innovation actions, for instance, where it is possible to take advantage of knowledge and experience from across the EU, and also the value of the co-ordination that is possible in certain circumstances in delivering services to enterprises from a European level – in relation to facilitation of trading across borders, in the case of the Network.

Evaluation Results

4

However, there are other effects that can also be significant, especially for the enterprises concerned. The leveraging of other inputs from a wide range of sources or the demonstration effect, where adoption at a European level indicates a significance or importance that can make other people take notice. In relation both to the Financial Instruments and the eco-innovation scheme, support from the EIP enabled some firms to draw in other support that otherwise would not have been available.

Sometimes a European perspective is valued in itself. It was seen, for instance, that a number of SMEs approached the Enterprise Europe Network, because its European standing and the broader perspective that was seen to be more relevant to the issues that these firms faced..

It is also clear that processes involving the identification and diffusion of best practice are valued by almost all most stakeholders, as a means of improving their own level of performance or that of the groups for which they are responsible.

It is generally agreed that there has been an increased focus within the current Programme on actions where value-added in these senses is apparent. This is one of the main reasons that there was little or no challenge by stakeholders in relation to European value-added and no instance where unintended effects were having a significant and adverse effect.

The most obvious case where the **continuing additionality** of European action is at stake is in relation to loan guarantees, where generic schemes of this kind have become more widespread, following on from the Commission's example. This does not imply that all loan guarantee schemes should be phased out and more effort be put into other areas. It may be a matter of a greater emphasis within the schemes on new areas of focus.

4.8 Responses to the Recommendations of the Interim Evaluations

Various recommendations were made in the Interim Evaluation of the EIP that relate to the nature of the actions undertaken, the management of the Programme and the monitoring and reporting arrangements. These were summarised in chapter 2 above.

A report from the Commission services on the Follow-Up of the Recommendations of EIP Interim Evaluation was presented to the EIPC in June 2010 and we understand a further report is in preparation. The Commission has agreed with most of the recommendations made, differing on certain detail, such as the usefulness of presenting actual expenditure rather than commitments in the annual Implementation Reports and also occasionally on matters of some substance. The latter case includes a partial disagreement with a recommendation to re-assess the rationale for continuing with a micro-credit window in future programmes, on the grounds that micro-credits play an important role in financing small scale start-ups.

The purpose of this section is to highlight areas where the current evaluation team is of the view that further attention ought to be brought to the recommendations made. In most cases, there has already been reference to the relevant issue, so the following points are made in summary form:

Nature of the EIP actions:

- *development of the Enterprise Europe Network as a 'vehicle for information to and from SMEs'*: this is an important objective, which has only partially been achieved; the problem is that there is a large and increasing number of actions that could potentially make use of the Network in this way

Evaluation Results

4

and it is necessary to manage the process more actively. This will require the development of the more active co-ordinating role on the part of the Commission services that has been explained in the section on the Network and in the case study on dissemination by the Network.

- *development of links with other EU networks* : this is happening, but the Network needs to move further towards being the one-stop-shop for enterprises on EU matters
- *the need to monitor the supply of early-stage venture capital to innovative firms with high growth potential*: The Commission is monitoring the supply of early stage venture capital and needs to keep this issue under review.
- *the need to re-assess the rationale for continuing with a micro-credit window in future programmes*: developments in this area have been noted, including greater co-ordination across different instruments; the case for assisting smaller firms remains, but the concentration of this instrument in certain Member States is an issue.
- *the examination of ways of stimulating the supply of business angel finance*: formal agreements with business angel networks under the GIF have still not been developed, because of difficulties with business angels accepting GIF's formal arrangements.
- *the need for the Commission to encourage the EIF to develop a clear and visible deal allocation policy for its different mandates (EIP, JEREMIE, etc.)* : it is understood that such a policy has now been established.

Monitoring and reporting :

- *Annual Implementation Reports should include details of actual expenditure to improve transparency and to provide a basis for evaluation of efficiency*: we agree with the Commission that it would be difficult and confusing to provide details of actual expenditure in the Implementation Reports, but information is needed ultimately on actual expenditure for the Programme as a whole and for significant sub-divisions of it and this information should be available when it is clear what the actual expenditure has been.
- *The Commission should consider developing a standard set of monitoring indicators (outputs, results, outcomes and impacts) to record and report programme progress*: there has been progress on this with the evaluation of the EIP Indicators, but there is still work to be done to bring the indicators together in a proper monitoring system and to present them consistently.

Management processes:

- *If it is decided to change the management /administration structure of the Programme in the future, the handover process should be more effectively carried out*: the Commission has agreed with this point.
- *The documentation of all IT systems needs to be carried out* : we understand that the EACI has ensured that the current systems are properly documented
- *The Commission and the Agency should further clarify the boundaries of responsibility for the animation-related activities of the Network so that the partners have a clear interface*: “Guidelines for effective communication in the area of animation” which establish the division of tasks and responsibilities between the Commission and the EACI were put in place in April 2008 and revised in June 2009. Nonetheless, the development of a more active co-ordinating role on the part of the Commission services would provide a better policy steer for the Agency, for instance, by helping to

Evaluation Results

4

determine priorities.

- *The application process for financial instruments needs to be speeded-up* : progress has been made, but this is still an area that needs attention
- *There needs to be more efforts to increase the visibility of the Enterprise Europe Network externally and also to promote its use within the Commission* : achieving a greater external profile needs more interaction with host organisations and a more nuanced communications policy
- *EIF should improve communication with financial intermediaries so that they have a better understanding of the rules governing the financial instruments* : actions have been taken (access to finance website, SME finance days, website EIF), but communication with potential intermediaries and other stakeholders, in particular on procedures, should be further improved

The recommendations of the CIP Interim Evaluation mostly concerned the degree of integration of the programmes of the CIP and the processes by which the CIP operates, which the evaluation team again believes would be better addressed if there was a more active co-ordination role as part of the management structures of the EIP. However, of the issues that are of particular relevance for the current evaluation, the evaluation team has comments on the following recommendations:

- *Monitoring indicators should be developed to include 'results' and 'impact' indicators*: see the similar point above made by the EIP Interim Report
- *A communication and dissemination strategy be developed for the CIP*: there is still a relatively weak communication and dissemination strategy for the EIP.
- *There should be improved coordination between the Directorates-General involved in implementation of the CIP*: at the level of actions within the EIP, co-ordination works quite well; the problem relates to generating synergies between the actions and the programmes.
- *The Commission should strengthen the role of the Enterprise Europe Network in influencing Member States' policy and deployment of Cohesion Policy Funds*: this would take a concerted effort to improve the status of the Network, including promoting its role as a one-stop-shop on EU issues for enterprises.

Conclusions & Recommendations

5

This chapter provides a summary overview of the main conclusions in each area, before going on to set out the evaluation team's recommendations

5.1 Main Conclusions

By way of summarising the more detailed discussion of the proceeding chapter, the main conclusions of the final evaluation are as follows:

- The judgement at this stage of the implementation of the Programme is that it is performing well, and, in general, is on track to achieve the levels of activity anticipated in the CIP Decision and initial Impact Assessment.
- The requirements that at least 50% of the total budget be allocated to the Financial Instruments and 20% (of the total budget) to Eco-innovation, are being met.
- Furthermore in most instances, the Programme is gathering momentum in that performance will continue to improve further, as it builds on existing achievements.
- Survey evidence demonstrates the 'utility' of the Programme, by confirming that it directly meets SME needs.
- Interviews and other evidence point to a clear European value-added.
- The monitoring system that has been developed is a valuable contribution to assessing the performance of the Programme on an on-going basis, but this system is still being developed in some areas and the data on indicators need to be presented more consistently.

Financial Instruments

- The financial instruments are achieving their objectives of facilitating access to finance for the start-up and growth of SMEs and encouraging investment in innovation activities.
- The GIF facility and SMEG loan and micro credit windows are relevant to the needs of European SMEs; they fulfil a demand for finance which otherwise would not have been met and contribute to the start up and growth of SMEs.
- Although it is particularly early in the case of the Financial Instruments to assess final outcomes, the performance of both GIF and SMEG so far suggests that they are on track to achieve the outcomes anticipated in the CIP Decision.
- One of the most noticeable effects of the instruments is the positive leverage effect.
- Substantial numbers of SMEs are reached through both SMEG and GIF, including (eco)-innovative SMEs.
- At the end of December 2010, the demand-led approach to the Financial Instruments had resulted in intermediaries from 12 Participating Countries participating in GIF and 15 in SMEG. In total intermediaries from 21 Participating Countries are involved and agreements with other countries are in the pipeline. There are still gaps in the coverage of each of the two separate measures.
- Over half of the funds participating in GIF, invest in more than one country. The large majority of GIF beneficiaries are active on a European or worldwide market.
- GIF includes the possibility of co-investments with business angel networks. At this stage no agreements have been made and no other ways of accessing business angel finance have been

Conclusions & Recommendations

5

fully developed (as recommended in the interim EIP Evaluation).

- SMEG provides appropriate support for innovative and eco-innovative SMEs, in need of small scale debt financing.
- The GIF is preferred by many eco-innovative SMEs as a source of finance, indicating strong added value to the beneficiaries in the form of the expertise of, and support by, the fund managers.
- Information and communication has been improved and actions such as the “EU finance days for SMEs” have been developed to inform potential financial intermediaries and stakeholders.
- The Financial Instruments are administered efficiently. Stakeholders in policy making and potential financial intermediaries perceive the procedures to be more complicated than do the intermediaries actually participating, indicating a need for better communication towards potential intermediaries.
- Although to an important extent a monitoring system has been developed, data required by the CIP Decision are not available at a central level or from intermediaries; they need to be collected directly from beneficiaries. The presentation of monitoring data does not take place in a systematic way.
- There is a very limited synergy or overlap with financial instruments on a national level. The various financial instruments of the Commission are still seen to be fragmented and overlapping. EIF has developed an allocation deal policy.
- In relation to Eco-innovation support the findings indicate a positive contribution to eco-innovative activity from both GIF and SMEG schemes resulting in the development of new products and services and environmental benefits primarily in the form of energy-savings and CO₂ emission reductions. Particularly for GIF positive effects were found in terms of a rising share of turnover attributable to eco-innovation.

Enterprise Europe Network

- Although the IT system is still under development and cannot yet be said to meet the needs of the Network fully, otherwise the Network is now back up to speed and is achieving a good degree of integration of organisations with disparate backgrounds and experiences.
- The Network is well focused on its main objectives of promoting innovation, business co-operation and cross-border trading, but the basic information function is also important for clients.
- There is a high level of client satisfaction with the Network’s services.
- With its integration into the business support system across Europe and the strength of the personal links between its members, the Network is a major policy asset for the EU’s relationship with enterprises and has considerable further potential in terms of the engagement of SMEs with the objectives and actions of the EIP.
- The EACI has generated a clear sense of direction in the Network and generally provides a good level of support.

Innovation

- Innovation actions, with their focus on clusters, innovation in services and eco-innovation are regarded as successful and appropriate, especially by those who have been participants in the actions.

Conclusions & Recommendations

5

- It was right to pursue excellence in the identification and development of best practice, but there is a need to engage a wider group, with less direct experience of innovation support, in the dissemination phase.
- The developments in innovation policy and support at a European level have been less clear to the broader enterprise policy community than to those more directly involved, implying a failure in communication.
- There is evidence of successful implementation of the good practice identified in the initial actions.
- Innovation actions have been characterised by easier procedures and shorter time to contract than comparable award and management processes in the research and development area.
- The monitoring system for the innovation area needs further development if it is to catch up with systems in other areas of the Programme.

Eco-innovation

- Looking across all EIP eco-innovation related activities, interventions are targeting both the demand and supply side of eco-industry, as well as strengthening the operational environment. The approach is coherent across the Programme in terms of the inclusion of the appropriate elements and relevant in addressing existing market failures that restrict the sector.
- The European-wide base of most of the indirect support activities is justified by the need for the development of viable markets and the need for policy learning.
- At the implementation phase, there appears to be a rather limited involvement, at least to this point, of the Enterprise Europe Network and its members in the uptake and provision of eco-innovation support services. In general, the involvement and use of the Network in the area of eco-innovation is rather limited.
- There is an absence of a mechanism that could ensure greater coordination and synergies among the different activities.
- In relation to the eco-innovation first application and market replication funding scheme specifically, it is successfully addressing an important market failure in the implementation of new ideas and approaches in products and services that benefit the environment.
- In itself, the scheme represents an innovative approach that has wider lessons for innovation support.
- The scheme is well targeted, makes use of easy and flexible procedures and has a better time to contract than conventional research programmes.
- Although there is no legal obligation to specifically target SMEs, the scheme has a clear focus on SMEs and has achieved a high level of SME participation (more than 65% of beneficiaries).
- A monitoring system for the area is being implemented, but has not yet provided significant information on the results and impacts of the scheme. Examination of projects supported suggest that these are likely to be significant.
- The scheme is in danger of being substantially over-subscribed and this may pose problems for the management of calls for proposals.
- The budget of the scheme is rather limited and cannot be expected to bring major and measurable changes to the eco-innovation sector. At this point, the scheme has primarily a demonstration role.

Conclusions & Recommendations

5

Other Actions

- Although there are a large number of activities beyond the core areas that take up the greatest part of the budget, these have increasingly been directed to supporting the main actions and elements central to Enterprise policy.

5.2 Recommendations

The following recommendations are based on the evaluation team's assessment of the current Entrepreneurship and Innovation Programme, after receiving comments on first findings from a range of Commission and Agency staff.

General or Cross-cutting Recommendations

1. Further developments in the Entrepreneurship and Innovation Programme need to take care to build on current achievements to increase the momentum that has already been created in a range of the activities undertaken and to avoid, where possible, the risks of disruption inherent in any new departures.
2. As well as continuing to improve the effectiveness of existing actions by more of the same, there is also scope for an active policy of promoting synergies at an operational level by a systematic approach to improving the management of the links between different areas of the Programme. (Examples of what this might mean in practice are provided in the three case studies presented in the annex).
3. This cross-cutting role should be informed by an elaboration of the missing elements in the EIP's Intervention Logic, that should provide a clarification of the relationship between the Programme's overall objectives and its operational activities by more explicit reference to middle range objectives in Enterprise policy, such as those set out in the priorities of the Small Business Act and implied in developments such as Europe 2020.
4. Such a function could provide a focus for interaction with other EU programmes and policies and also more effectively address the gender and other equality issues referred to in the CIP Decision. In the thematic area of eco-innovation coordination could help increase synergies and coherence among the different activities supported.
5. The development of new synergies should be supported by a common communication strategy for the Programme, as the basis for the EIP's contribution to the annual Communication Plan of DG Enterprise and Industry. This strategy should direct communication efforts to organisations and groups that can assist in improving the effectiveness of the Programme's actions, including business associations.
6. The relatively good basis for performance monitoring developed under the Programme, needs to be taken to completion in the form of a clear overall monitoring system that regularly provides data in an easily accessible and standard format, notably in the Implementation Reports.

Financial Instruments

7. The extent to which European value-added is evident in actions under the Financial Instruments through the development of ground-breaking actions should be kept under review. Once an

Conclusions & Recommendations

5

approach has been established and adopted more widely, the Financial Instruments should move on.

8. At this stage the intermediaries of GIF and SMEG are concentrated in 12 and 15 countries respectively (in total 21 participating countries) and the size of the loans or investments also shows great variation. With the benefit of experience, the demand-driven approach could give way to one that is more pro-active and especially one that concentrates on promoting facilities in countries not already covered.
9. There is a large demand for venture capital and the Commission should focus on the development of a European venture capital market, by removing barriers and obstacles hampering cross border activities. The systematic approach to improving SMEs' access to finance set out in the Review of the Small Business Act⁸⁵ is endorsed by the evaluation findings.
10. Business angels and other informal investors, like friends and families, are the major sources of equity for SMEs. As argued in the EIP Interim Evaluation, further ways to stimulate business angel financing should be developed. The existing instrument (GIF 1) does not appear to be suitable in this respect. More attention could be given, for example, to facilitating the access of SMEs to business angels, promoting a 'marketplace' and networks between business angels and SMEs, as opposed to trying to fit Business Angels into a formalised structure.
11. The loan and micro guarantee schemes are an important instrument to improve the access to finance for SMEs. They have a significant demonstration effect for some Member States and candidate countries and can be a channel for important skills and expertise where these are lacking. However, in keeping with the practice of operating in areas where market or national provision is weak, these instruments could usefully move on and focus more on innovation, high growth and internationalisation. The key consideration is a degree of flexibility within the instruments in order to achieve the best fit to market driven demand in the Participating Countries.
12. The low take up of the guarantee scheme for equity and quasi-equity investment means that the further prolongation of this scheme has to be questioned. The guarantee scheme to support securitisation structures has not been tested, with the restricted market for securitisation. This instrument must be evaluated at a later stage.
13. Focus on innovative high growth firms means that the number of potential beneficiaries is relatively low. Only a very limited number of SMEs will want to make use of the GIF facility. Conditions regarding innovation and high growth should not be too tight, and targets for the number of SMEs to be reached should not be set too high. Particularly in the case of eco-innovative firms, it is important to maintain a range of finance opportunities.
14. The administrative procedures required of intermediaries for SMEG and GIF are perceived to be more forbidding by potential intermediaries and other stakeholders than by intermediaries that have already concluded agreements. Although information and communications has been improved, additional efforts are still needed. The procedures should be examined again, perhaps in conjunction with representatives of the financial institutions and making use of formalised

⁸⁵ Communication from the Commission to the Council, the European Parliament, the European Economic And Social Committee and the Committee of the Regions : Review of the "Small Business Act" for Europe COM(2011) 78 final of 23.2.2011

Conclusions & Recommendations

5

analytical procedures such as the standard European cost model, with a view to achieving and demonstrating an improved balance between ease of access and application and accountability for public funds.

15. The process of launching new instruments should be investigated and particularly the question of whether the implementation of a new instrument is unduly delayed by the current requirements to the need to establish European value-added before its launch.
16. The various financial instruments for SMEs that are the responsibility of different Directorates General of the Commission are still seen to be fragmented. In the field of micro finance a joint approach has been developed. Similar approaches have to be developed for the loan guarantee schemes and the venture capital schemes. Apart from improving efficiency, this will also benefit the transparency and the information on the financial instruments for stakeholders in policy making and potential intermediaries and beneficiaries.
17. Communication about the financial instruments should be further improved. This refers not only to information to financial intermediaries but also to stakeholders in policy making, so that although the instruments should continue to respond to the market, take up in national markets can be stimulated.
18. Although the elements exist for a good monitoring system, a more systematic approach to the collection and presentation of monitoring data is needed, within the overall structure for the EIP. In the area of the Financial Instruments, it should be recalled that the CIP Decision has relatively explicit requirements in terms of the data that should be collected and that there are slightly more extensive requirements that have arisen from the subsequent development of monitoring systems. These requirements should be a standard feature of the monitoring system.
19. In view of the difficulty experienced, both in the current and Interim evaluations, in gaining access to final beneficiaries, it is necessary to have terms in the contracts with beneficiaries, making it clear that their contact details will be available for evaluation as well as for auditing purposes, and informing them that they may be requested to provide information that will help the future development of the Instruments.
20. Most of the eco-innovative final beneficiaries of SMEG and GIF refer to environmental impacts relating to energy, implying that the energy area is the main point of focus for their innovative activity. The financial instruments could possibly contribute to a wider range of environmental impacts by exploring how to stimulate other areas of eco-innovation.

Enterprise Europe Network

21. It is important to continue to enhance the status of the Network, not least in emphasising its value to the host organisations that are contributing to its costs. Opportunities should be taken to engage systematically with host organisations and identify ways of enhancing co-operation.
22. Conflicts in procedures and branding as between the Network and host organisations still need to be addressed, possibly through a greater emphasis on 'service brands' rather than the Network brand as such.
23. Other ways to enhance the professionalism and standing of the Network should be explored,

Conclusions & Recommendations

5

including the development of feedback mechanisms for those members whose quality of service falls short of expected levels and by seeking ways to further reduce the small proportion of clients who are less than satisfied with Network services.

24. Network members should be involved in debates about how the results of other EIP actions can be taken up, utilised and further promoted by the Network. This debate should help to decide priorities among the results to be taken up and the best ways for them to be adopted by the Network.
25. The best way to develop a sustainable system of feedback mechanisms from SMEs should be considered again, learning from the difficulties already encountered and possibly extending to making better use of the knowledge and experience of Network members themselves. The provision by the Commission services of concrete examples of how SME feedback can alter regulation and policy is a critical part of this process.
26. The relationship between the Network and FP7 National Contact Points needs to be developed further, learning from the experience of consortia where this relationship works well.
27. The relationship between the EACI and the Network needs to continue to evolve along with the Network's developing role, allowing a greater degree of flexibility in the Network's responses to SME needs, while maintaining a clear sense of direction.
28. The mechanisms for making changes to the composition of the Network need further consideration, both in order to make it easier to adjust to institutional changes within consortia and to allow the future incorporation of organisations whose emerging role in appropriate forms of business support starts to take on a greater significance at a regional and national level,

Innovation

29. It is important to be able to give a clear account of the various innovation activities under way and to maintain a clear internal logic to them, as much in relation to the wider group of interested parties as those who directly participate in the actions. There is room for the more significant innovation actions to be promoted among a wider group of policy makers in the Enterprise area and, in particular, a wider range of countries.
30. A continuing effort is needed to arrive at a clear and consistent monitoring system, to collect the necessary data and to use it to help assess progress.
31. A consistent effort is also needed to further promote the conclusions and good practice identified in current projects, but with sufficient flexibility to allow the individual projects to make their particular results as available as possible. The TAKE-IT-UP horizontal project provides a promising strategy to promote dissemination, and this approach might be extended to PRO INNO projects.
32. The greater exploitation of results through the Enterprise Europe Network should be a priority, including the direct adoption of some Europe Innova tools by the Network. This could be an early task for the proposed enhanced co-ordination function within the EIP.

Conclusions & Recommendations

5

Eco-innovation

33. Given the small size of the Eco-innovation scheme, the eventual impacts are likely to be correspondingly restricted, in spite of the promising results anticipated and the fact it is likely to be significantly over-subscribed. The implications for future funding should be considered.
34. It is likely that more resources will be needed by the EACI to deal with an increased number of applications under the scheme.. This situation should at least be kept under review.
35. The establishment of an IT system to allow for a more efficient monitoring of the projects is recommended. It will also contribute to a more effective monitoring of the overall performance of the scheme against key performance indicators, including the indicators related to environmental, economic and social impacts reported to the EIPC.
36. The uneven share of participants among the EU27 countries should not necessarily be considered a problem. However, it is clear that the scheme has a rather weak visibility in a number of countries, especially in the new Member States. This should be addressed in the Communications policy.
37. The link between the Eco-innovation scheme and the Environmental Technology Verification (ETV) programme is potentially very significant for scheme participants and the encouraging provisions made for establishing this link at a project level have to be carried through into actual implementation.
38. An extension of the sectors covered by the project should be considered. Although there are no strictly imposed criteria, explicit reference to one or two additional sectors (e.g. the water technologies) could be made.
39. The wider lessons from this innovative approach to bringing the results of research to market should be explored. Beyond the current programme, an extension of the eco-innovation approach to other areas facing similar market failures should be considered - products for the health sector or for improving health and safety, for instance.

In addition, to the recommendations arising from the main assessment activity, a series of further recommendations have arisen from the case studies (Annexes A.1 to A.3). These case studies concentrated on particular issues that had been identified during the course of the evaluation and in a number of instances, the recommendations that have arisen from them illustrate instances of the more general recommendations made above.

Arising from the case study on 'The Small Business Act and the Entrepreneurship & Innovation Programme' there are the following recommendations:

- A more systematic account be given of the contribution of EIP actions to meeting the SBA objectives.
- The SBA become a major reference point in the development of a stronger co-ordination function in the management of the EIP.

Conclusions & Recommendations

5

- This new management function should complement the existing formal co-ordination processes by an active exploitation of the potential synergies, both within the Programme and with external actions, and be guided in this process by SBA priorities.

The case study on 'Dissemination of EIP Results by the Enterprise Europe Network' has the following recommendations:

- The Executive Agency for Competitiveness and Innovation first needs to review the existing processes for disseminating, particularly the results of other elements in the EIP; this review should identify the strengths and weaknesses of current processes.
- The review should feed into a more general development of processes to manage and promote synergies between different parts of the EIP.
- In conjunction with Network members, new models should be developed for the identification, take up and effective dissemination of the significant results of EIP activity.

This process will undoubtedly require the setting of priorities and while these are a matter still to be determined, the results in the innovation area should have a strong claim to be among the priorities, not least because of the potential of these results to reinforce the professional practice of Network members.

The case study on 'Eco-innovation as a Cross-cutting Theme' has the following recommendations:

- The potential for synergies between the various parts of the Programme supporting Eco-innovation should be examined further, especially in the light of the activities initially anticipated in the CIP Decision;
- The findings of this examination should be an important input into the active management of cross-cutting issues as part of an enhanced co-ordination function in the management of the EIP.

Finally, in terms of the evaluation process, it is recommended that , in order to assess the full impacts of the EIP, a further evaluation of the main outcomes of the current Programme should be conducted two or three years after the end of the Programme or be part of an evaluation of any successor programme.

In fact, experience of a rather intensive evaluation process suggests that there may be a need to reconsider the evaluation process itself and especially the timing of the various stages in the cycle. Evaluations require a considerable input from those whose activities are the subject of investigation and also from other stakeholders. Frequent calls on these inputs strain the patience of those involved and the credibility of the process, especially when an effective monitoring system has been put in place. Given, however, that there is a need both to feed appraisals of current programmes into discussions of possible succeeding measures and also to have longer term assessments of the eventual outcomes, thought might be given to changing the timing of Interim Evaluations, so that they take place when a programme has been established, but while there is still time to influence its final stages – in other words to give it a stronger formative role. This would allow Final Evaluations to supplement monitoring procedures by providing a detailed analysis of the longer term effects of programmes and policy.

Case Studies

A

A1 The Small Business Act and the Entrepreneurship & Innovation Programme

Introduction

Adopted in June 2008, the Small Business Act (SBA) promised a breakthrough in EU SME policy and took significant measures to release the full potential of SMEs. With SMEs at the heart of the Lisbon Strategy, the aim was to improve the overall policy approach to entrepreneurship, to irreversibly anchor the “Think Small First” principle in policy-making from regulation to public service, and to promote SMEs’ growth by helping them tackle the remaining problems which hamper their development.

As the central focus for SME Policy at a European level from 2008 onwards, the question of the SBA’s relationship to the Competitiveness and Innovation Programme (CIP), and particularly the Entrepreneurship and Innovation Programme (EIP), arises quite naturally.

The Reasons for this Case Study

The purpose of this short paper is to consider the relationship between the SBA and the EIP, and in particular how the EIP has supported the SBA. The two types of initiative are clearly very different in nature, though complementary in practice. The SBA highlights policy priorities, dealing with the main themes in the development of the SME sector across the European Union, in areas that are at least as much a Member State responsibility as a matter for the European Commission. The EIP, on the other hand, is a tool, which provides operational responses to identified problems, in those areas where action at a European level is particularly effective. A number of actions in support of SBA have been financed under the EIP. There is, however, the key question of the extent to which the SBA can provide a framework for the more detailed operational activities in the EIP. The core of this paper is devoted to an analysis of this question. The paper concludes with a set of recommendations.

The SBA and Operational Activities

The SBA aimed to make a practical difference in the way that enterprises and especially SMEs are able to conduct business and aimed to do this systematically. A central feature of the SBA was therefore a set of 10 principles that were intended to guide the conception and implementation of policies both at an EU and national level:

I	Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
II	Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
III	Design rules according to the “Think Small First” principle
IV	Make public administrations responsive to SMEs’ needs
V	Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs

Case Studies

A

VI	Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
VII	Help SMEs to benefit more from the opportunities offered by the Single Market
VIII	Promote the upgrading of skills in SMEs and all forms of innovation
IX	Enable SMEs to turn environmental challenges into opportunities
X	Encourage and support SMEs to benefit from the growth of markets

In relation to each of these principles, the initial Communication⁸⁶ sets out actions that the Commission intended to take and others that the Commission invited the Member States to respond to. Generally, there are more actions that require a Member State response than one by the Commission, but nonetheless in total, there is a substantial list of actions that needed a response at a European level.

The Decision on the Competitiveness and Innovation Framework Programme⁸⁷ that established the Entrepreneurship and Innovation Programme (2007 - 2013) as one of its three 'pillars', pre-dates the SBA Communication by nearly two years. Obviously, therefore, the EIP was not designed with the implementation of the SBA in view. Nonetheless, it was seen that the EIP was an important instrument for the Commission in pursuing the objectives established by the SBA.

This role has to be seen in its proper context. Important elements in the SBA related to improvements in the legislative framework or to the co-ordinated use for SBA purposes of a series of instruments available to the Commission from across its different services. The SBA is clearly wider in scope than the EIP. On the other hand, there are direct references to contributions from the EIP in implementing the provisions of the SBA. The Financial Instruments are seen, alongside other activities of the European Investment Bank and the European Investment Fund, Cohesion Policy funds and the European Agricultural Fund for Rural Development, as an important means of facilitating SMEs' access to finance. The Enterprise Europe Network is referred to as being able to assist SMEs by providing information and advice regarding the opportunities offered by the Single Market and in other areas such as in relation to the promotion of eco-innovation. And, there are references to measures such as the European SME Week and the EU network of female entrepreneur ambassadors that have both been organised under the EIP, as a way of promoting an environment within which entrepreneurs and family businesses can thrive.

It is surprising in retrospect that the promotion of innovation did not have a high profile in the SBA, where references to innovation are made primarily in the context of the need of SMEs to upgrade their skills or in relation to the encouragement of SME-participation in the 7th RTD Framework Programme. However, it is also the case that a number of other EIP actions that were not explicitly mentioned have in fact been able to contribute to the achievement of SBA objectives.

Various initiatives, such as the activities in 2008 under the heading 'Think small first principle: implementation at Community and National level', the Community programme for the reduction of

⁸⁶ Communication from the Commission to the Council, the European Parliament, the European Economic And Social Committee and the Committee of the Regions: "Think Small First", A "Small Business Act" for Europe. COM(2008) 394 final of 25.6.2008.

⁸⁷ Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013)

Case Studies

A

administrative costs and more recently the High Level Group on administrative burdens, the evaluation reports on SMEs' access to public procurement in the EU, the work on e-skills, plus the monitoring of Member State progress in the SME Performance Review and the promotion of best practice exchange in various measures have all been supported under the EIP and are all examples of the EIP's contributions to the pursuit of SBA aims.

The links at this level between the SBA and the EIP have often been facilitated by the fact that it is the same Commission official in DG Enterprise and Industry who is responsible for a particular area of the SBA and a parallel area under the EIP. Furthermore, various actions have been brought together in recent years under Objective F of the EIP (Enterprise and innovation related economic and administrative reform) explicitly as an 'SBA Implementation' measure. This includes the SME Performance Review, actions to support the monitoring and exchange of SBA implementation good practice, communication activities and the SBA follow-up campaign that promotes the SBA through the web and audiovisual and printed material. In addition, the links between the initiatives are analysed by Commission staff as part of the monitoring and reporting procedures. This more systematic approach clearly strengthens the co-ordination of the SBA and the EIP.

The recent Review of the "Small Business Act" for Europe⁸⁸ presented an overview of progress made in the first two years of the SBA, set out new actions to respond to challenges resulting from the economic crisis and proposed ways to improve the uptake and implementation of the SBA. In particular, there were important adjustments made in response to major policy developments, such as Europe 2020 and the Flagship Initiatives, where the SBA has significant contributions to make.

The Review comments that the original commitments of the Commission, especially in the legislative area, have largely been met, although progress has been slower at the Member State level. However, new challenges are also evident as the programme of action moves forward.

Given that the crisis is exacerbating long-standing difficulties, the Review pays specific attention to SMEs' financing needs and comments that the Commission proposes to adopt an action plan in 2011 for improving SMEs' access to finance, including access to venture capital markets. It also proposes strengthened loan guarantee schemes that will support investment, growth, innovation and research, within a streamlined and enhanced set of financial instruments.

In providing help for SMEs to face globalised markets, the Review refers to the Commission's consideration of a number of options including market access assistance and guidance on regulatory issues, standardisation and conformity assessment, building on networks like the Enterprise Europe Network. It also says that the Commission is keen to promote new forms of collaboration among companies, developing a new model of collaboration through clusters and business networks, which enable enterprises to join forces to achieve a common objective. This will be supported by new actions to promote international cluster activities, excellence in cluster management and the extension of the European Cluster Observatory.

Similarly there are developments proposed relating to new forms of support for innovative start-ups and SMEs in the field of eco-innovation, enabling SMEs to turn environmental challenges into opportunities. There is also an emphasis placed on a new strategy to support EU SMEs in markets outside the European Union.

⁸⁸ Communication from the Commission to the Council, the European Parliament, the European Economic And Social Committee and the Committee of the Regions : Review of the "Small Business Act" for Europe COM(2011) 78 final of 23.2.2011.

Case Studies

A

All this, as before, is in a wider context of regulatory reform and the co-ordinated use of a broad range of EU initiatives well beyond the EIP. However, the potential contribution of the EIP over its remaining period of operation is evident, especially if the results obtained in the early years of the Programme are exploited in a co-ordinated fashion. The same consideration applies to any successor programme with similar elements. Moreover, the contribution can work in the opposite direction. As the EIP moves forward, there is likely to be an increasing need for guidance on priorities among further potential developments as the Programme builds on its recent achievements. The SBA provides a framework and a point of reference with its established priorities and its provisions for co-ordination with other initiatives from across the Commission. This is especially the case now that the SBA has been aligned with Flagship Initiatives of Europe 2020.

Conclusions and Recommendations

Although the SBA and EIP have their distinct characters and important differences in terms of their scope, their policy level and the instruments at their disposal, the two initiatives have a lot of common ground and the EIP has become an increasingly effective means of carrying forward the implementation of important elements of the SBA. In order to continue this process, it is recommended that:

- A more systematic account be given of the contribution of EIP actions to meeting the SBA objectives;
- The SBA become a major reference point in the development of a stronger co-ordination function in the management of the EIP;
- This new management function should complement the existing formal co-ordination processes by an active exploitation of the potential synergies, both within the Programme and with external actions, and be guided in this process by SBA priorities.

Case Studies

A

A2 Dissemination of EIP Results by the Enterprise Europe Network

Introduction

This case study will look at the potential of the Enterprise Europe Network (hereafter 'the network') to support other EU policy measures - specifically Entrepreneurship and Innovation Programme (EIP) measures and especially in the dissemination of results generated elsewhere with the EIP. The Enterprise Europe Network was set up in January 2008 to offer businesses in Europe support services to help them better understand the Single Market, access new markets, source or licence new technologies and provide information with regard to access to finance. The Network was created by merging two pre-existing structures; the Euro Info Centres (EIC) which focussed on providing information to enterprises and the Innovation Relay Centre (IRC) which focused on promotion of research, technology transfer and innovation, but there are also a number of members that had not been previously involved in business support at a European level.

The Network's role is to be a one-stop shop for businesses seeking support in terms of information, innovation and cooperation with other companies outside of their domestic markets. In general, it is in effect embedded in pre-existing national structures and can act as a network of networks. In this way, an enterprise contacting a network members or its host organisation can be signposted to other appropriate services either at the domestic or the European level.

With its readiness to explain to clients how a wide range of developments at an EU level can affect the operations and opportunities of enterprises, the Network has often been referred to as an important instrument of dissemination for other policy areas, especially other actions under the EIP. The question that naturally arises is: how effective can the Network be in performing this dissemination role ?

The Reasons for this Case Study

The main purpose of this case study is to examine instances where the Enterprise Europe Network has acted to take up and promote results that have been achieved elsewhere under the EIP. This short document cannot hope to be comprehensive in this task, since properly assessing the range and diversity of activities undertaken by Network members and the extent to which these have been influenced by EIP developments or have made use of ideas and instruments from other EIP activities would be an enormous and very detailed task. However, it has been thought that examining a few instances may shed light on the nature of the processes and lead to conclusions about how dissemination activities could be made more effective. The document therefore highlights two examples, one positive, and the other one less so, with a view to identifying the issues that have emerged and the path it may be possible to follow in the future to ensure a more coherent approach.

Dissemination by the Network

For many firms and indeed business organisations, the Enterprise Europe Network is the public face of the EIP. Over 2 million SMEs have already been contacted by the Network and 600,000

Case Studies

A

participated in events organised by its members⁸⁹. The Network therefore represents a major asset for the Commission, both in the communication and dissemination of information and in being able to provide the practical assistance that is often necessary to follow up the information imparted.

In its general information function, the Network is guided by a communication strategy for the whole Network, which highlights certain themes. However, by far the greatest part of the dissemination work is supported by information passed on to the Network from the Commission and the EACI, in a variety of forms. Information of this general kind is certainly appreciated by Network clients. The survey of users of the Network conducted as part of the final evaluation of the EIP showed that the three most used services from among those offered by the Network are access to information published, general information services and events.

However, in addition to this general diffusion of knowledge about EU matters, the Network is expected to communicate with clients in a more structured and systematic way. Explaining the opportunities for participation in EU research projects, especially through FP7, is expected to be an important activity for the Network, as is engaging with enterprises on the actual or potential effects of EU legislation. Both of these activities have been structured to a certain extent. There is also often reference to the involvement of the Network in disseminating information on other key aspects of Enterprise Policy, from the Financial Instruments and the encouragement of innovation in enterprises and especially eco-innovation, to the promotion of trading across borders and the development of an entrepreneurial culture.

The training programme which supports the Network is certainly an important instrument in imparting detailed information about developments of relevance to enterprises. This programme is very much appreciated by the Network, particularly since it often provides direct access to Commission officials responsible for particular areas of policy.

The Network also has around 17 sector groups, that are specialised in particular areas and organise events and other activities relating to in specific sectors, often where these are of particular significance in their regional economy. These sector groups play a role in developing specialised expertise in members of the Network which makes them appropriate vehicles for disseminating the results of specific actions, when these are related to their area of interest.

When it comes to trying to examine the dissemination processes in particular areas of Enterprise policy, it becomes rather more difficult to determine how they operate. In relation to SME finance, for instance, there are particular events – the “EU finance days for SMEs”, which are seen as helpful, but this does not appear to be a systematic process. Indeed there appears to be no established view about how the Network might usefully perform a role in this area.

The results of the innovation actions under the EIP present a particularly interesting case, since the Network itself is an important beneficiary of some of the tools and policy orientations that have been developed, as well as enterprises, in that they can be used to develop the professionalism and insight with which innovation support services can be provided. Here there appears to have been rather mixed experience.

⁸⁹ Data after 18 and 30 month respectively. More up to date data (covering the first 36 month of the network are expected to be available in spring 2011

Case Studies

A

The horizontal Take-It-Up project has had a particular role in promoting the profile and take-up of the services and tools developed by Europe Innova platforms. As well as working with the innovation platforms directly, Take-It-Up has tried to develop connections with the Enterprise Europe Network. At this stage, however, this appears to be progressing rather slowly, despite some effort on the part of platform co-ordinators, most of whom recognise the Network as an important group of intermediary organisations. Only one of them was able to refer to concrete linkages and results at this stage. The Take-It-Up project co-ordinators also agreed that in theory Network members represent an ideal vector for disseminating the tools. Certain actions have been taken in this direction and representatives of the Network participate in the Expert Validation Platform of the project. There have also been presentations in Network conferences (e.g. 2010 Network conference in Antwerp). However, up to this point there are no further tangible results. The full effects of this effort may not yet be apparent, but the evidence suggests that the Network has only been able to play a limited role in co-operating with an important vehicle for the dissemination of Europe Innova results.

In contrast an area where there is evidence of synergies between the Network and other EIP measures is the IMP³rove mechanism under the Europe Innova heading. 'IMP³rove', which stands for IMProving Innovation Management Performance with sustainable IMPact is a comprehensive approach to improving the competitiveness and profitable growth of European SMEs. One of the roles of IMP³rove is to train consultants with a proven Innovation Management consulting methodology, which has been successful in generating high levels of impact for SME clients. Consultants can gradually build their knowledge and processes through four different levels from guide to auditor (the highest IMP³rove label). There is evidence that informally, members of the Network have had a role in identifying consultants who could benefit from this methodology and helping them to pursue and obtain the IMP³rove label.

Overall, however, the review conducted by the evaluation team suggests that there is room for considerable development in the role of the Enterprise Europe Network as a dissemination mechanism. The current model appears to be one implicitly based on a process of osmosis whereby the Network and subsequently the client base gradually absorbs the necessary information and ways of operating. And, there is a place for such a process. Network members should be in a position to take up any of a wide range of results that are being produced by the Programme that assist them in responding to the needs of their local clients. However a general expectation that the Network will effectively disseminate the whole range of results arising from the EIP and broader areas of EU policy, without a more structured approach is unrealistic. Apart from other considerations, there is now so much emerging from the differing activities under the EIP that some degree of prioritisation is likely to be necessary. In short, the whole dissemination process has reached a stage where it needs more active management.

Conclusions and Recommendations

There is a general agreement that a major advantage of the Enterprise Europe Network is that it can act as a significant dissemination tool for the Entrepreneurship and Innovation Programme. This role has become more important as the EIP has developed a certain maturity and now has a considerable amount of material that could benefit from more active dissemination.

The evidence gathered would appear to indicate that although the Network has established ways of communicating various aspects of EU policy, the dissemination role could now benefit from a more systematic management of the processes involved, including decisions on priorities and the

Case Studies

A

distribution of tasks. In this respect, the Network is facing a development that is necessary for the Programme as a whole, if synergies between the various elements in the Programme are to be more fully exploited.

Similarly, by making the process more visible, a more active management of dissemination would provide a better basis for interaction with others active in the same area. One of the problems for the Take-It-Up project was finding ways to engage with the Network.

The recommendations that arise are as follows:

- The EACI first needs to review the existing processes for disseminating, particularly the results of other elements in the EIP; this review should identify the strengths and weaknesses of current processes;
- The review should feed into a more general development of processes to manage and promote synergies between different parts of the EIP.
- In conjunction with Network members, new models should be developed for the identification, take up and effective dissemination of the significant results of EIP activity
- This process will undoubtedly require the setting of priorities and while these are a matter still to be determined, the results in the innovation area should have a strong claim to be among the priorities, not least because of the potential of these results to reinforce the professional practice of Network members

Case Studies

A

A3 Eco- innovation as a Cross-cutting Theme

Introduction

As the implementation of the Entrepreneurship and Innovation Programme (EIP) has progressed, cross-cutting themes and links between different parts of the Programme have become more apparent. Support for Eco-innovation was a theme that was explicitly referred to in the Decision on the Competitiveness and innovation Programme. Article 14 of the Decision says that the EIP should:

- support the uptake of environmental technologies and eco-innovative activities;
- provide co-investment in risk capital funds that provide equity, inter alia, for companies investing in eco-innovation;
- foster eco-innovation networks and clusters and public private partnerships in eco-innovation, developing innovative business services, and facilitating or promoting eco-innovation;
- promote new and integrated approaches to eco-innovation in fields such as environmental management and the environmentally friendly design of products, processes and services, taking into account their whole life cycle.

These four types of activity are covered under the various Objectives of the EIP. They are jointly managed by DG Enterprise and Industry, DG Economic and Financial Affairs and DG Environment and are implemented in part by the European Investment Fund (EIF), by the EACI and, in a few cases, directly by the Commission.

The Decision also stipulated that at least 20% of the EIP budget should be spent on eco-innovation.

Eco-innovation is therefore the most significant cross-cutting theme at this stage, but may well offer wider lessons for the process of building on the achievements of the EIP over the period 2007 – 2010.

The Reasons for this Case Study

The purpose of this short paper is, first of all, to support the analysis in the Evaluation Report, which in considering separately each of the main areas under the EIP, makes it difficult to obtain an overview across the Programme of the different actions in support of Eco-innovation. Secondly, the aim is to give a brief consideration to the possible synergies that are to be gained by a concerted approach to a particular theme. It therefore initially presents the various forms of EIP support directed towards eco-innovation, presents the actual or expected results and assesses their overall coherence and the synergies and overlaps among the different instruments. The document ends with a few recommendations

Eco-innovation Financial allocations

Eco-innovation related activities have been implemented under four of the six objectives of the EIP over the period 2007-2011. The total budget allocated to the theme over the 5 years has been €314.4million representing 21% of the total (see table 1).

Case Studies

A

The Financial Instruments under Objective A and the pilot application and market replication Eco-innovation scheme under Objective D – both activities directly targeting SME beneficiaries – represent the lion's share of the total budget allocated (over 90%). Still, in every year with the exception of 2008, additional activities have also been implemented with the support of the EIP. These have related to the provision of environmental services to SMEs or supporting the development of new innovative services, or the promotion of networks of experts and policy makers.

During the first two years the requirement for a 20% share in the total budget was not fulfilled but over the five years the target has been reached. The main reason for the significantly lower share in the first year was the fact that the first application scheme was only launched in 2008.

Table 1 – Eco-innovation related budget allocation across all EIP objective areas (2007-2011)

	2007	2008	2009	2010	2011	Total
Objective A						
Financial instruments (GIF and SMEG)	23	26	29	32	35	145
Objective B						0
Services for SMEs in the field of environment through the Enterprise Europe Network			5.75 ⁹⁰	9 ¹		14.75
Objective C						0
Europe Innova			11 ⁹¹	3		14
PRO-INNO			3			3
Reinforcing procurement of eco-innovation					2	2
Objective D						0
First application and market replication projects		27.85	32.2	35.2	36	131.25
Sustainable Industry Low Carbon scheme (SILC)					3	3
EU Environmental Technology Verification Pre-programme					1	1
Dissemination of Agro-Food Industry Innovation	0.4					0.4
Total	23.4	53.85	80.95	79.2	77	314.4
Total EIP	269	291	315	306.9	313.6	1495.5
Share of eco-innovation in total EIP budget	8.6%	18.5%	25.6%	28.9%	23.9%	21.02%

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F. Outputs and Results of the Eco-innovation related Actions to this Point

Direct support instruments

The High growth and Innovative SMEs facility (GIF) had supported 3 venture capital schemes specialising in eco-innovative firms with high potential by the end of December 2010, two early stage funds and one expansion stage fund. This has resulted in a total of 24 EU and 3 non-EU firms receiving support at this stage representing close to an estimated 20% of the total number of firms supported under the scheme. Eco-innovation is not limited to these funds however. Other funds had a partial focus on eco-innovation. The results from the survey show that the actual number of eco-

⁹⁰ €1 million of the total budget of the activity in each year was earmarked for activities undertaken in co-ordination with DG Environment.

⁹¹ The amount earmarked as eco-innovation was €2 million but the total budget of the platform was €11million for a period of three years.

Case Studies

A

innovative SMEs supported is higher. Beneficiaries of the GIF facility assert that, in 55% of cases, they have developed new or significantly improved products or services during the past three years, that were intended to provide or have resulted in significantly improved environmental protection. If eco-innovations in processes or “Business strategy and practices” are also included this percentage increases even further.

The SME guarantee facility (SMEG) facility does not have an explicit objective for eco-innovation, but research shows that there is a good share of eco-innovative SMEs among the SMEG beneficiaries. The survey conducted for the evaluation indicates, at this stage, that 32% of the SMEs benefitting from the SMEG facility have developed new or significantly improved products or services (according to their own estimation) during the past three years, that were intended to provide or have resulted in significantly improved environmental protection. If eco-innovations in processes or “Business strategy and practices” are also included this percentage increases even further. This facility thus also provides support to SMEs active in eco-innovation.

This means that the support for eco-innovation is considerably wider and is available for more types of SMEs, than that provided by venture capital schemes specialised in eco-innovation, which is only accessible for a small subset of highly ambitious SMEs. This is supported by the outcomes of earlier research done on financing of eco-innovative SMEs⁹² that concludes that, besides venture capital, debt financing is also an important source of financing for eco-innovative SMEs – even at the early stages.

In terms of outcomes, the survey findings indicate an increase in the share of eco-innovative products in the total turnover of the beneficiaries over the period of the support (see table 3.9 in the main document for details). Beneficiaries stated that energy-related savings and reductions of emissions to the air (inc. CO₂) were the main environmental benefits of these eco-innovations but other environmentally related impacts were also recorded.

In the case of the first application and market replication support scheme a total of 251 eco-innovative SMEs have already received support for the development of eco-innovative technologies, products and services under the first two calls (representing 66% of the total number of 371 beneficiaries). These were the main beneficiaries of the funding provided to 90 consortia that included research organisations or associations. Another 180-200 participants in a total of 45-50 projects are expected to benefit from the 2010 call.

At this point, there are no data available aggregating the expected environmental, employment, economic and innovation impacts of the supported projects. However, most projects are expected to lead to one or more new products or services, supported in some cases, by patent protection. Furthermore, most project fiches indicate substantial environmental benefits – energy/water/raw materials use, reduction of CO₂ emissions/waste/hazardous substances - as a direct result of the projects and much greater effects if the technologies developed are more widely adopted.

The expected economic and employment benefits vary among projects and, at the EU level, may be substantial if the proposed technologies end-up being adopted widely. While it is still very early for any assessment of how well founded these expectations are, the rigorous and demanding selection process and what appears to be an effective monitoring process on the part of the EACI represent a promising starting point.

⁹² European Commission, Financing Eco-innovation; Final Report. prepared by EIM and Oxford Research for DG Environment, Brussels, 2011.

Case Studies

A

Both types of financial support provided are properly targeted so that they address existing market failures and a recognised lack of funding for eco-innovative products. Investors appear to have particular difficulties in evaluating funding opportunities in the sector since there is no common technological platform while the price distortions due to subsidies and environmental externalities are not reflected in the pricing of products making access to the market for eco-innovation difficult⁹³. The unproven potential of the developed technologies make banks and other providers of finance rather reluctant to support them. Moreover, in some eco-innovation markets SMEs suffer from the dominant role of large firms that create high market barriers.

Indirect support instruments

In parallel to the direct financial support, EIP activities have supported the broader supply and demand framework through the development of the Eco-innovation Innovation platform under Europe Innova. With a total budget of €11 million five partnerships (BIOCHEM, INNOWATER, REMake, EcoTroFood⁹³ and the horizontal coordination activity of Ecolink+) are among the public and private innovation intermediaries across Europe engaged in these activities. The platforms have been working on the development of support tools and instruments to be used by intermediaries in support of eco-innovative SMEs. Their wide ranging activities have included:

- dedicated voucher schemes across Europe to enhance access and demand for innovation services
- development and/or adoption and testing of investment readiness, business and innovation support tools
- training of intermediaries in order to better respond to the specific needs of eco-innovative SMEs
- databases and membership schemes (e.g. Eco-business club) to facilitate partnerships and cooperation

While the immediate targets of Europe Innova are service providers and intermediaries, it is expected that at least 800 SMEs – eco-innovative or otherwise - will benefit from the activities of the 5 platforms.

The support provided by Europe Innova also appears to be relevant in that it addresses the existing gaps in the provision of eco-innovation related support services. Currently, most tools and services are developed by public agents and tend not to be viable in the long term. The demand for services in the sector is limited and does not encourage sector specific services from private sector providers of business services. The Europe Innova platforms aim to stimulate demand from SMEs at the pan-European level to ensure the viability of the services supported while, at the same time, promote more tailored eco-innovation services and tools.

Related to these activities is the support for environmental services provided to SMEs through the Enterprise Europe Network. Based on the first call under the Programme, Network partners in 55 regions are expected to provide environmental support services to around 7,500 SMEs. An even larger number of SMEs are expected for the second call. The supported activities include training of the Network members and developing the use of existing service providers and did not primarily focus on the development of eco-innovation as such, but rather on a more general strengthening of SMEs' environmental capacities. Still, the support does facilitate the broader adoption of environmental technologies and processes. Furthermore, as a key intermediary structure in Europe

⁹³ An additional partnership was developed under a separate 2010 call (EcoTroFood) focusing on the food/drink industry.

Case Studies

A

the Network members are considered to be the main target for the further uptake of tools and services provided by Europe Innova platforms. There are some clear movements in this direction and certain positive examples either of direct involvement or involvement through the Take-It-Up horizontal Europe Innova project but, as the activities are still in their initial stages, the results are rather limited at this point and even disappointing in terms of the initial reactions.

In the eco-innovation policy development and dissemination area, the PRO-INNO Europe initiative has had relatively little impact at this point. The relevant Inno-Nets network among national policy makers and programmes has not been formed and there seems to be limited scope for doing so. However, under Europe Innova the Eco-Innovation observatory supported through Europe Innova is already in operation collecting and analysing information on trends in the eco-innovation sector. The aim is to improve the access to information and knowledge on eco-innovation, in particular for SMEs and service providers, but also to provide a strategic knowledge resource for policy-makers, business and finance.

Under Objectives C and D of the 2011 Work Programme, additional policy related activities are planned addressing both the demand and the supply side. These include the formation of a network of public and private procurers to strengthen the role of eco-innovative procurement or the identification and promotion of low-carbon economy technologies through industrial projects by industry stakeholders. It also includes the European Technology Verification pre-programme that aims to validate newly developed eco-innovative technologies and address information failures in the sector. It is expected that it can also contribute to the validation of some of the products and technologies resulting from the market replication funding programme.

Conclusions and Recommendations

Over the period 2007-2011, the EIP has contributed a sizeable allocation of resources to eco-innovation, meeting the requirement in the CIP Decision that over 20% of the budget would be allocated to eco-innovation activities. While the results and effects are not evident yet, the review of the activities supported by the EIP suggests that, at the design level, the interventions are targeting relevant areas aiming to stimulate both the demand and the supply side of eco-industry and eco-innovative products. In addition, there is also an effort in the direction of strengthening the operating environment with the development of the relevant services and the improvement and tailoring of support tools and policies.

On this basis, the EIP provides a relevant policy tool with clear added-value for the eco-innovation sector. However, the level of support provided remains rather limited in size and cannot lead directly to sizeable changes to the market and the sector. National or regional policy measures are greater in size and have a much greater potential. In that respect, the demonstration and learning effects of the EIP programmes and the uptake of tools and policy measures by regional authorities possibly represent the most important long term contribution of the EIP programme in the Eco-innovation area.

At the same time, it is clear that on the basis of work already undertaken there is now a considerable potential for synergies that, as yet, is being only partially realised. Currently, there are no visible structures or mechanisms for bringing together the various eco-innovation related activities within the EIP to explore synergies at an operational level. The management and implementation responsibilities for eco-innovation activities within the EIP are distributed among three Commission services and two implementing bodies and, although there are formal mechanisms for eco-innovation policy co-ordination, these do not extend to an integrated provision at an operational

Case Studies

A

level. Beneficiaries of the eco-innovation scheme are not routinely alerted, for instance, to the eco-innovation funding available or relevant business support services available through the Network. Thus, while the Decision establishes a general framework and priorities for action in the area of eco-innovation the implementation is less systematic. A dedicated structure and more active management as part of a strengthened co-ordination function, would help realise the synergies among the different eco-innovative activities and address possible gaps or needs for action. In this way it could realise a real increase in the effectiveness of the various actions, without requiring substantial additional resources.

In order to realise this potential, it is recommended that:

- The potential for synergies between the various parts of the Programme supporting Eco-innovation should be examined further, especially in the light of the activities initially anticipated in the CIP Decision;
- The findings of this examination should be an important input into the active management of cross-cutting issues as part of an enhanced co-ordination function in the management of the EIP.

List of Abbreviations

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List of Abbreviations

- CBS** - Capacity Building Scheme
- CEB** - Council of Europe Development Bank
- CIP** - Competitiveness and Innovation Framework Programme
- CSES** - Centre for Strategy & Evaluation Services
- EACI** - Executive Agency for Competitiveness and Innovation
- EBRD** - European Bank for Reconstruction and Development
- EC** - European Commission
- ECB** - European Central Bank
- ECC - NET** - The European Consumer Centres Network
- EEA** - European Economic Area
- EFTA** - European Free Trade Agreement
- EIB** - European Investment Bank
- EIC** - Euro Info Centre
- EIF** - European Investment Fund
- EIP** - Entrepreneurship and Innovation Programme
- EIPC** - Entrepreneurship and Innovation Programme Committee
- EIS** - Innovation Union Scoreboard
- EPMF** - European Progress Micro-finance Facility
- EPO** - European Patent Office
- ETAP** - Environmental Technologies Action Plan
- ETF** - The European Technology Facility
- ETV** - Environmental Technology Verification
- EU** - European Union
- FAQs** – Frequently Asked Questions
- GIF** - High Growth and Innovative Small and Medium Enterprises Facility
- HLG** - High Level Group
- INTERREG** - Inter regional Cooperation Programme
- IPR** - Intellectual Property Rights
- IRC** - Innovation Relay Centre
- ISO** - International Organisation for Standardisation
- IT** - Information Technology

List of Abbreviations

B

JEREMIE - Joint European Resources for Micro to Medium Enterprises

MAP - Multi-Annual Programme

NCP - National Contact Point

NACE - Statistical Classification of Economic Activities

PES - Performance Enhancement System

PHARE - Poland and Hungary: Assistance for Restructuring their Economies programme

R&D - Research and Development

ROI - Return on Investment

SBA - Small Business Act

SMEG - Small and Medium-sized Enterprises Guarantee Facility

SMEs - Small and Medium-sized Enterprises

SOLVIT - Internal Market Problem Solving System

UEAPME - The European Association of Craft, Small and Medium-Sized Enterprises

VC - Venture Capital