



Contract No: ENTR/03/60

**External Evaluation of the Pilot Scheme
CREA Concerning Support for Venture
Capital Companies Financing SMEs in
the Seed and Start-up Phase**

FINAL REPORT: APPENDICES

**The European Commission
Enterprise Directorate-General**

Submitted by:

The Evaluation Partnership Limited

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External Evaluation of the Pilot Scheme CREA Concerning Support for Venture Capital Companies Financing SMEs in the Seed & Start-up Phase

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1 APPENDIX 1: TERMS OF REFERENCE

Description of work

Introduction

One of the objectives of the Third multiannual programme for small and medium-sized enterprises (SMEs)¹ in the European Union is to support the development of innovative start-ups.

In 1998 the Commission decided to begin implementation of a pilot scheme known as CREA (Venture capital for business start-ups). This contributed to the creation of 19 seed capital and start-up funds (call for proposals 98/C 363/09).

However, the contract of one of these 19 funds was terminated in 2002 because the public sector accounted for the majority of the fund's capital.

The beneficiaries of the pilot scheme are recently created seed-capital funds and via these funds entrepreneurs and business start-ups.

Since it is a pilot scheme, in accordance with the Commission Communication it must be assessed twice:

- midway;
- at the end of the full ten-year term.

Objectives of the study

In close cooperation with the Commission the contractor must:

- ❖ outline the problem of access to funding for SMEs in the seed and start-up phases;
- ❖ summarise the development of the seed capital market in the last five years;
- ❖ and assess the CREA pilot scheme in terms of relevance, effectiveness, efficiency, utility and sustainability.

Key questions to consider in the evaluation

The contractor is asked to present a methodology which will provide answers to the following questions:

- Relevance: how appropriate are the objectives of the pilot programme as regards the needs identified and the problems that the measure was intended to solve?
- Effectiveness: what effects (impact) has the measure had and, in particular, have the effects helped achieve the measure's objective?

¹ Internet site: www.sdv.pcn.prd.fr/doctsd/doc/Programme_PME-1997-2000.doc

- Efficiency (cost-effectiveness): how economically have the different methods produced results? Have the (expected) effects been achieved at a reasonable cost?
- Utility: does the programme's impact correspond to the needs identified and the problems to be solved?
- Sustainability: will the impact continue in the medium or long term?

Relevance and consistency

To what extent has the programme met the needs of the target group, consisting of venture capital funds involved in the financing of the seed phase?

Is the programme suited to the target group's needs? It is sufficiently consistent as regards the needs identified? Do measures exist that are more suited to the needs of this target group as regards achieving the programme's objectives? What are they? Should new measures be drawn up and implemented that are better suited to the target group's needs?

Effectiveness

How effective was the call for proposals? What is the typology of the funds selected and to what extent do they currently meet the programme's requirements?

Which contractors have been particularly efficient in terms of the resources used? Which contractors have been the most efficient and which the least in terms of cost-effectiveness? Are there lessons to be learned?

To what extent have the investments made by the target group promoted the creation of jobs, growth and profitability among the beneficiary SMEs? Are there SMEs which have benefited more than others and if so why? What lessons can be learned from these cases? What is the cost of the programme per business targeted?

Does the programme have indirect effects? What are they?

Efficiency

To what extent is the target group aware of the programme's existence? Is the call for proposals procedure suited to this type of programme? Has the existence of the programme led to a change in the behaviour of players on the market as regards financing seed phases?

How far has the programme achieved its objectives? In general what (positive or negative) effects have been achieved under the programme? What is the relationship between the results of the programme in terms of investments made, SMEs contacted, fund managers recruited, jobs created and value added, and the level of Community intervention granted?

Has the programme led to an increase in the capital available for the financing of the seed and start-up phases within SMEs? Has the planned network been set up? What existing or new measures should be taken to improve the situation? Do other measures exist that could be taken to increase the capital available?

Which contractors have performed well? Which contractors have performed less well? Which practices are good? What lessons can be drawn from these differences?

Utility

To what extent does the programme meet the needs of the identified target population? What additional measures should be taken into account to improve the utility of the programme?

Has the programme had any unexpected effects? If so, what? Have they met the needs of the target population? Who are the greatest beneficiaries of the programme?

Sustainability

To what extent will the bodies supported by the programme maintain their activities after the Community measure?

Tasks concerning the evaluation and methodology

The contractor is required to develop an approach for the collection and analysis of data that can provide answers to the evaluation questionnaire presented in part 4.1.

The contractor may draw up additional questions if necessary, relevant evaluation criteria and performance indicators (to be presented in the interim report for validation by the Commission) for each question.

The contractor is to carry out a detailed analysis of existing data (see point 4.3 for information sources), particularly in connection with the evaluation, the follow-up and the audit reports.

The Commission expects the contractor to obtain additional information in order to carry out an exhaustive evaluation.

The Commission expects the contractor to organise studies of representative samples of target populations. Tenderers must state in their bids what tools they intend to use (e.g. internet, e-mail survey, etc.).

The samples must allow cases to be assessed which are comparable from economic, social, environmental and geo-political points of view.

The conclusions and recommendations arising from this evaluation are to be sound and relevant.

Non-exhaustive list of data and information available

The information available for the purposes of this invitation to tender is as follows:
97/15/EC: Council Decision of 9 December 1996 on a third multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000).

http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/3rd-programme.htm

2000/819/EC: Council Decision of 20 December 2000 on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2005)

Internet site address:

http://europa.eu.int/comm/enterprise/library/lib-enterprise_policy/libr-enterprise_policy.html#official

Call for proposals for the launch of the CREA programme:

http://www.europa.eu.int/eur-lex/fr/archive/1998/c_36319981125fr.html

List of funds selected:

NAME OF FUND		Country
Artigiancassa - Creaimpresa Spa	www.artigiancassa.it	Italy
Barcelona Emprèn, SCR	www.bcnempren.com	Spain
Capital Net (ex. Sonderjyllands Udviklingsselskab)	N/A	Denmark
Gemma Frisius-Fonds K.U. Leuven NV	N/A	Belgium
Innovationsagentur AG	http://www.awsg.at/awsg/	Austria
Agrobos Technology	www.agrobos.be	Belgium
Interrisco- Sociedade Capital de Risco	N/A	Portugal
Microventure Beteteiligungs Gmbh & Co. Kg.	www.microventure.de	Germany
Novi A/S	N/A	Denmark
Primaveris SAS	www.primaveris.fr	France
Pythagoras Participations II CVBA	www.pythagoras.be	Belgium
Rhones-Alpes-Amorçage	www.a-r-a.fr	France
Seed Gmbh	http://www.seed-gmbh.de/	Germany
Tampere Seed Consortium	www.hermia.fi	Finland
Techno Nord VC Gmbh	www.technonord.de	Germany
Teknoseed A/B	www.teknoseed.se	Sweden
Trust Capital Ventures NV	N/A	Belgium
Udviklingsparken A/S (ex. Udviklingsparken Aarhus m.b.a.)	www.udviklingsparken.dk	Denmark
Yorkshire Fund Managers Ltd	www.yorkshire-enterprise.co.uk	United Kingdom
Zuid Hollands Investeringsfonds	N/A	Netherlands

A description of the activity of the European Investment Fund, which is responsible for implementing the new financial instruments of the multi-annual programme for SMEs, is available on the Internet at the following address:

www.eif.org

A description of the activity of the association EVCA (European Venture Capital Association) is available on the Internet at the following address:

www.evca.com.

Subject to the signing of a confidentiality agreement, the contractor will have access to the following information: the selected tenders, the evaluation report, the 20 signed contracts, the details of the annual surveys and the four activity reports. The confidentiality agreement will also cover the information provided by the funds.

Reports and documents

The contractor is to provide the required reports and documents in accordance with the conditions of the standard service contract appended in Annex 5.3.

The tasks are to be carried out within 10 months of the signing of the contract: the following stages are to be included:

Three weeks after the signing of the contract, a meeting shall be held at the Commission, where the evaluator will present the methodology and the plan of the work as set out in the bid, along with any additional evaluation questions, in a preliminary project report.

Three months after the signing of the contract: presentation of the interim report, which is to contain a questionnaire and an interview plan. The interim report is to reach the Commission two weeks before the meeting.

After the meeting with the contractor, the Commission has 30 days to comment on the document.

The contractor has 30 days within which to accommodate the Commission's comments in the interim report.

Seven months after the signing of the contract: presentation of the final report in English, along with French and German translations of the conclusions and recommendations of the evaluation.

The report is to reach the Commission two weeks before the meeting.

After the meeting with the contractor, the Commission has 30 days to comment on the completed work.

Following these comments, the contractor has 30 days within which to accommodate the latter comments in its final report.

The reports must comply with the quality standards adopted by the Commission.²

This report (excluding the confidential information specific to the funds), will be made available to the public in any way considered appropriate, including the Commission's official internet site, "Europa".

Standards

1. The substance of the evaluation reports shall be relevant, based on rigorous analysis, meet the quality criteria laid down in the specifications (see example) and comply with the deadlines.
2. The evaluation reports shall describe the purpose of the evaluation and its context and also the objectives, questions, procedures, results and reasoned conclusions of the evaluation, so as to make available the essential information in an easily understandable form.
3. The reports shall describe the information sources in such detail that the correctness of the information can be assessed. The data collected or selected shall be suited to the methodologies used and be sufficiently reliable for the expected use.
4. The perspective and reasoning on which interpretation of the findings are based shall be described and explained. The findings should follow on logically and be

² Memorandum to the Commission from the President and Ms Schreyer, December 2002.

substantiated by data analysis and interpretations based on carefully presented explanatory hypotheses.

5. The final evaluation reports shall present the findings and conclusions of the evaluator and the tenor thereof shall not be amended without his/her agreement. The conclusions and any recommendations shall be rigorous and shall not be distorted by personal or partisan considerations. The recommendations shall be comprehensible, useful, applicable and detailed enough to be put into practical effect.

NB: The final report will be assessed on the basis of the following standard criteria:

	UNACCEP TABLE	POOR	SATISFA CTORY	GOOD	EXCELLE NT
1.Meeting needs: Does the evaluation deal adequately with requests for information from the Commission and is it in line with the specifications?					
2. Relevant scope: Have the rationale of the programme, its outputs, results, impacts, interactions with other policies and unexpected effects been studied in full?					
3. Appropriate methodology: Is the design of the evaluation adequate and suitable for providing the results required (within time limits) to answer the main evaluation questions?					
4. Reliable data: Are the primary and secondary data collected or selected suitable? Are they sufficiently reliable in the light of the expected use?					
5. Sound analysis: Does the analysis of the quantitative and qualitative data comply with established rules, and is it complete and appropriate for answering the evaluation questions correctly?					
6. Credible results: Are the results logical and justified by the analysis of the data and by interpretations based on carefully presented explanatory hypotheses?					
7. Valuable conclusions: Are the conclusions just, and are they unbiased by personal or partisan considerations?					
8. Useful recommendations: Are the recommendations comprehensible, useful, applicable and detailed enough to be put into practical effect?					
9. Clarity: Does the report describe the context and goal of the programme evaluated and also the organisation and results in such a way that the information provided is easily understood?					

2 APPENDIX 2: COLLECTING EVIDENCE FROM STAKEHOLDERS

As described in the Technical Proposal for this study, the evaluative team has identified stakeholder groups in the first instance, and developed questionnaire protocols to identify the required information, mapping this against the logframe and evaluative framework also presented in the proposal (please see **Appendix 5** for the **Original Technical Proposal**). This section outlines the key steps taken during Stage 2 to develop the tools for Stage 3, the Consultation and Collection of Evidence.

2.1 STAKEHOLDER ANALYSIS

During Stage 2 of this evaluation, stakeholders have been identified from the available information and desk research. The sets of contact sheets presented in Appendix 2 (Stakeholder Contact Sheets), which includes the most recent suggestions of the Commission, represent the identification and grouping of stakeholders into 6 clusters. This includes:

Primary Stakeholders

- A - CREA-backed Fund
- B - SMEs receiving investment from CREA-backed funds

Secondary Stakeholders

- C - Unsuccessful CREA Applicants
- D - Pre-selected CREA Applicants – unable to raise funds
- E - Other non-CREA Fund Managers
- F - Funds which may have qualified for CREA but did not apply

This initial stakeholder analysis allowed for the **identification of contact information**, particular issues, relevant to each group and the development of a methodology and tools for data collection from them. This process has identified 141 stakeholders, for the majority contact details have already been obtained. There are a further potential 600 plus stakeholders, but the evaluation team considers that the response rate from ‘external’ stakeholders is likely to be limited:

Table 1: Potential Stakeholder Populations

Stakeholder categories	Stakeholder descriptions	Targeted	Est. response
Direct Beneficiaries Indirect Beneficiaries External, non-	A. CREA backed funds	20	10
	B. SMEs receiving investment	174	34
	C. Unsuccessful CREA applicants	37	3

Stakeholder categories	Stakeholder descriptions	Targeted	Est. response
beneficiary stakeholders	D. Pre-selected CREA applicants unable to raise funds	10	2
	E. Non-CREA fund managers	600	30 (>600)*
	F. Funds which might have applied for CREA but did not (a subset of E)	Unknown	Unknown
TOTAL INTERVIEWEES		841	62

* Total population, 5% estimated Response rate

2.2 METHODOLOGY AND APPROACH

The early reports presented key changes to the proposed methodology; to the evaluative questions; and to the methods of data collection and these are further elaborated on in this section. Much of the original methodology and approach was retained and is not repeated. Additionally, during the early stage of the work detailed proposals and questionnaire protocols were developed.

The methodology described here adheres to that presented in the Original Technical Proposal. In summary, the evaluative questions presented in the TOR (**Appendix 1**), were mapped to stakeholder categories, and with the additional identified issues, have contributed to the development of specific questions for stakeholder groups.

The purpose of the data collection is to examine the relevance of the Pilot Action; the selection criteria used for the funds; the way the Pilot Action has been understood; whether the funds have modified themselves to meet the CREA criteria; the resources expended on the application process; the expected performance had the fund not received funding from CREA; the effect on fundraising; the effect on investments; the utility of the CREA network; unexpected effects and the sustainability of the benefits of the Pilot Action. The revised logframe presented below outlines the key sources of information, against evaluative area:

2.2.1 The Revised Logframe

The key purpose of the revised logframe has been to map the evaluative analysis against the **intervention logic** of the CREA Pilot Action. This revised version presents the key sources of evaluative indicators, against the evaluative criteria. The final column presents the core areas of analysis, according to the intervention logic and focuses the logic onto the data collection and analysis stages. Additionally, this tool provided an overview, although it is not comprehensive and there are a multitude of sub-issues and questions presented in the questionnaires.

Key indicators within this logframe correspond to the key questions, and the final column also describes the type of evidence collected. The qualitative information relates to 'open' questions, and the quantitative to 'closed'. This tool guided the analysis during Stage 3; and the table described the key means for analysing the collected information.

Table 2: Revised Logframe

Logframe	Intervention logic	KEY INDICATORS:	KEY ANALYSIS:
Final outcomes	Enhanced competitiveness and innovation among European SMEs	Utility <ul style="list-style-type: none"> - Job creation and profitability (B) - Performance of non-CREA funds (C,D,F) 	<u>Qualitative data</u> – aggregated and classified <u>Quantitative data</u> – aggregated and explained Performance of supported SMEs <ul style="list-style-type: none"> - Counterfactual, expected outcome without CREA funding
Purpose	The general objective Under the Third multi-annual programme for SMEs (1997-2000), to support the development of innovative start-ups.	Effectiveness <ul style="list-style-type: none"> - The success of investments and fundraising (A) - Unexpected effects (A) 	<u>Quantitative data</u> – aggregated and explained <ul style="list-style-type: none"> - Performance of the funds - Unexpected effects - Perceived comparative benefits of CREA
Results	The specific objectives 1. Stimulate the supply of equity finance for the creation and transfer of innovative smaller businesses with growth and job creating potential by supporting seed capital funds or similar organisations; 2. Create a community-wide network for seed capital funds and promote the exchange of best practices and training.	Relevance <ul style="list-style-type: none"> - Consequence of promoting finance as compared to other means (B) - Relative impact of promoting seed capital in investment context (E) - Future importance of promoting seed capital against other means (F) Utility <ul style="list-style-type: none"> - The utility of the network (A) - Utility of managerial advice from funds (B) Sustainability <ul style="list-style-type: none"> - The future plans of the CREA funds to support SMEs (A) Efficiency <ul style="list-style-type: none"> - Modification of funds to meet criteria (A) 	<u>Qualitative data</u> – aggregated and classified <u>Quantitative data</u> – aggregated and explained <ul style="list-style-type: none"> - Examination of the initial Pilot Action design - Performance of network - Likely sustainability - Future seed finance - Alternative tools
Activities	The operational objectives Present and planned activities of the Seed funds	Relevance <ul style="list-style-type: none"> - The relevance of the Selection Criteria (A) - Perceptions of the application process (C,D) Efficiency <ul style="list-style-type: none"> - Awareness of CREA 	<u>Qualitative data</u> – aggregated and classified <ul style="list-style-type: none"> - Understanding of CREA - Examination of different perspectives - Application process - Impact of audits

Sources:	SOURCES: A: CREA-backed funds B: SMEs receiving investment from CREA funds C: Unsuccessful CREA applicants D: Pre-selected CREA applicants, unable to raise funds E: Other non-CREA fund managers F: Funds which might have qualified for CREA but did not apply Other external parties: Commission officials involved in the management and implementation of CREA
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Key components of this **evaluative framework** include:

- The findings will be structured and analysed to answer the evaluation questions (see TOR: Appendix 1), according to **evaluative criteria** and their place in the intervention logic.
- Data was analysed by evaluative criteria and its position within the logframe, as far as possible.
- In addition to understanding the strategic logic of the main components of the policy, and how these progressed so far, the logframe was used to identify the **risks and assumptions** behind the Pilot Action, an examination of unexpected effects further elaborated this understanding.
- This process will helped undertake a **counterfactual analysis**: i.e. what happened to the funds not supported by CREA.
- Findings and analysis were supported by **triangulation** - by gathering comparative information from the different stakeholder categories and putting this in the context of the VC industry as a whole.

The **evaluative criteria** are linked to different layers of the intervention logic, as well as to the information requested from stakeholders and formed the basis for the data analysis and reporting.

2.2.2 Tools for Data Collection

Six questionnaires were developed for use in the fieldwork. The questionnaires were targeted at the different groups of stakeholders and are presented in full, with detailed questions and interviewee guidance in **Appendix 4: Questionnaire Protocols**. The table (Table 3: Overview of Questionnaire Protocols) outlines the purpose of each questionnaire, the methodology and the analysis that will be undertaken.

2.3 FIELD WORK

2.3.1 Field Work Plan

The actual field work plan was based on the following action:

- A preliminary identification of contacts in each country from each of the main stakeholder groups was carried out in collaboration with DG Enterprise:
 - Stakeholders A: CREA backed funds
 - Stakeholders B: SME's receiving investment from CREA backed funds
 - Stakeholders C: Unsuccessful CREA applicants
 - Stakeholders D: Pre-selected CREA applicants unable to raise funds

- Stakeholders E: Non-CREA fund managers
- Stakeholders F: Funds in CREA target group who did not apply
- Confirmation of the identity of the contacts was established through acceptance of the Interim Report by DG Enterprise in August 2005.
- The field work was performed with support tools in the form of six different questionnaires adapted to each of the six stakeholder groups.

2.3.2 Interviews with Stakeholders

Stakeholders from **group A** were contacted by the evaluation team to arrange telephone interviews. All of the funds were contacted by email and followed up on the telephone. Most of these arrangements were completed between 17th August and the 10th of September. 12 stakeholder interviews, generally between 30 minutes to an hour, were completed during this timeframe.

An online questionnaire adapted to Stakeholder **group B** (SME's receiving investments) was placed online in mid September 2005. Emails inviting recipients to complete the online questionnaire were sent to 96 SME's on 20th September, using all the email contacts included the contact list provided by the CREA funds to the Commission. 13 emails were returned due to invalid email addresses, putting the total emails that arrived with SME's at 83.

Only four replies were received within one week to this first email, so the evaluation team followed up with all 175 SME's on the list by telephone. About 100 SME's in total were reached, with the others not having valid numbers that could be found on the contact sheet or through internet research. This work was done between 10th and 14th October 2005. This follow up work brought the final number of responses from stakeholder group B up to 21.

Emails were sent to stakeholder **group C**, unsuccessful CREA applicants in late September 2005. 37 had been identified by the Commission in the original list of contacts sent to the evaluation team. 19 emails successfully reached their addressees. The response to the initial emails was zero. The evaluation team followed up by telephone, and conducted three interviews with unsuccessful applicants to the CREA programme between 10th and 14th October 2005.

Emails were also sent to stakeholder **group D**, pre-selected CREA applicants who were unable to continue with the Pilot. 10 emails were sent. One response to the emails was received and a telephone interview was completed. During the interviews with representatives from stakeholder group A, two of the funds originally classified as being part of stakeholder group A had to be reclassified as belonging to group D because of their not ever having benefited from the Action, and never having implemented reporting. The total number of stakeholders interviewed from group D comes to three when the reclassified funds are taken into account.

An email survey was also sent on 20th September 2005 to 60 recipients from stakeholder **group E**, non- CREA fund managers. The contacts had been gathered during the desk research phase. The effort did not meet with any response initially.

After consulting with EVCA, the evaluation team started work on gathering the email addresses of all EVCA members from the EVCA website during the week from the 10th to the 14th of October. All VC funds were included, while law firms and other service providers such as executive search firms were excluded. Finally, the email survey for stakeholder group E was sent to 683 email recipients. 56 emails were returned undelivered, putting the total number of emails that reached their destination at 627. 41 responses were finally elicited for stakeholder group E.

Respondents to questionnaire E who indicated that they were involved in seed financing or might be interested in providing seed financing in the future (**Group F**) were followed up and asked to complete questionnaire F, for VC's who might have been in the CREA target group but did not apply. One response was received.

The team also interviewed a number of former Commission staff involved in CREA and some informed independents. Face to face interviews were conducted with Mr. Albrecht Mulfinger and Mr. Rudy Aernoudt in Brussels on the 22nd and 23rd of September. The interviews lasted approximately 90 minutes. One interview was also conducted at the VC Summit organized by DG Enterprise in London in early October 2005 and contact was made with academics and other informed independents. In all, there were 3 of these **Group G** responses.

2.3.3 Summary response

Contact data was compiled according to this stakeholder classification, which also permitted the formulation of issues and questions, relevant to each group, and the development of a methodology and tools for data collection. Some 241 stakeholders were gleaned from internal sources (types A, B, C and D) and a further 600 plus identified, although the response rate from non-funded targets (C and D) and from other 'external' stakeholders was expected to be limited:

Response compared with potential stakeholder populations

Stakeholder categories	Stakeholder descriptions	Potential targets	Expected response	Actual targets	Actual response
Direct Beneficiaries	A. CREA backed funds	20	10	18	12
Indirect Beneficiaries	B. SMEs receiving investment	174	20% (34)	110	21
External, non-beneficiary stakeholders	C. Unsuccessful CREA applicants	37	Zero to few	19	3
External, non-beneficiary stakeholders	D. Pre-selected CREA applicants unable to raise funds	10	Zero to few	12	3
External, non-beneficiary stakeholders	E. Non-CREA fund managers	600	5% (30)	627	41
External, non-beneficiary stakeholders	F. Funds which might have applied for CREA but did not (a subset of E)	Unknown	Unknown	5	1
Informed Independents and former Commission staff	G. Persons with prior involvement in CREA or with a non-operational yet informed view of VC	Unknown	Unknown	3	3
TOTAL INTERVIEWEES		841	74+	794	84

2.4 OVERVIEW OF QUESTIONNAIRES

The table below presents an overview of the Questionnaires presented in Appendix 3. It outlines the methodology, population, estimated response rate, the key purpose of the questionnaire and proposals for analysis.

Table 3: Overview of Questionnaire Protocols

Questionnaire		Method	Population	Follow-up	Est. Response	Est. Total Response	KEY PURPOSE	ANALYSIS
A	CREA-backed funds	Tel	20: 17 live funds, 3 closed funds	TEP will try to contact these and if possible administer a slightly different version	50%	10	<ul style="list-style-type: none"> →Relevance of Pilot Action. Selection criteria. →Understanding of Pilot Action →Modifications of fund type/behaviour to meet criteria →Resource cost of application procedure →Expected outcome without CREA funding →Effects on fundraising →Effects on investments →Utility of network →Unexpected effects →Sustainability - future plans →General views on relative importance of various means of promoting seed capital. 	<ul style="list-style-type: none"> →Classification using closed questions (noting very small sample sizes). General classification of open-ended answers, with option of (anonymously) reproducing verbatim answers. →Examination of issues such as understanding of Pilot →Burden of application process and compliance, clarity of contract. →Examination of homogeneity or otherwise of funds – consensus on view and approach? →Gauging of importance of scheme. Expected development without scheme backing. →Performance of fund and future plans. Numbers of investment managers recruited, experience gained hands-on approach to investments. →Overall views of scheme. Whether altered by experience – would apply again? Views relative to other types of support.

Questionnaire		Method	Population	Follow-up	Est. Response	Est. Total Response		KEY PURPOSE	ANALYSIS
B	SMEs that have received investments from the funds	On-line	174 companies: (contact details for 103 to date)	Email chase-up of non-responses	20%	34	→Not an attempt to be census of performance. Assumed that job creation and current turnover and profitability sufficient guide to growth. →Background classification questions, job creation and profitability (though may be concerns over commercially sensitive information). →Perceived benefits of the Venture Capital investment and whether backing from a CREA fund is believed to differ from that of other funds. →Utility of managerial advice and support given by their investment manager, to help to assess the effectiveness of these measures. →Relative importance of measures to promote sources finance (or knowledge of existing finance) and other business support measures.	→Quantitative analysis of closed questions, though noting likely small sample sizes. General classification of open-ended answers, with option of (anonymously) reproducing verbatim answers. →Classification questions (including job creation) used to describe sample. Possibly able to identify cases where sub-samples differ, though again small sample sizes mean opportunities limited. →Crucially, assess perceived utility of Venture Capital investment and any managerial support. Assess perceived relative importance of promoting sources of finance compared with other methods of support.	

Questionnaire		Method	Population	Follow-up	Est. Response	Est. Total Response	KEY PURPOSE	ANALYSIS
C	Unsuccessful CREA applicants (those deemed not eligible on commission list)	Tel	37 funds on Commission list.	Even if unsuccessful in arranging an interview, attempt will be made to establish whether a seed fund actually established or not.	<10%	3	→Experience without CREA funding. →Views on application process. →General views on relative importance of various means of promoting seed capital.	→Likely to be few if any achieved interviews. →However, if successful, could provide good insights. →Funds successfully established without CREA show it not to be a necessary condition. →Questions on whether development different without CREA illuminate relevance. →Comments on application procedure and alternative means of support for seed capital.
D	Pre-selected CREA applicants unable to raise funds (those identified as eligible, but who were not given a contract)	Tel	10 funds on EC list	Probably very few	<20%	2	→Experience without CREA funding. →Views on application process. →General views on relative importance of various means of promoting seed capital.	→Likely to be few if any achieved interviews. →CREA contract not sufficient to establish fund. →Questions on how could have been helped better illuminate effectiveness. →Comments on application procedure and alternative means of support for seed capital.

Questionnaire		Method	Population	Follow-up	Est. Response	Est. Total Response		KEY PURPOSE	ANALYSIS
E	Non-CREA fund managers.	On-line	>600		5%	30	→Awareness of Pilot Action (if not, might have applied?) →Relevance of Pilot Action →General views on relative importance of various means of promoting seed capital.	→General awareness of Pilot Action. →Help to quantify pool of managers who may be prepared to be involved in seed finance. →Views on alternative means of support for seed capital. →Identification of managers prepared to be involved in seed – attempt to follow-up with more detailed telephone interview F.	
F	Venture Capital funds which might have applied for CREA but who did not apply.	Tel	Unknown	Some will be identified by desk research, others as respondents to Quest E.	?	?	→Awareness of Pilot Action (if not, might have applied?) →Relevance of Pilot Action →Reasons for not applying →Experience of fund without CREA funding →General views on relative importance of various means of promoting seed capital.	→Likely to be few if any achieved interviews. →However, if successful, could provide good insights. →Funds successfully established without CREA. →Questions on whether development different without CREA illuminate relevance. →Comments on alternative means of support for seed capital.	

3 APPENDIX 3: STAKEHOLDER CONTACT SHEETS

3.1 Stakeholders A: CREA backed funds

Key

	Missing contact information
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Total number of identified stakeholders: 20

Name of Fund	Contact Person	Position	Address	Telephone	Fax	Email
Artigiancassa - Creaimpresa Spa	Verzaro, Gianfranco	Official Representative (Artigiancassa)	Via Crescenzo del Monte, 25/45 Roma I-00153 Italia	*39 06 58 451	*39 06 58 45 235	d.crea-creaimpresa@artigiancassa.it Alessio.Picciano@artigiancassa.it
	Crea, Domenico	Official Representative (Creaimpresa)		*39 06 58 45 664		
	Picciano, Alessio	Contact person (Creaimpresa)		*39 06 58 45 529		
Barcelona Emprèn, SCR	Fernandez, Christian	Official Representative	c/ Llacuna, 162-166, Planta Baja Barcelona	*34 934 019 711	*34 93 401 97 09	cfernandez@bcnempren.com

Name of Fund	Contact Person	Position	Address	Telephone	Fax	Email
	Casellas, Marc	Contact Person	E-8018 Espana	*34 93 401 9668		mcasellas@bcnempren.com
Capital Net (ex. Sonderjyllands Udviklingsselskab)	Kongsted, Paul-Christian	Official Representative	Bjerggade 4 C Aabenraa DK-6200 Denmark	*45 73 62 10 80	*45 73 62 10 81	pck@svddanskventure.dk
Gemma Frisius-Fonds K.U. Leuven NV	Debackerer, Koenraad Zimmerman, Edwin	Official Representative Contact Person	Groot Begijnhof 59 Leuven B-3000 Belgium	*32 16 32 65 02 +32 16 32 64 92	*32 16 32 65 15 +32 16 32 65 15	koenraad.debackere@lrd.kuleuven.ac.be edwin.zimmerman@lrd.kuleuven.ac.be
Innovationsagentur - Univenture	Currently Unknown Felzmann, Sylvia	Official Representative Contact Person	Ungargasse 37 Wien A-1030 Österreich	 +43 1 50175-510	 +43 1 50175-908	 s.felzmann@aws.at
Agrobos	Koestel, Gilles	Contact person	6 Av. de France Marche-en-Famenne B-6900 Belgium	*32 84 32 05 20	*32 84 31 57 23	investsud@skynet.be; gilles.koestel@investsud.be
Interrisco- Sociedade Capital de Risco	Lopes Ferreira, Rui	Official Representative and Contact Person	Av. De Boavista, 1180-6° Porto P-41-100-113 Portugal	*22-607-22-78/68	*22-600-67-51	jmr@bpi.pt
Microventure Beteiligungs Gmbh & Co. Kg.	Kein, Dietmar	Official Representative and Contact Person	Inselstrasse, 24 Düsseldorf D-40479 Deutschland	*49 700 0700 08 08	*49 700 0700 09 09	klein@microventure.de; Info@microventure.de
Novi Seed/Innfond	Jespersen, Jesper		Niels Jernes Vej 10 Aalborg	*45 96 35 45 00	*45 96 35 45 99 (77)	novi@novi.dk; jj@novi.dk

Name of Fund	Contact Person	Position	Address	Telephone	Fax	Email
			DK-9220 Denmark			
Primaveris SAS	Bardouin, Jacques Lamielle, Guillaume	Official Contact???	29 Cours Pierre Puget Marseille F-13006 France	*33 4 88 66 90 90 (GSM M. Bardouin 33.6.80.22.31.2 9)	*33 4 88 66 90 09	j-bardouin@wanadoo.fr g.lamielle@samemar.fr
Pythagoras Participations II CVBA	Van Rompaey, Marc	Official Representati ve	Ijzerlaan 54-56 Antwerpen B-2060 Belgium	*32 3 221 14 40	*32 3 213 35 44	info@pythagoras.be; marc.vanrompaey@pythag oras.be
Rhones-Alpes-Amorçage	Rigaud, Guy Chapolard, Lysiane	Official Representati ve and Contact Person Assistant to the Direction	10 rue du Chateau d'Eau Champagne au Mont d'Or F-69410 France	*33 4 72 52 39 52 *33 4 72 52 39 49 (general) *33 4 72 52 39 49 (direct)	*33 4 72 52 39 30 *33 4 72 52 39 30	info@a-r-a.fr l.chapolard@a-r-a.fr
Seed Gmbh	Wetscher, Hannes Zöllner, Werner	Contact Person Official Representati ve	Wöhrdstrasse 5 Tübingen D-72072 Deutschland	+49 (0)89 17 95 99 11 *49 707 156 766	+49 (0)89 17 95 99 19 *49 707 156 799	h.wetscher@seed- gmbh.de info@promittelstand.de ; info@seed-gmbh.de
Tampere Seed Consortium	Seppälä, Mikko	Official Representati ve and Contact Person	Hermiankatu 1 Tampere FI-33720 Finland	*358 3 316 5550	*358 3 316 5520	Mikko.seppala@hermia.fi
Techno Nord VC Gmbh	Neuhaus, Gottfried	Geschäftsfüh rer (Official Representati ve)	Jungfernstieg 30 Hamburg D-20354 Deutschland	*49 40 355 282 0	*49 40 355 282 39	info@dneuhaus.de neuhaus@technonord.de

Name of Fund	Contact Person	Position	Address	Telephone	Fax	Email
	Gombert, Peter	Chief Financial Officer (Contact Person)		0049-403-552-8228	0049-403-552-8239	neuhaus@drneuhaus.de gombert@drneuhaus.de
Teknoseed A/B	Schatz, Adam	Official Representative	IDEON Lund S-22370 Sweden	*46 46 286 87 57	*46 12 34 55	info@teknoseed.se ; adam.schatz@teknoseed.se
	Headner, Per	Contact Person		*46-46-286 87 43		per.heander@teknoseed.se
Trust Capital Ventures NV	Mattelaer, Katrien Huyghe, Domenic Nollet, Marleen	??? ??? Contact Person	Ter Bede Business Center Kapel ter Bede 86 Kortrijk B-8500 Belgium	*32 56 26 43 11 *32 56 24 9511/ 056/249 547	*32 56 26 43 10	marleen.nollet@koceram.be
Udviklingsparken Aarhus m.b.a.	Moller, Hans	Official Representative and Contact Person	Sonderhoj 46 Viby J DK-8260 Denmark	*45 8734 5559	*45 8734 5566	hm@udviklingsparken.dk
Yorkshire Fund Managers Ltd	Cammerman, Philip	Official Representative and Contact Person	Saint Martins House 210-212 Chapelton Road, Leeds LS7 4HZ United Kingdom	*44 113 294 5050	*44 113 294 5002	phil.cammerman@yfmgroup.co.uk
	Newton, Andy					andy.newton@yfmgroup.co.uk
Zuid Hollands Investeringsfonds	Kazatzidis, Janco	Official Representative and Contact	Visseringlaan 18 Rijswijk NL-2288 ER	*31 70 30 74 190	*31 70 30 74 198	j.kazatzidis@zif.nl

Name of Fund	Contact Person	Position	Address	Telephone	Fax	Email
		Person	Nederland			

3.2 Stakeholders B: SME's receiving investment from CREA backed funds

Total number of identified stakeholders: 134

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Agrobos Investments	Woodlam S.A.	Frytier family works in the wood sector for several generations. Woodlam aims at producing laminated wood. The factory is innovative and took one year to build. As such a 2nd investment was necessary in 2002.	Chaussee de Liege, 160, 6900 Marche en Famenne	084-32-3386			Pierre-Andre Fruytier	22 June 2000 registration no 20989
Agrobos Investments	ICE Concept S.A.	A young entrepreneur created a company which rent refrigerated vehicles with a	première avenue, 32 Z.I. Herstal 4040 Belgium	*62-4-248-1242	*62-4-240-0092	info@iceconcept.be	Olivier Zonderman	8 February 1999, registration no. 203191

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		full service or fleet management concept for professionals of the transport of foodstuffs.						
Agrobos Investments	C.A.C.B. S.A.	COLON family produces mayonnaise for 3 generations.	Au fond race, 25 4300 Waremmes	019-32-2778	019-32-8354		Philippe Colon	20 September 2001 registration no 209363
Agrobos Investments	Constant Bonivers	Agrobos helped this company, specialised in liquid food transportation, to open to the French market by the acquisition of Transport Bouchart in northern France.	allée du passage, 1, 4140 Werbomont	086-43-0240	084-43-3014		R. Constant	25-Sep-92
Agrobos Investments	IMAX PRO		Rue d'Adzeux, 16 Louveigne-Sprimont Belgium	*32-4-384-7159	*32-4-384-7144		Patrick Moutschen	23 December 2002 registration no. 212910

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Agrobos Investments	Mobic	Patrick Moutschen, is associated with two carpenters. They established Mobic in 1999 to build wooden houses.	Rue du Pré Clamin, 1 4920 Harze	*32-4-384-7159	*32-4-384-7144	patrick@mobic.be	Patrick Moutschen	24 December 1997 registration no. 201131
Agrobos Investments	Marysnack	The company was bought in 1999 but needed modernisation. The loan enabled them to get money from the bank and make investments to renew their tools and change their target market (now the Muslim Hallal meat market).	Rue de Herve 118 4651 Battice	*32-87-67-97-09	*32-87-67-98-21	bert.conings@magic-snacks.com	Bert Conings	28 December 1983 registration no. 52223
Agrobos Investments	Vegepack SA, Vegefrais SA	The company produces mushroom products. The company's products were essentially packaged mushrooms. The investment helped Vegepack	Zone artisanale de Weiler 6700 Arlon	*32-63-230-480			Michel Bouttier	09-Jul-97

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		develop innovative mushroom products through a new subsidiary: Vegefrais.						
Agrobos Investments	Brasserie de L'Appaye du Val-Dieu	Acquisition of a larger capacity bottling line.	Route de Val-dieu, 225 4880 Aubel	*32-87-68-75-87			Benoit Humblet	1996
Agrobos Investments	Etablissements Benoit Michels	Manufacture of bakery and pastry products: Investment in new premises to start a new manufacturing activity	Place Saint Arnould, 9 6830 Bouillon	*32-87-68-75-87			Benoit Michels	1993
Artigiancassa Investments	Matteucci Workshop Srl.	Produces hydro-sanitary equipment	Via Ugo de Carolis N° 186 - 00136 Roma in provincia di (RM)	635404480	0635428822	mailto:valet@matteucciworkshop.it	Sig.ra Sabrina Martelli	2000

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Artigiancassa Investments	Centrosviluppo SpA.	Regional development fund, Valle d'Aosta	c/o Pépinière d'Entreprises Espace Aoste Via Laboratori Vittime del Col du Mont, 24 11100 Aosta	0165 305.511	0165 305.540	mailto:bridge@centrosviluppo.com	Paolo Anselmo, Director General	1997
Artigiancassa Investments	Net Ricerche Srl.	Market research institute	Via Leandro Alberti n. 76 – 40139 Bologna	51.58853	51.58853	mailto:info@netricerche.com		2001
Artigiancassa Investments	Cons. Faronia SpA	The construction of a particular robot for remote control of water and drain system	Via F. Giordani, 56, Napoli					2001
Artigiancassa Investments	Tecform Engineering Srl.		Via Lago D'Arvo 10 Taranto Operating: Via dei Carpazi 42 Rome	0039-06-591-0891	0039-06-542-20401	mailto:tecform@tecform.it	Riccardo Grandi	2001
Artigiancassa Investments	SAV eD. SpA		Manfredonia (FG) - Via San Lorenzo, 23 site of Dr. Francesco Rana Consultant firm.	0039-0884-586-341	0039-0884-586-342		Dr. Nicola Riccardi	1998

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Artigiancassa Investments	So.Ri.Am. Srl.		Palazzo Serpico Via Abate Minichini Marigliano (NA) Operating: Via Garibaldi 77 Scisciano (NA)	0039-081-519-2180	0039-081-519-2180	mailto:soriam@tiscalinet.it	Tiziana Robello	1999
Artigiancassa Investments	Vulcam Sistem Srl.		Via Orto Corte angolo, Via Artigiani snc, 74100 Taranot, Italy	0039-099-880-1034	0039-099-880-1034	mailto:info@vulcansistem.it	Montanaro Donatella	1998
Barcelona Investments	Orbita Max. SL	We develop co-productions and audiovisual business synergies in all formats, especially in IMAX cinema, an area in which interest is growing fastly through the world and in which Orbita Max has a pioneering role in Spain	C/ Diputacion 279 08007 Barcelona Spain	34 93 505 20 30	34 93 505 20 29	orbitamax@orbitamax.com	JORDI LLOMPART, General Manager	2000
Barcelona Investments	Imagiam High Techs. SL	Produces the the most versatile, modern and thorough image lenticular interlaced	Imagiam High Image Techs, SL C/ Llacuna 162 08018 Barcelona	93 401 9887	34 - 93 401 96 44	contact@imagiam.com	David Garcia	15 March 2000, Registration No. B-62244900

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		system.	Spain					
Barcelona Investments	XCELLSY Z Ltd.	Systems Biology company focussed on the discovery of new drugs for diabetes and obesity through the use of novel, human, cell-based technologies	Xcellsy Ltd Bio Science Centre Times Square Newcastle upon Tyne NE1 4EP UK	44 191 242 4000	*44-207-544-855	brad.hoy@xcellsy.com	Brad Hoy — Chief Executive Officer	
Barcelona Investments	Isoco Intelligent Software Components SA	IT consulting	Alcalde Barnils, 64-68 Edificio Testa - bl. A 08190 Sant Cugat del Vallès	935 677 200	935 677 300	isoco@isoco.com , fmartin@isoco.com	Francisco Martin mailto:fmartin@isoco.com	1999
Barcelona Investments	NonstopYacht SL	NonStopYacht.com serves professionally crewed motor yachts and sailing yachts world wide - their captains, owners, crew, managers,	NonStopYacht SL C/Escar 6-8 Local 16 08039 Barcelona Spain	34.93.224.0490	34.93.224.0493	nsysales@nonstopyacht.com , pmetcals@worldonline.es	Paul Metcalf mailto:pmetcals@worldonline.es	23 May 2000, registration no. B-62288584

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		agents, builders, repair companies, brokers, consultants and the rest of the support industry.						
Barcelona Investments	Fractus SA	Fractus designs and manufactures miniature and multi-band antennas for mobile and wireless applications that provide high performance and are cost effective and easy to integrate.	Avda. Alcalde Barnils, 64-68 Sant Cugat del Vallés 08174 BarcelonaSpain	34 935 442 690	34 935 442 691	info@fractus.com , ruben.bonet@fractus.com	mailto:ruben.bonet@fractus.com Ruben Bonet	4 March 1999, registration No. A-61906954
Barcelona Investments	Agents Inspired Technologies SA	Marketing and consumer intelligence	Campus Científico, Tecnológico Modul 20 Universitat de Girona E-17071 Girona	349724188	349724188 26	contact@agentsinspired.com	Jose Aschl Sanchez (Gen. Manager)	

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Barcelona Investments	Advanced in Vitro Cell Technologies SA	Developing and commercialising in vitro cell models as research services and reagents (kits) Developing to clinical proof of concept both proprietary technologies and pharmaceuticals	Parc Científic de Barcelona Baldri Reixac, 10-12 08028 Barcelona · Spain	(34) 93.403.45.45	(34) 93.403.45.44	luis.r@advancedcell.net	Dr. Luis Ruiz (CEO)	
Barcelona Investments	Automated Meter Reading Systems SL	AMR Systems is a wireless data network infrastructure company with a patented proprietary technology called StreamNetworks.	C. Llacuna, 162 08018 Barcelona	93-401-9715	93-480-2613	mario.comas@amrsystems.com	Jose Mario Comas	2000
Barcelona Investments	BCNNET Translations	Translation services	Diagonal 505 2n.1a 08029 Barcelona	903 151 480	903 151 480	admin@net-translations.com	M ^a Glòria Llàtser	1996

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Barcelona Investments	Servei de l'Espectacle Focis SA	Manages musical events	Avila, 149-155 08018 Barcelona	93-309-7538	93-485-1512	xmarce@focuss.es	Xavier Marce mailto:xmarce@focuss.es	1986
Barcelona Investments	ERA Plantech	ERA uses proprietary biotechnologies to provide productivity enhancements to protein-production for pharmaceuticals industrial products (PMIPs) and protein-based nutrition applications.	Parc Científic de Barcelona Josep Samitier 1-5 08028 Barcelona - Spain	(34) 934034773	(34) 934034772	info@eraplantech.com	François Arcand, CEO	2002
Barcelona Investments	VozTelecom Sistemas S.L.	Hosted IP telephony	B-63102149 - Avda. Parc Tecnològic 3 – CENT - Cerdanyola - 08290 (Barcelona – Spain)	34 93 396 8800		xavi.casajoana@voztelecom	Xavier Casajoana Socio fundador - Director General	2003
Barcelona Investments	CRYSTAX	Biotech/ Pharma	Parc Científic de Barcelona Campus Diagonal - Universitat de	93 403 47 89	93 403 47 88	info@crystax.com	Claes Junghans Tlf. 0034 403 47 87	2002

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
			Barcelona Edifici Modular C/ Josep Samitier 1-5 08028 Barcelona					
Gemma Frisius	Data4S	It delivers end-to-end solutions to companies for improved risk analysis and management of their customer and services portfolio.	Ambachtenlaan , 13G, 3001 Heverlee	*32-16-387-880	*32-16-400-380	info@DATA4s.com	Herman Verrelst (Chief exec.)	27-Jan-00
Gemma Frisius	Synes	ICT. Synes develops data mining software for the automated extraction of knowledge from complex, high-dimensional data sets. The company has developed a generic data mining technology that is applicable to many industries.	Technologielaan 11, 3001 Heverlee	*32-16-381-010	32-16-381-099	info@synes.com	Kris Lebacqz	23-Oct-98

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Gemma Frisius	Tigenix	Biotechnology. TiGenix is a biomedical company active in the area of tissue engineering and cell-based therapies. The company focuses on developing, marketing and selling innovative procedures and products for successful repair and regeneration of tissues	Technologielaan 3, 3001 Heverlee	*32-16-396-060	*32-16-396-070	Info@Tigenix.com	Gil Beyen	21-Feb-00
Gemma Frisius	Instituut voor Stress end Werk	The aim of the institute is to provide services to companies, institutions and other organisations to improve the psycho-social environment in the workplace. In particular, ISW focuses on the diagnosis, prevention and	Tiensevest, 40 3000 Leuven	*32-16-208-596	*32-16-208-660	info@isw.be	Dirk Antonissen	09-Oct-98

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		treatment of stress-related problems.						
Gemma Frisius	Luciad	Luciad builds advanced software solutions for geo-data distribution, processing and visualisation in network environments. Luciad's geo-spatial technology provides an open solution for spatial data manipulation and visualisation in architectures ranging f	Parijsstraat 74, 3000 Leuven	*32-16-23-95-91	*32-16-29-34-22	info@luciad.com	Lode Missiaen	22-Mar-99
Gemma Frisius	RNA-TEC	This company specialises in RNA, unmodified as well as with based an/or sugar modifications and non-	Minderbroeders straat, 17-19 3000 Leuven	*32-16-337-096	*32-16-337-097	brian.sproat@rna-tec.com	Brian Sproat	31-Oct-00

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		radioactive isotopically labelled (¹³ C and ¹⁵ N) nucleic acid products. RNA-TEC's customers primarily consist of university research labs, large research in						
Gemma Frisius	PharmaDM	It is a global company enabler of drug discovery analytic solutions based on mining integrated chemical, biological and clinical data. Its solutions are interactive "knowledge discovery" tools specifically designed for proprietary or public bio-pharmaceutic	:Kapeldreef, 60, 3001 Heverlee	New: *32-16-29-84-90 (Old: *32-16-38-74-70)	New: *32-16-29-84-90 (Old: *32-16-38-74-71)	discovery@PharmaDM.com	New: Johan De Schepper (Old: Els Vanheusden)	15-Nov-00

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Gemma Frisius	MEAC	It is an all-in solution provider in the field of microwave energy applications for industry. MEAC's activities include the building of prototypes, carrying out feasibility studies and project research, microwave construction and re-engineering.	Kapeldreef, 60 3000 Heverlee	*32-16- 298-480	*32-16- 298-482	pieter.luyypaert@meac.be	Pieter Luyypaert	27-Jun-95
Gemma Frisius	EPYC	EPYC is a one-stop shop for e-learning and provides professional custom-made solutions for ICT-based training and education to companies and the academic world. Solutions relate to the development and delivery of content as well as the	Kapeldreef, 60 3000 Heverlee	*32-16- 298-430	*32-16- 298-319	Info@epyc.be	Pita Vandeveld	27-Apr-01

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		implementation and						
Gemma Frisius	AlgoNomics	Algonomics offers a broad and leading expertise in the development of bioinformatics. It focuses mainly on improving protein properties and lead discovery design. Its mission is to be a leading supplier of structural bioinformatics tools, data mining meth	Technologiespark, 4 9052 Gent	*32-9-241-1100	*32-9-241-1102	info@algonomics.com	Dr. Ignace Lasters	30-Jun-99
Gemma Frisius	4AZA Bioscience	The company is a spin-off from KU Leuven that focuses on the development of new drugs showing potential in targeting several life-	Kapucijnenvoer 33 B-3000 Leuven	*32-16-29-29-23	*32-16-29-06-92	Info@4aza.com	Benoît Verjans	11-Jan-02

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		threatening diseases such as transplant rejection, rheumatoid arthritis, septic shock, neurodegenerative diseases and cancer.						
Gemma Frisius	reMYND	The company offers services and tools to support drug discovery in Alzheimers disease and neurodegeneration. It offers in vivo drug testing in a wide variety of transgenic mouse models and is experienced in the generation of yeast strains expressing human	Broekstraat, 47 3001 Heverlee	*32-16-30-96-98	*32-16-29-70-26	Stefaan.wera@rymynd.be	Stefaan Wera	07-Feb-02

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Gemma Frisius	Eyetrionics	Eyetrionics offers extensive expertise in 3-dimensional scanning of human faces, bodies and objects. Products and services are mainly targeted towards the computer games market	Kapeldreef, 60 3000 Heverlee	*32-16-298-343	*32-16-298-319	info@eyetrionics.com	Dirk Callaerts	13-Feb-98
Gemma Frisius	Metis	The company provides an extensive range of magnetic design services, magnetizing equipment and magnetic measurement systems for industry and research.	Kapeldreef, 60 3000 Heverlee	*32-16-298-344	*32-16-298-319	info@metis.be	Alain De Keyser	25-May-98
Innovationsagentur Investments	TTTech Computertechnik AG	Worldwide leading supplier of technologies and software products in the area of time control and TTPID (Time Triggered	Schönbrunnerstrasse 7 A-1040 Vienna					28 Nov. 1997

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		Protocol).						
Innovationsagentur Investments	Life Optics GmbH	With the Varioscope, LIFE OPTICS has developed a new class of product which constitutes a revolution in the area of optical surgery instruments. Varioscope gives the surgeon complete freedom in his work while being simple and logical to use. LIFE OPTICS cooperates with leading medical technology companies worldwide.	Seeböckgasse 59 A-1160 Vienna					27 Aug. 1999
Innovationsagentur Investments	JSW-Research Forschungslabor GmbH (JSW)	It does research and contract research in the area of neurodegenerative diseases focussing on Alzheimers,	Rankengasse 28 A-8020 Graz					15-Jul-99

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		Parkinsons and CVA.						
Innovationsagentur Investments	VBC-Biomed Research GmbH (VBC)	Established in February 1999 at the Vienna Biocenter as a University of Vienna spin-off.	Rennweg 95B A-1030 Vienna					25 Feb. 1999
Innovationsagentur Investments	Innovacell Biotechnologie GmbH (Innovacell) Forschung und Entwicklung	Innovacell GmbH is a newly established company in Innsbruck which works in the development and application of new cellular therapy process for the substitution of damaged muscular and other tissues.	Andreas Hofer Strasse 6 A-6020 Innsbruck					
Microventures	BAE	Not considered as eligible by MikroVenture as not considered to be seed (Activity Report 2000, 2001, letter 04/02/2004)	Wilhelminenhofstrasse 69/70 D-12459 Berlin	*49-30-530-010	*49-30-535-4949	info@bae-berlin.de	Weerner Blass, Bruno Michalski	25 November 1992 registration no. HRB Berlin 84441 (project start 10/2000)
Microventure	MODAC	Spin-Off of BAE	Wilhelminenhof					02-Sep-99

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
s			str. 68/69 12459 Berlin					
Microventures	Bartels Mikrotechnik	This started as a technology service company in the market of micro-fluids and begin its own product development and production activity with the investment of MikroVenture. Long seed phase accepted as eligible (Nov. 01)	Emil-Figge-Str. 76 D-44227 Dortmund	*49-23-197-42-500	*49-23-197-45-01	info@bartels-mikrotechnik.de	Dr. Frank Bartels	27 March 1996 registration no. HRB Dortmund 12107; beginning of product R&D 1999.
Microventures	biowatt		Tempowerkring 6 D-21079 Hamburg	*49-40-790-12-225	*49-40-771-10216	info@biowatt.de	Jan Dohrmann	registration no. HRB Hamburg 81019 started September 2002
Microventures	Fibercore	Not considered as eligible by MikroVenture (see letter 4/2/04)	253 Worcester Road, PO Box 180, Charlton MA 01507 (USA)	*1-508-248-3900	*1-508-248-5588		Mohd Aslami	1993

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Microventures	FRT	Began as a service company in the field of mikro and nano analytics and started product developments later. Long seed phase accepted as eligible (Nov. 01) (NOT ELIGIBLE B/C DATE OF INVESTMENT)	Friedrich-Ebert Strasse D-51429 Bergisch-Gladbach	*49-220-484-2430	*49-220-484-2134	info@frt-gmbh.com	Dr. Thomas Fries	7 August 1995 registration no. HRB Bergisch-Gladbach 4373; beginning of product R&D 1997
Microventures	Microbox		Salinenstr. 52 D-61231 Bad Nauheim	*49-60-323-4020	*49-603-323-40288	info@micobox.de	Andreas Bläcker	21 December 2001 registration no. HRB Friedberg 2307
Microventures	Nanofocus (NOT ELIGIBLE B/C DATE OF INVESTMENT)	Began as a service company in the field of mikro and nano analytics and started product developments later. Long seed phase accepted as eligible (Nov. 01)	Im Lipperfeld 33 D-46047 Oberhausen	*49-20-862-0000	*49-20-862-00099	info@nanofocus.de	Dr. Hans Herrmann Schreier	24 August 1994 registration no. HRB Oberhausen 9254; beginning of product R&D 1999.

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Microventures	SIS	Not considered as eligible by MikroVenture.	Kaiserstrasse 100	*49-240-756-420	*49-240-756-42-100	info@sis-gmbh.com	Dr. Frank Saurenbach	July 1993 registration no. HRB Aachen 5611; beginning of product R&D 1997
Microventures	PV Silicon/Crystalox	Not considered as eligible by MikroVenture.						10-Apr-97
Microventures	QSIL							07-Apr-94
Pythagoras	StellarX							25 February 1998
Pythagoras	Selfswitch later merged with SETNET							26-May-00
Pythagoras	AppGate	Network security	Otterhällegatan 2 SE-411 18 Göteborg Sweden	46 (0)31 - 774 43 50	46 (0)31 - 774 04 42	info@appgate.com	CEO-Goran Marby	15-Dec-98

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Pythagoras	Headtrick Media Group	Went bust in 2000						2 April 1999
Pythagoras	Red Message							
Pythagoras	On Tempo							
Pythagoras	Pilot Fish	Pilotfish systems optimize and manage complex wireless data communication to and from mobile entities	Pilotfish Networks AB Stora Badhusgatan 18-20 411 21 Göteborg Sweden	46-31-3396660	46-31-3395600	contact@pilotfish.se		1999
Pythagoras	Gatespace	Gatespace Telematics offers our customers a cost-efficient way of developing and deploying telematics systems, allowing our customers to focus on the technical and business content of the services	Otterhällegatan 2 SE-411 18 Göteborg Sweden	46 31 701 46 50	46 31 774 04 42	info@gatespace-telematics.com		22-May-99

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		they offer to their customers.						
Pythagoras	Veridis							19-Jun-00
Pythagoras	Starlab							03-Sep-98
SEEDInvestments	EGISYS AG	EGISYS, a University of Tuebingen spin-off, designs and develops proprietary tools, technologies, data bases and solutions which permit the integration of three-dimensional, animated models and motion data in the internet and in standard programs such as Microsoft Office	Wilhelmstr. 44-46 D-72074 Tübingen					Jun-99

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
SEEDInvestments	Vulpine GmbH	Vulpine develops and markets a universally applicable 3D technology – Vulpine Visionä. Potential applications of this proprietary technology can be found in all segments that require very high standards in presenting complex, interactive situations in a 3D environment – examples include game development and simulation systems.	Birkenweg 15 D-72766 Reutlingen					Sep-99
SEEDInvestments	ProteoMed GmbH		Auf der Morgenstelle 15 D-72076 Tübingen					Mar-00

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
SEEDInvestments	ProteoSys AG	ProteoSys AG originated from a merger of ProteoSys GmbH (Mainz) and ProteoMed GmbH (Tuebingen). The company focuses on developing and marketing new technologies for the determination of the proteome, in particular lead and target identification in pharmaceutical research.	Carl-Zeiss-Str. 51 D-55129 Mainz	00 49 6131-50 192 0	0049 6131-50 192 11	www.proteosys.com		Dec 2000
SEEDInvestments	Sympore GmbH	SYMPORE improves existing pharmaceuticals by modifying their chemical structure for the purpose of concentrating them in a specific cell type. Sympore develops its proprietary transportophores	Paul Ehrlich Str. 15 D - 72072 Tübingen					Feb-00

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		through the analysis of target cell membrane molecules and by its knowledge of their transport properties.						
SEEDInvestments	LifeBits AG	LifeBits is a bioinformatics enterprise that develops a protein and gene-microarray technology by combining molecular biology, nano and conventional computer data storage technologies.	Albrechtstr. 9 D-72072 Tübingen					Jun-00

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
SEEDInvestments	ebos AG	eBos's web-based technology closes the gap between the network owner's objectives and execution directives and the processes actually executed in the sales and services branch offices.	Posseltstr. 19 D-76227 Karlsruhe					May-00
TeknoSeed Investments	ActivaCar e AB	The company aimed at creating a logistic system for the employed within care sector. Went bankrupt in 2000.						2000
TeknoSeed Investments	Alligator Bioscience AB/Alligator Holding AB	We develop new and optimize existing therapeutic and diagnostic proteins.	Scheelevägen 19 A. plan 1 223 70 Lund Sweden	46 (0)46 286 4280	46 (0)46 286 4290	info@alligatorbioscience.com	Gun-Britt Fransson, President	2000
TeknoSeed Investments	Bioett AB	Refrigeration products	Scheelevägen 19 A. plan 1 223 70 Lund Sweden	46462863 930		info@bioett.com		1999

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
TeknoSeed Investments	Cartela AB	CARTELA is developing new therapeutic approaches to arthritic diseases, including osteoarthritis (OA) and rheumatoid arthritis (RA).	Box 709 SE-22007 Lund Sweden	46(0)46 191170	46(0)46 191185	info@cartela.se	Mark Hickery	2000
TeknoSeed Investments	Dignitana AB	Developing established principles that improve the quality of life of people with cancer. It has long been known that cooling the blood vessels around the roots of the hair reduces the risk for hair loss in conjunction with cytotoxic treatment.	P.O Box 20047 SE-20074 Malmö	46 40 98 78 00	46 40 98 78 01	yvonne.olofsson@dignitana.se	Yvonne Olofsson	1998
TeknoSeed Investments	Drivec AB	"Driving management" company	Skårs Led 3 SE-412 63 Göteborg	031-703 71 41	031-703 71 01	info@drivec.se		1999

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
TeknoSeed Investments	Energyx (Comsys AB)	creating a filter for taking care of electricity peaks and cuts.	IDEON, 223 70 Lund	*46-286-3500			Fredrik Axelsson	1996
TeknoSeed Investments	Erysave	IT consulting	Ole Römers Väg 12 IDEON SE-223 70 Lund Sweden	46 46 286 53 80	46 46 286 26 52	henrik.jonsson@erysave.se	Henrik Jönsson	2000
TeknoSeed Investments	Eurocine	The basic innovation launched by Eurocine is a new, inexpensive and highly efficient general adjuvant/delivery system for classic vaccines in general and for mucosal vaccinations in particular.	Karolinska Science Park Fogdevreten 2 171 77 Stockholm Sweden	46 (0)8 5088 4592	46 (0)8 5088 4591	hans@eurocine.se; ulf@eurocine.se	Hans Arwidsson, CEO	1999
TeknoSeed Investments	Fundus	Developing and manufacturing of a camera for medical use	Scheelevägen 17C, 223 70 Lund	*46-46-286-8750		jonas.tilly@tm.ed.se	Jonas Tilly	2001

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
TeknoSeed Investments	Luvit AB	Flexible server software for e-learning	Box 117 221 00 LUND	046 10 12 00	046 10 12 99	info@luvit.com : kamilla.hassander@luvit.com	Kamilla Hassander, Chief financial officer	1998
TeknoSeed Investments	MIP Tech	MIP Technologies is an innovative biotechnology company working at the boundary of chemistry and materials science.	MIP Technologies AB Research park IDEON 223 70 Lund, Sweden	46 (0)46 286 3780	46 (0)46 286 3789	info@mip.ideo.n.se		1999
TeknoSeed Investments	Mittrion	Mittrion programs FPGAs (Field Programmable Gate Arrays) faster than anyone else on the market, thereby providing customers with revolutionary computer power for their most critical applications	Ideon Research Park, SE-223 70 Lund, Sweden	(+46) 46 286 25 90	(+46) 46 286 85 07	info@mittrion.com	Christine Widstrand, COO	2002
TeknoSeed Investments	Safenode AB	The project aimed at producing a new system for trade over the internet.					Fredrik Segerfeldt	2000

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		(Bankrupt in Dec. 2000)						
TeknoSeed Investments	Scalado AB	Scalado is a Swedish software technology company that develops, markets and licenses digital imaging software for the Mobile Industry	Ideon Research Park Beta 4 Scheelevägen 17 SE-223 70 Lund Sweden	46 (0) 46 286 42 50	46 (0) 46 286 42 57	info@scalado.com	Mats Jacobsson	2000
Udviklingsparke Investments	Intellig Net A/S	Bankrupt 2001					Arnt Baeksted	2000
Udviklingsparke Investments	Navigo Systems	Software solutions	Navigo Systems A/S Sønderhøj 46 8260 Viby J	45)873455 39	45) 87345566	kms@navigosystems.com ; pst@navigosystems.com	Kent Sørensen , Peter Steffensen	1999
Udviklingsparke Investments	Enalyzer	Software development, consulting, sales and marketing	Enalyzer A/S Havnegade 39 1058 København K	7010 7006	7010 7008	support@enalyzer.com	Kaj Erik Ravn	2000
Udviklingsparke Investments	Medicus Engineering	Develops an easy-to-use pulse measuring system	c/o Ingeniørhøjskolen, Dalgas Avenue 2, DK-	45 8730 2445		jfc@medicuseengineering.com	Director Jesper F. Christiansen	2001

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
			8000 Århus C					
Udviklingspar ken Investments	HistOtech ApS	Manufactures tissue slicing devices	H.C. Ørstedvej 42, 1.tv., 1879 Frederiksberg C	(+45) 3535 7373 Mobile:(+4 5) 51510535	45) 35357375	sales@histotech.net	Jean-Paul Guilbert	1999
Yorkshire Investments	Amino Holdings Ltd.	Development and licensor of technologies for the secure and rapid development of networked multimedia solutions.	Longstanton House, Woodside, Longstanton, Cambridge, CB4 5BO	44-1954- 784500	*44-1954- 784501			23/12/1996
Yorkshire Investments	Casmir Limited	Casmir is a knowledge management technology company providing software solutions for learning, profiling and collaboration.	Technology House, Lissadel Street, Salford, M6 6AP	44-161- 2782424	*44-161- 2782530			26/04/2000

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Yorkshire Investments	Comvurgent Limited	This company has developed a PBX simulator using a USB enabled PC that allows salesmen to demonstrate the full capability of several different PBX systems without having to carry bulky equipment.	Suite 14, 3-5 High Pavement, Nottingham, NG1 1HF	*44-115-9596401	*44-115-9897301			15/07/1999
Yorkshire Investments	Cozart Biosciences Limited	This is a medical diagnostics company that undertakes a number of immunodiagnostic tasks, particularly for drugs abuse.	45 Milton Park, Abingdon, Oxfordshire, OX14 4RM	*44-1235-861483	*44-1235-835607			27/05/1993
Yorkshire Investments	Digital Healthcare Limited	The company specialises in the development and marketing of software solutions for ophthalmic specialists and opticians.	4 Crome Lea Bvusiness Park, Madingley Road, Coton, Cambridge, CB3 7PH	*44-1223-702111	*44-1223-702112			09/09/1999

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Yorkshire Investments	Elam-T Ltd.	Elam-T is a spin out of South Bank University and is a developer of high efficiency organic photo and electro luminescent materials and devices. university.	103 Borough Road, London SE1 OAA	*44-207-815-6918	*44-2074-815-6999			08/04/1999
Yorkshire Investments	Focus Solutions Group PLC	The company, listed on AIM, is a developer of software products and e-commerce tools.	The Innovations Centre, Warwick, Tec. Park, Gallows Hill, Warwick, CV3 6UW	*44-1926-468300	*44-1926-468400			05/07/1987
Yorkshire Investments	Imerge Limited	The company is a recognised leader in internet-connected hard disk based audio products and media appliances.	Unit 6, Barhill Business Park, Saxon Way, Barhill, Cambridge, CB3 8SL	*44-1954-783600	*44-1954-783601			22/04/1997
Yorkshire Investments	Immunobiology Limited	Immunobiology is developing high efficiency vaccines for infectious diseases based on heat shock	107 Foster Road, Cambridge, CB2 2JN	*44-1223-496116	*44-1223-496011			26/05/1999

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		protein complexes.						
Yorkshire Investments	Intellikraft Ltd.	The company has a unique technology for modifying the surface properties of piezo-ceramic materials that allows them to store energy in a controllable fashion.	82 St. Johns Street, Begbroke Science & Business Park, Yarndon, London, EC1M 4JN	*44-1865-309660	*44-1865-309661			26/05/2000
Yorkshire Investments	Jetmask Limited	Jetmask is exploiting recent substantial advances in inkjet technology to design and produce novel and innovative solutions for PCB fabrication.	Unit 7, The Maltings, Greendrift, Royston, SG8 5PH	*44-1442-251-720	*44-1442-231-420			14/07/2000
Yorkshire Investments	LANergy Ltd.	LANergy has developed a product (Appian Pro) making use of existing electrical wiring systems to provide local	Imperial house, Imperial Park, Newport, South Wales, NP10 8UH	*44-1633-811-811	*44-1633-811-812			02/08/2000

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		area networks. LANergy has also launched a tool that helps configure and monitor the Appian Pro Network.						
Yorkshire Investments	Millware Corporation							02/11/1999
Yorkshire Investments	Optical Micro Device Limited	OMD has set up the first 8 inch silicon fabrication facility for the manufacture of opto-electronic components. The factory has 100m ² of clean space with the latest fully automated semiconductor production tools for wafer manufacture.	100 Technology Drive, Interface Business Park, Wootton Bassett, Swindon	*44-1793-841-500	*44-1793-841-501			13/02/1996 or 30/09/1999 ??????
Yorkshire Investments	Optos PLC	Optos has developed scanning laser ophthalmoscope technology that	Queensferry House, Carnegie Business Campus,	*44-1383-843-300	*44-1383-843-333			26/08/1992

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		greatly assists optimetrists with retinal scans.	Dunfermline, Fife, KY11 5GR					
Yorkshire Investments	Power X	In Administration						18/07/1994
Yorkshire Investments	Primal Pictures limited	Primal develops and markets high quality anatomical CD-ROMs aimed at healthcare professionals ranging from medical students to orthopaedic surgeons.	1st Flr, Tennyson House, 159-163 Great Postland St., London, W1N 5FD	*44-207-637-1010	*44-207-636-7776			20/06/1991
Yorkshire Investments	Sarian Systems Limited	Sarian design and supply a range of data communications products to the EPOS, remote monitoring and telemetry sectors of the IT market place.	15 St. Stephens Court, St. Stephens Road, Steeton, BD20 6SG	*44-1943-605-055	*44-1943-605-056			07/04/1999

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Yorkshire Investments	Sirus Pharmaceuticals Limited	Sirus Pharmaceuticals has a portfolio of drug delivery technologies suitable for use in the central nervous system and pain relief.						
Yorkshire Investments	Sigtronics Limited	Sigtronics developed Kwikboard technology to offer the electronics industry a rapid prototyping solution for the manufacturing of printed circuit boards.	Unit 1, Elvingston Science Centre, Gladsmuir, East Lothian	*44-1506-678-800	*44-1506-678-801			29/09/1995
Yorkshire Investments	Solcom Limited	Solcom develops and markets software for real time data acquisition and decision making..	Solcom House, 79 George Street, Ryde, Isle of White, PO33 2JF	*44-1983-817000	*44-1983-817001			11/03/1998
Yorkshire Investments	Syngenix Limited	Syngenix have patented technology allowing the delivery of drugs via axonal	Brabraham Hall, Babraham, Cambridge, CB2 4AT	*44-1223-496090	*44-1223-496018			17/08/1992

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		transport.						
Yorkshire Investments	Tamesis Limited	Tamesis develop and sell real time trading software for investment banks. The software allows consolidation of risk data from legacy silos to produce a consolidated risk position.	22 Cousin Lane, London EC4R 3TE	*44-207-236-2850	*44-207-236-2677			11/01/1994
Yorkshire Investments	Tissuemed Limited	Tissuemed is a company specialising in the design and development of medical devices for use in cardiovascular and other major areas of surgery for the control of post-operative bleeding and post-surgical adhesion.	11 Killingbeck Drive, Leeds, LS14 6UF	*44-113-2000500	*44-113-2407343			04/04/1985

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
Yorkshire Investments	Vibration Technology Limited	Vibtech is developing rugged, high speed wireless solutions for seismic surveys in the oil industry.	Lord hope Building, 141 St. James Rd. Glasgow, G4 0LT	*44-141-5521-110	*44-141-5523-886			04/08/2000
Yorkshire Investments	Voxar Limited	Voxar has developed software for the high speed rendering of three dimensional computer images.	Bonnington Bond, 2 Anderson Place, Edinburgh, EH1 2EG	*44-131-472-4792	*44-131-472-4799			28/07/1993
Yorkshire Investments	Weston Antennas Limited	Weston Antennas manufacture large diameter satellite dishes for the communications market.	Enterprise Park, Piddlehinton, Dorchester, Dorset, DT2 7UA	*44-1305-848068	*44-1305-848069			25/06/1985
ZIF Investments	Koste & de Baet BV	Koste & de Baet has developed a media mirror, a mirror with behind an online information display.	Roelofsstraat 51 2596 VL DEN HAAG	070-3282839		mailto:tecform@tecform.it	Frank de Koste	26-Jun-96

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
ZIF Investments	Guardian Angel BV	Mobile phone solutions	De Bukakkers 14 7811 KZ Emmen	31 (0)871 90 01 96	31 (0)871 90 01 97		Erwin Lanting	25-Jul-02
ZIF Investments	TyTecker BV	Building technology	Delft Technische Universiteit Mekelweg 2, 2628CD, Delft Netherlands	31 15 2785131	31 15 2788340	w.sluis@tytecker.com; t.konig@tytecker.com	Thomas König and Hessel Jongebreur	30-Oct-02
ZIF Investments	CAIO BV	Caio has developed a door with an identification technique connected with the network.	Oude Middenweg 241b Den Haag	070-419-0612	070-419-0588	mailto:info@caio.info	Hans Zwart	20-Dec-02
ZIF Investments	Mat-Tech BV	Mat-tech has developed and develops lead-free solder solutions for the electronics industry	Rotterdamseweg 137 Delft	015-278-2203	015-278-6730		Mo Biglari	31-Feb-01
ZIF Investments	Sugar Shoes BV		J.Dutilhweg 633, Rotterdam					19-May-03
ZIF Investments	L-SIM BV	L-SIM is a special developed hybrid composite sheet material, available in	Laan van Ypenburg 78 2497 GB Den Haag THE NETHERLAND	31 (0)70-4153578	31 (0)70-4153657	info@l-sim.nl		19-Jan-04

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
		several colours and used as decorative and functional surface.	S					
ZIF Investments	DSS BV		Keerweer 45 Dordrecht					13-Jun-03
Amorcage Rhone Alpes								
Trust Capital Partners								
Primaveris	Sigtone SA	Automatic music translation	2229 Route des Cretes 06560 Sophia Antipolis	04 92 94 20 00	04 93 00 26 27	information@sigtone.com	Sacha Vrazic, Odile Metrat	2000
Primaveris	Activia SA	Internet solutions	2323 Chemin de Saint Bernard Space Antipolis 5 06220 Vallauris					2000
Primaveris	Alterg SARL	Energy	1 Place du Foulon 06130 Plascassier					2002
Primaveris	Althaea SAS	Agriculture and food	7 rue d'Amsterdam ZI Les Estroublians 13127 Vitrolles					2001
Primaveris	Aqarionaute SA	Fish	ZAC du Val de Durance	04 42 57 72 25	04 42 67 06 35	info@aquarionaute.com		2001

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
			13860 Peyrolles en Provence					
Primaveris	CPI SAS	Medical	ZAC St. Charles - Lot 103 Route Départementale 56 13710 Fuveau					2001
Primaveris	Librophyt	Genomics	24 Rue Raspail 84120 Pertuis	04 42 57 47 44	04 42 25 26 25	alain.tissier@librophyt.com	Alain Tissier	2003
Primaveris	Neotion	Satellite TV	Voie Atlas ZI Athélia III 13600 La Coitat	(0)4 42 98 07 70	(0)4 42 98 07 71	press@neotion.com, info@neotion.com	Jean-Yves Le Roux, CEO & Founder, Laurent Jabiol, Co-Founder and Deputy General Secretary	1999
Primaveris	Silios Technologies	Fiber optics	ZI Peynier Rousset Rue Gaston Imbert Prolongée 13790 Peynier	(0) 4 42 53 89 60	(0) 4 42 53 89 59	mj.mannini@silios.fr	Laurent Roux, Marie-José Mannini	2001
Primaveris	Spintron	High tech	Hotel Technologique BP 100 Technopole de Château-Gombert 133382 Marseille CX 13	04 91 11 88 30	04 91 11 88 01	contact@spintron.fr		2003
Tampere	Mediaclic	Mediaclick Oy is	Hatanpään			husberg@me	Fredrik	1997

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
	k Oy	an advanced software technology provider	Valtatie 8, 33100 Tampere			diaclick.fi	Husberg	
Tampere	Oseir Oy	The business of the company is to provide advanced measurement instruments for industry and research	Hermiankatu 6A 33720 Tampere	*358 3 316 7131	*358 3 316 7141	esah@oseir.com	Esa Hämäläinen	1999
Tampere	Tamlans Oy Ab	Ambulance equipment	Vesiroineenkatu, 14 33720 Tampere	*358 3 318 2611	*358 3 318 2622	jaakko.lohjansalo@tmlans.fi	Jaakko Lohjansalo	1998
Tampere	OpsitaLogistics Oy	Provides software solutions for food processing industry. The expertise covers bakeries, dairies, meat and convenience food processing industry.	Aakulankatu 6 33700 Tampere	*3 58 400 762 901		reijo.rissanen@opsita.com	Reijo Rissanen	1996
Tampere	Tampere Multivisions Oy	Specialised in problem solving by means of automation.	Hepolamminkatu 36 C 3 33720 Tampere	*358 3 359 5600	*358 3 359 5660	multivisions@tre-multivisions.fi	Tommi Kauppinen	1997
Tampere	Adwatec Oy	Supplier of low-pressure water hydraulics	Polunmäenkatu 39 Halli 9 77200 Tampere	*358 03 389 0860	*358 3 389 0861	arto.verronen@adwatec.com	Arto Verronen	2000
Tampere	Media	Computer	Kehräsaari	*358 3 22	*358 3 22	sami.hutala@	Sami Huhtala	1996

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
	Signal Communications Oy (formerly Pageboys Oy)	programmes supporting sales and marketing of the companies	33200 Tampere	33 343	33 343	mediasignal.fi		
Tampere	Global Response Oy	Marketing and product development company	Satamakatu 26 33230 Tampere	*358 40 836 5931	*358 3 343 9311	voter@globalresponse.fi	Ari Solja	2000
Tampere	JP vision Technologies Ltd.	Prod. Dev. And marketing visual products.	Vuohenkatu 7 53850 Lappeenranta	*358 5 541 4944		pekka.kauranen@jpvisiontech.com	Pekka Kauranen	1999
Tampere	Iocloud Oy (formerly Ingenix Oy)	Core business of the company is intelligent application network	Hermiankatu 3A 33720 Tampere	*358 3 316 5045		jani.jarvinen@iocloud.com	Jani Järvinen	2000
Tampere	Viloke Oy	IT	Friitalanties 11 28400 ULVILA	*358 2 538 9720		tauno.miiikkulainen@viloke.fi	Tauno Miiikkulainen	1978
Tampere	Eurolektro International Oy	Process automation	Simaantie 7 54100 Joutseno/ FO Virtasen katu 6 55100 Imatra	*358 5 453 4000	*358 5 541 1372	kari.krohns@euroelektro.fi	Kario Krohns	1995
Tampere	Viope Solutions Oy	E-Learning solutions	Laserkatu 6 53840 Lappeenranta	*358 5 624 3370	*358 5 624 3372	heikki.turunen@viope.com	Heikki Turunen	2001
Tampere	Validitas Oy	Mobile communications	Kansankatu 47 A 90100 Oulu	*358 40 84 25 661	*358 8 5572605	sami.helander@validitas.com	Sami Helander	2001
Tampere	Valkeus Interactive	Develops user interphase	Pohjolankatu 4-6 98100	*358 16 311 844	*358 16 311 877	petri.kotro@valkeus.com	Petri Kotro	2000

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
	Oy	products	Rovaniemi					
Tampere	Tentrio Oy	Mobile e-services	Torikatu 10 90100 OULU	*358 40 564 6727	*358 8 881 1908	info@tentrio.com	Juha Kinnunen	2000
Tampere	Juusomedical Oy	Health care technologies	Lapinkävijäntie, 1 96400 Rovaniemi	*358 16 317 125	*358 16 341 2349	info@juusomedical.com	Juhani Juuso	1996
Tampere	Vioteq Oy (formerly WA Solutions Oy)	Wireless systems for difficult environmental conditions	Hermiankatu 3A 33720 Tampere	*358 44 289 8789		juha.miettinen@vioteq.com	Juha Miettinen	2001
Tampere	Visipoint Oy		Microkatu 1 70210 Kuopio	*358 17 288 2400	*358 17 288 2401	info@visipoint.fi	Olavi Raatikainen	1999
Tampere	Saunapol ar	Production of electric domestic appliances.	Vuorikatu 36A As Jarmo Makkinen Asianajotoimisto Krogerus & Co. 70100 Kuopio	*358 17 368 1800			Jorma Komulainen	1999
Tampere	Biogenon	Nanobiotechnology company	Kaitoväylä 1, 90570 Oulu	*358 8 343 460	*358 8 343 490	info@biogenon.com	Tommi Vaskivuo	2002
Tampere	Bluepoint	Designing, producing and consulting of software.	Teknologiantie 10B 90570 Oulu	*358 8 551 5095	*358 8 551 5096	info@bluepoint.fi	Markku Lappalainen	
Tampere	Mediburner Oy	Medical waste management	Asemakatu 21 90100 Oulu	*358 201 44 2340	*358 201 44 2341		Olavi Kova	2002
Tampere	Soneco Oy	Alarm systems for medical patients	Taka-Löytyn katu 4 90150 Oulu	*358 8 237 99 237	*358 8 311 4486	info@soneco.fi	Jouni Juntunen	1993
Tampere	Upstream	Optical	Pakkahuoneen	*358 50	*358 8		Mikko	2002

Fund	SME	Description	Address	Telephone	Fax	Email	Contact	Date established
	Engineering Oy	technologies	katu 15A 10 90100 Oulu	564 7375	311 5544	info@upstream.fi	Alasaarela	
Tampere	Soirox Oy	Gelatin packaging solutions	Anssinkatu 2 55100 Imatra	*358 5 4731 250	*358 5 4731 230	seppo.korhonen@soirox.com	Seppo Korhonen	1993
Tampere	Stinghorn Oy Ltd.	Information security management	Okasasenkatu 8C 53100 Lappeenranta	*358 201 4425 50	*358 201 4425 59		Markus Räipiö	2002

3.3 Stakeholders C: Unsuccessful CREA applicants

Total number of identified stakeholders: 37

Fund	Contact person	Street	City	Country	Tel.	Fax.	e-mail	Website
Venture Engineering GmbH	Peter Dietz	Bleichstrasse 10	45468 Mülheim an der Ruhr	Germany				
Corporación Empresarial Extremeña	Luis Crespo	Plaza de los Alféreces 1, Portal 2, 6° O	06005 Badajoz	Spain				
Andreas Neuhäter	no VC Fund							
Finorr	Per Åhlström	Sundsvall-Härnösands Flygplats	86030 Sörberge	Sweden				

Fund	Contact person	Street	City	Country	Tel.	Fax.	e-mail	Website
Almi Business Partner	Thomas Henningson (Managing Director)	Rudbecksgatan 26	700 08 Örebro	Sweden	0046-19 17 48 00	0046-19 17 48 30	thomas.henningson@almi.se	
ITD Dimitra	Nikolaos Pitsoulis	Nikitara 18	41221 Larissa	Greece	0030-41-5540 26 or 554 027	0030-41-554028	pitsouli@dimitra.gr	
Innovationsfonds Hessen	B. Zeller	Junghofstrasse 18-26	60297 Frankfurt am Main	Germany	0049-69 9720 87-0	0049-69 97 20 87-20	helaba-beteiligungskapital@t-online.de	
IRDI	Bernard Lagorssé	10 Place Alfonse-Jourdain	31000 Toulouse	France	0033-05 62 30 15 15	0033-05 61 21 96 00		
PSC Investor's Club Dr. Grosche & Partner	Dr. Clemens Grosche	Am Falder 4	40589 Düsseldorf	Germany				see Matrix GmbH
Five plus Five Management AB	Hans Gottmark	Sturup Park, PO Box 17	23032 Malmö-Stutup	Sweden				
SV-C GmbH Aachen	Horst Gier and Harald Heidemann	Markt 45-47	52062 Aachen	Germany	0049-241 4705 6-0	0049-241 47056-20	gier@s-ubg.de and heidemann@s-ubg.de	www.s-ubg.de

Fund	Contact person	Street	City	Country	Tel.	Fax.	e-mail	Website
Aquitaine Creation	Marie-Cécile Trillaud	Rue François Marceau 64	33200 Bordeaux	France	0033-5 56 17 31 99	0033-5 56 17 31 98		
MATRIX GmbH	Dr. Clemens Grosche	Am Falder 4, Management Center, Schloss Elbroich	40589 Düsseldorf	Germany	0049-211 7570 710	0049-211 750053	c.grosche@matrix-gmbh.de or kr.wendland@matrix-gmbh.de	
Access Media International	Christian Bernadu	15 Rue des Pas Perdus	95805 Cergy Saint-Christophe	France	0033-1 30 32 35 15	0033-1 30 32 22 44	Eurospeed@wanadoo.fr	
Banca Popolare Sant' Angelo	Antonio Pennisi	Via Siracusa I/E	90100 Palermo	Italy	0039-(0)91 3373 29	0039-(0)91 337262	ignazio.napoli@iol.it	
TECHSUS Venture Group	Doug DeGroot (Managing Partner)	Niels Bohrweg 1	2333 CA Leiden	The Netherlands	0031-71 527 7063	0031-71 527 6985	degroot@acm.org	
SHR-1								
ITD DIMITRA	Nikolaos Pitsoulis	Nikitara 18	41221 Larissa	Greece	0030-41-5540 26 or 554 027	0030-41-554028	pitsouli@dimitra.gr	
AMENA								
SW Investment Group								

Fund	Contact person	Street	City	Country	Tel.	Fax.	e-mail	Website
Sparkasse Lüneburg								
Souro Stock Market								
Progetto Impresa								
CD-PME								
Baekeland Fonds	Capiau Geert	Sint-Pietersnieuwstraat 25	9000 Gent	Belgium	0032-(0)9 264 32 73	0032-(0)9 264 35 78	capiou@iploca.com	
ALMI Business Partner	Thomas Henningson (Managing Director)	Rudbecksgatan 26	700 08 Örebro	Sweden	0046-19 17 48 00	0046-19 17 48 30	thomas.henningson@almi.se	
Miquel Glez								
Foreigner consulting								
BSV								
Cabildo Deten								
Capital Sviluppo								
KTG Technogien								
TU Eindhoven - EU TECHpark	F.J. Slobbe	Multimediapaviljoen, De Horsten 1	5612 AX Eindhoven	Netherlands	0031-40 247 48 09	0031-40 246 67 12	f.j.slobbe@eutechpark.tue.nl	

Fund	Contact person	Street	City	Country	Tel.	Fax.	e-mail	Website
Finlombarda	Carlo Facca	Piazza Belgioioso 2	20121 Milano	Italy	0039-02 760 441	0039-02 780819	fidirezione@finlombarda.it	
MIVAG	Dr. F. Andreas and Bernhard Klapproth	Otto-Schmidt-Strasse 22	04425 Taucha	Germany	0049-3429 8/715 10	0049-34298/71372	Bernhard.Klapproth@lintec.de	
Bremer UnternehmensbeteiligungsGmbH	Klaus Geertz	Martinistrasse 34	28195 Bremen	Germany	0049-421 30 888 10	0049-421 30 888 50	klaus.geertz@big-bremen.de	
VEAG	Boris Schucht	Chausseestrasse 23	10115 Berlin	Germany	0049-30 5150-2018	0049-30 5150-2004	BoSchucht@veag.de	

3.4 Stakeholders D: Pre-selected CREA applicants unable to raise funds**Total number of stakeholders identified: 10**

Fund	Contact person	Street	City	Country	Tel.	Fax.	e-mail	Website
Ile de France	Pascal Gauthier	3 Parc des Erables - 66 route de Sartrouville	78232 Le Pecq Cedex	France	0033-01 30 15 64 00	0033-01 30 15 64 09	idfd@aol.com	
Univentures Partenaires	Bruno Schneider	Alexandre Charpentier 13	75017 Paris	France	0033-(0)1 45 74 32 84	0033-(0)1 45 74 50 43	bsls@club-internet.fr	
Northern Enterprises Limited	Barrie Hensby	Cale Cross House, 156 Pilgrim Street	Newcastle upon Tyne NE 1 6 SU	United Kingdom	0044-191 233 1892	0044-191 233 1891	enquiries@nel.co.uk	
Consultatio/ConV enture	Dr. Heiko Frank und Rudolf Gutmann(chief executive officer)	Prinzregentens trasse 9	86150 Augsburg	Germany	0049-821 50241-0	0049-821 50241 21	H.Frank@consultatio.de and Rudolf.Gutmann@Envicom.de	www.Consultatio.de
Ile de France	Pascal Gauthier	3 Parc des Erables - 66 route de Sartrouville	78232 Le Pecq Cedex	France	0033-01 30 15 64 00	0033-01 30 15 64 09	idfd@aol.com	

Fund	Contact person	Street	City	Country	Tel.	Fax.	e-mail	Website
Irish Bio Science - SEROBA	Seamus O'Hara	A&L Goodbody Solicitors, 1 Earlsfort Centre, Hatch Street	Dublin 2	Ireland	00353-1-8370177	00353-1-8370176	oharas@biores-irl.ie	
Earlybird	Dr. Christian Nagel	Van-der-Smissen-Strasse 3	22767 Hamburg	Germany	0049-40 43 29 41 0	0049-40 43 29 41 29		www.earlybird-vc.com
Braincom	Kurt Martin	Ittisstrasse 54	81827 München	Germany	0049-89 96 18 90 77	0049-89 96 18 90 79	Martin@BrainCOM.net	
La Fucina	M. Grandi	Largo Lamarmora 17	20099 Sesto San Giovanni (Milano)	Italy	0039-02 262665 07	0039-02 2626650 8	grandi@asnm.com	www.asnm.com
Sussex Enterprise	Ken Caldwell	Station Road, Greeanacre Court	RH15 9DS Borgess Hill	England	0044-01444-259 102	0044-01444-259 255	ken.caldwel@sussexenterpr rise.co.uk	

3.5 Stakeholders E: Non-CREA fund managers

Total number of stakeholders identified: 39

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Trinity Venture Capital /Dublin	Ireland	105	2	1997	Shane Reihill	Gavin Bourke	info@tvc.com	353-1205-7700	www.tvc.com	Network 365, Rococo Software, Sepro Telecom.		Part of Reihill family's VC group; raised \$151 mln in 2003
Target Partners/Munich	Germany	124	1	2000	Kurt Müller	Waldemar Jantz		49-89-207-0490	www.targetpartners.com	InterMedia Solutions, WLAN, NaWoTec, MergeOptics, Cube Optics.	IT, telecommunications, medical devices	
Delta Partners/Dublin	Ireland	130	3	1994	Frank Kenny	Frank Kenny	venture@delta.ie Frank Kenny: frank@delta.ie	353-1294-0870	www.delta.ie	Arctic Web, VoxSurf, Tango Telecom, Polarlake, Farran Technologies	Software, communications, internet in Ireland & Europe	

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Holland Venture	Netherlands	131	2	1981	Michael Okrouhlik	Rolf Deves	info@hollandventure.com	31-20-697-6841	www.hollandventure.com	Mr. Ted, Sigvalue, Virata, Regisoft	Wireless communications, network technology, software	
Northzone Ventures/Oslo	Norway	135	3	1994	Karl-Christiaan Agerup	Tellef Thorleifson	tellef@northzone.com	47-22-12-50-10	www.northzone.com	Stepstone, Lastminute, Edvantage, NextGenTel, Envovox.	Invests in Nordic countries	
Alta Berkeley/London	UK	175	3	1982	Bryan Wood	Tim Brown	tb@altaberkeley.com	44-20-7734-4884	www.altaberkeley.com	CeNes, Cambridge Positioning Systems, Arpida.	Communications, IT, Healthcare	
Scottish Equity Partners/Glasgow	UK/Scotland	210	4	2000	Calum Paterson	Catherine Simpson	enquiries@sep.co.uk	44-14-1273-4000	www.sep.co.uk	Cambridge Silicon Radio, Cyclacel, Radioscape, Provis.	Biotech, healthcare, IT, energy, communications	
PolyTechnos Venture Partners/Munich	Germany	220	2	1998	Dirk Kanngisser	Stefanie Nagel	info@polytechnos.com, stefanie.nagel@polytechnos.com	49-89-2422-6210	www.polytechnos.com	Fast Technology, Power Paper, OncoGenome Sciences, Giga Stream UMTS.		Closed a \$140 mln fund in January 2003

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Eqvitec Partners	Finland	225	3	1997	Jukka Makinen	Matti Turunen	marita.tainio@eqvitec.com	358-9-689-4551	www.eqvitec.fi	Digia, Rissa, Datium	Wireless startups in Nordic countries	
Wellington	Germany	245	2	1991	Rolf Christoff Dienst	Ernst Mannheimer	info@wellington.de	49-89-219-9410	www.wellington.de	ACG, Alando.de, Webmiles	Wireless communications, software	
Wellington Partners/Munich	Germany	250	2	1991	Rolf Christoff Dienst	Frank Boehnke		49-89-2199-4140	www.wellington.de	Cobion, Enocan, Garderos, Nawotec, WLAN	Early-stage investor in communications, enterprise software, applied materials and life science	Lead partner is a pioneer in German VC
Nesbic Groep	Netherlands	263	3	1969	Arnaud Diemont	Leo van Doorne	nif@nesbic.com	31-30-248-1048	www.nesbic.com	VersaTel International, Swets & Zeitlinger	Communications, web-enabling, primarily in Benelux	

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Kennet Venture Partners/London	UK	275	2	1997	Michael Elias	Alex King		44-20-7839-8020	www.kennetcapital.com	Paragon Software, Altitud, Spirea, Orchestream.	VC arm of Broadview; Wireless technology, IT	
Earlybird/Germany	Germany	300	3	1997	Hendrik Brandis	Christian Nagel	nagel@earlybird.com	49-40-432-9410	www.earlybird.com	Merge Optics, Esmertec, Europroteome.	Health care and communications	
ACT/DublinCK	Ireland	387	3	1994	Niall Carroll	Walter Hobbs	whobbs@actvc.ie; info@actvc.ie	353-1260-0966	www.actventure.com	AEP, CR2, QUMAS.		Raised largest pure VC fund in Europe 2003: \$187 mln
Abingworth Management/ London	UK	400	1	1973	Stephen Bunting	Stephen Bunting	info@abingworth.com	44-20-7534-1500	www.abingworth.co.uk	Galápagos Genomics, Xcounter, Picoliter.	Early stage life sciences	
Merlin Biosciences/London	UK	450	3	1996	Sir Christopher Evans	Andrew Greene	enquiry@merlin-biosciences.com	44-20-7849-6003	www.merlin-biosciences.com	Ark Therapeutics, Neurotech, Cambridge Biotech, Amedis, Intercytex.	Exclusively biotech	

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Amadeus Capital Partners/London	UK	460	3	1997	Anne Glover	Anne Glover	info@amadeuscapital.com	44-207-024-6900	www.amadeuscapital.com	CSR, Clearswift, Riskclick, Plastic Logic, Enigmathec.		Partnership of early Cambridge backer and London VCs
Sofinnova Partners/Paris	France	468	4	1972	Jean-Bernard Schmidt	Denis Lucquin	info@sofinnova.fr	33-1-5305-4100	www.sofinnova.fr	Actelion, IDM, Tak'Asic.	Life sciences and IT	The oldest VC in France
Accel Partners/London	UK	500	1	2001	Kevin Comolli	Kevin Comolli	london@accel.com	44-20-7170-1000	www.accel.com	Cape Clear Software, Tahoe Networks, Terachip.		European arm of Palo Alto-based Accel
Benchmark Capital Europe/London	UK	500	1	2000	George Coelho	George Coelho	informationUK@benchmark.com	44-20-70-16-6800	www.benchmark.com	Flutter.com, KeenEurope.com, Betfair, Icera Semi, BridgeCo.		European fund of Silicon Valley-based Benchmark
Gilde/Utrecht	Netherlands	528	3	1982	Toon den Heijer	Marc Perret	mailto:it@gilde.nl	31-30-219-2525	www.gilde.nl	Infitel, Truston, Pieris Proteolab, Ablynx	IT, Biotech and Nutrition	

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
GMT/London	UK	550	3	1998	Jeffrey Montgomery	Tim Green	tim.green@gmtpartners.com	44-20-7292-9333	www.gmtpartners.com	Orion Publishing, Internet Network Services, CMI, Tes Litvinov.	Media and telecoms in Europe	
Siparex Group	France	598	16	1987	Domini que Nouvell et	Paul Tholly	f.pontet@siparex.com	33-4-7283-2323	www.siparex.com	CapGemini, Gallet, Salomon	Traditional private equity across all stages & sectors, mostly in France	
Viventure Partners	France	655	2	1998	Jean-Pascal Tranie	Annie Singer		33-1-7177-0010	www.viventures.com	MandrakeSoft	Communications, internet	
HealthCap /Stockholm	Sweden	700	4	1996	Björn Odlander	Peder Fredrikson		46-84-42-58-50	www.healthcap.se	Q-Med, PyroSequencing, Personal Chemistry, Apoxis, Renovo, Neuro3D, Spinevision.	Invests in biotech, Scandinavia & W. Europe	
Advent Venture Partners/London	UK	760	4	1981	Sir David Cooksey	Patrick Lee		44-20-7630-9811	www.adventventures.com	Scipher, Oxagen, Radiant Networks, Pertinence.	Technology, life sciences	Once part of Advent Int'l

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Techno Venture Management/Munich	Germany	764	5	1983	Helmüt Schuhsler	Theresia Wermelskirchen		49-89-99-89-920	www.tvmvc.de	Actelion, Qiagen, Swissrisk, Ark Therapeutics, Addex Pharma, Coley Pharma.	IT, communication and life sciences	German-U.S. partnership
B-Business Partners/Amsterdam	Netherlands	807	*N/A	2000	Lennart Johanson	Katrin Horstmann		49-89-24243-100	www.b-bp.com	Frontville, Surplex, Finexia, iORA, Healy Hudson, AEP, Cedron.	IT, communications, expansion phase, European companies	
Partech International	France	850	6	1983	Philippe Collombel	Jean-Marc Patouillaud		33-1-5365-6553	www.paritechintl.com	Ascend Communications, C&W France, Sangstat		Paris, San Francisco, and Tokyo offices
Crescendo/London	UK	1,100	5	1993	David Spreng	Ian Jenks		44-20-7529-6300	www.crescendoventures.com	Algety Telecom, NetCentrex, SealedMedia, Arteris, CoreOptics, Optillion	IT, Communications	Born out of IAI Ventures, a Lloyds TSB subsidiary

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Hg Capital (formerly Mercury)/London	UK	1,225	1	1990	Ian Armitage	Craig Donaldson		44-20-7089-7888	www.hgcapital.net	Orbis, Verigen, Dechra Pharmaceuticals, Castlebeck, FTE Automotive.	Health care, media, technology, industrial and consumer goods	
BrainHeart Capital/Stockholm	Sweden	1,438	1	2000	Ulf Jonströmer	Ulf Jonströmer		46-733-77-99-00	www.brainheart.com	Wireless Car, Clinitrac, Netgame Factory.	Wireless and IT, from startup to late stage in Scandinavia	
CapMan/Helsinki	Finland	1,827	listed	1989	Ari Tolppanen	Jerome Bouix		358-9-615-5800	www.capman.fi	Extra Personnel Services, Siennax Int'l, Nordkalk, Ascade, Tieturi, Inion.	Specialists in biotech and IT	Bought Swedinvest for \$17 mln
Atlas Venture/London	UK	2,188	6	1980	Gerard Montanus	Christopher Spray		44-20-7529-4444	www.atlasventure.com	Speechworks, Gorilla Park, Arteris, Liquid Machines.	Invests in IT, communications, life sciences	Formerly part of ING

Name of fund	Country	Funds under mgt (\$M)	Number of funds	Established	Lead Partner or CEO	Contact	Email	phone number	Website	Selected investments	Industry focus	Comments
Terra Firma Capital Partners/London	UK	3,000	2	2002	Guy Hands	Bill Miles		44-20-7521-3001	www.terrafirma.com	Thorn, Unique Pubs, William Hill, Annington Homes.	Leveraged buyout partnership	Started by former Nomura banker
3i/London (III)	UK	3,520	listed	1945	Brian Larcombe	Paul Waller		44-20-7928-3131	www.3i.com	WiredMinds, Genesto, KuDOS Pharmaceuticals.	Diversified private equity, active in the U.K. and Europe	
Doughty Hanson/London	UK	4,500	3	1985	Nigel Doughty	Stephen Marquardt		44-20-7663-9300	www.doughtyhanson.com	Tak'Asic, Marrakech, LM Glasfiber, ATU, Priory Healthcare.	Technology	One of Europe's largest PE firms
Apax Partners/London, New York, Paris	UK/France	11,000	3	1969	Sir Ronald Cohen	Clive Sherling		44-20-7872-6300	www.apax.com	Jazztel, Autonomy, QXL, Azimut, Kabel Deutschland.	Diversified private equity	Offices worldwide

3.6 Stakeholders F: Funds in CREA target group who did not apply

Total number of stakeholders identified: 14

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
Big Bang Ventures	Barend Van den Brande	Antwerps esteenweg 19 B-9080 Lochristi, Belgium	32 (0)477 453033	32 (0)50 68 02 08	info@bbv.be	www.bbv.be	€ 10 m	€ 0.5 to 1.5 m	invests in promising early-stage ICT companies	2000	
Biogestion SA	Mr. Philippe Boucheron	12, rue La Boétie, FR - 75008 Paris	33 1/58.18 .60.70	33 1/58.18.6 0.78	contact@biom.fr	www.biom.fr	€ 52 m		Very early-stage capital investment 2) focus on biotechnology and its applications in the healthcare, agrifood and environment industries		2000

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
bmp Venture Tech GmbH	Mr. Ralph Günther	Alt - Moabit 59-61, DE - 10555 Berlin Germany	49 30/20.3 0.50	49 30/20.30. 55.55	bmp@bmp.com	www.bmp.com	€8 m		Early Stage Fund		1998
Extorel	Mrs. Svenja Becker	Palais am Lenbach platz, Lenbach platz 3 DE - 80333 Munich Germany	49 89/20.7 0.30	49 89/20.70. 33.98	info@extorel.de	www.extorel.com			As a family-office, EXTOREL predominantly invests into technology companies in seed and start-up phases and in entrepreneurial-driven VC-funds.		1997

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
I-Source Gestion	Eric Harle	1-3, avenue Jean Jaures 78000 Versailles	33 1 39 23 02 00		info@isourcegestion.fr	www.isourcegestion.fr	€ 15 m			mars 1999	2000
Oxford Technology Venture Capital Trusts	Lucius Cary, David Denny, Dr Matthew Frohn	The Magdalen Centre, The Oxford Science Park, Oxford, Oxon, OX4 4GA	01865- 784 466	01865- 784 430	david@oxfordtechnology.com	www.oxfordtechnology.com	£23 m (UK)	150 000	Biotech, high tech	1997	1998
Seeft Management	François Poirier	18, avenue Winston Churchill 94220 Charenton	01 41 79 11 04		contact@seeft.com	www.seeft.com	€ 23 m	Up to 1 million		1998	1999

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
Sigma Technology Management Ltd	Graham Barnett, Neil Crabb	6th Floor, Bucklersbury House, 83 Cannon Street, London, EC4N 8ST	020-7653 3200	020-7653 3201	neil@sigmatech.co.uk	www.sigmatech.co.uk	£17 million (UK), £6 million (East of Scotland)	20 000 to 2.5 million	Biotech, high tech	1996	
Strathdon Investments Plc	Steve Burton, Oliver Hart, David Hudson,	Jewry House, Jewry Street, Winchester, Hants, SO23 8RZ	01962-870 492	01962-844 064	info@strathdon.com	www.strathdon.com	£24 million (UK, US)	650 000	Medical/health related, Energy, Financial services, Industrial automation, Software and computer services, Internet technology	1997	

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
4th Level Ventures	Ms. Anna Frankland	Trinity College Enterprise Centre, Grand Canal Quay IE - Dublin 2	353 1/671.12.88	353 1/671.13.39	info@4thlevelventures.ie	www.4thlevelventures.ie	25 000 000		Sector neutral. Focused exclusively on investing in companies whose IP (Intellectual Property) arises from third level education institutional research.	2002	2003

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
Clarendon Fund Managers Limited	Dr Alan Mawson, James Curran, Neil Simms	12 Cromac Place, Belfast, BT7 2JB	028-9032 6465	028-9032 6473	a.mawson@clarendon-fm.co.uk	www.clarendon-fm.co.uk	£13 million (UK)	20 000 to 300 000	All sectors considered		
Dublin Business Innovation Centre	Mr. Desmond C.W. Fahey	The Tower, TCD Enterprise Centre, Pearse Street IE - Dublin 2 Ireland	353 1/671.3 1.11	353 1/671.33.30	info@dbic.ie	www.dbic.ie	EUR 6,600,000				

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
ETCapital Ltd	Rick Humphries, Martin Rigby	St. John's Innovation Centre, Cowley Road, Cambridge, CB4 0WS	01223-422 010	01223-422 011	directory@etcapital.com	www.etcapital.com	£13 million (UK)	375 000	Biotechnology, Medical/health related, Chemicals and materials, Communications, Information technology hardware, Software and computer services, Internet technology, Electronics	1992	

Fund	Contact person	Address	Tel.	Fax.	email	Website	Funds under management	Average investment size	Specialization	Start date	Vintage year
Up and Up	Joel PAIN	36, Avenue de Wagram 75008 PARIS	01 58 05 05 30	01 44 09 92 02	jpain@upandup.net	www.upandup.net	3 million	0,1 à 0,5 M€	Up&Up invests in a number of seed and early stage projects	2000	2000

4 APPENDIX 4: QUESTIONNAIRE PROTOCOLS

Interviewer: Generally, ask the questions, listen to the responses and classify the answers according to the numbered categories.

You should not usually need to read out the categories, but if the answer does not clearly fit the categories then prompt by listing the categories. Note that there are a few questions where you are asked to prompt with the list of categories.

Allow respondents to elaborate - the questions are designed to elicit comment in areas of interest as well as to give definitive answers.

3.1. Questionnaire A – CREA-backed funds. Telephone interview.

“Thank you very much for agreeing to talk to me today. My name is [NAME]”

- | | | |
|---|--|--|
| 1 | “Can I first please check that I am speaking to:” | [PRE-FILLED NAME OF INTERVIEWEE]

No, |
| 2 | “And that you work for:” | [PRE-FILLED NAME OF FUND]

No, |
| 3 | “What is your job title?” | |
| 4 | “The purpose of this interview is as part of an evaluation of the CREA Seed Capital Pilot Action. Are you familiar with your organisation’s involvement with CREA, or is there someone else in your organisation to whom we would be better speaking?” | 1 YES, familiar with CREA (or no-one else more familiar)
2 NO, better speaking to:

.....
<i>[Make arrangements to speak with more appropriate contact and end this interview]</i> |
| 5 | “How involved were you personally in the creation of the fund which receives CREA backing?” | 1 Not at all, joined organisation later
2 Not at all, in organisation but not involved
3 Involved, but as part of team
4 Very involved – my sole or main responsibility |
| “I’d like to ask now about the process of applying for CREA backing” | | |
| 6 | “How involved were you personally in the | 1 Not at all, joined organisation later |

- process of applying for CREA backing?"
- 2 Not at all, in organisation but not involved
3 Involved, but as part of team
4 Very involved – my sole or main responsibility
- 7 "Do you feel you (or the people in your organisation involved in the application) fully understood the nature of CREA and the grant agreement when you applied for backing?"
- 1 YES, fully understood
2 Understood all important aspects, but misunderstood some details
3 Understood the basic aspects, but some important misunderstandings
4 NO, misunderstood fundamental nature
5 DON'T KNOW [check why]
- 8 "Would you describe the process of application for CREA backing as:"
[prompt options]
- 1 Straightforward and easy
2 Not easy, but reasonable given nature of CREA
3 Somewhat more complicated than necessary to achieve aims
4 Far too complicated and difficult than necessary
- 9 "If possible, can you put a monetary value on the cost of applying for CREA backing, including your time, that of your staff and any advisors?"
- € OR, Not possible ☐
- 10 "Do you have any comments on the application process?"
-
-
-
-
-
- "I'd like to ask now about nature of the CREA grant agreement"**
- 11 "What do you believe CREA is all about?"
[Do not prompt, but listen out especially for comments on who beneficiaries are, nature of reimbursable advance etc.]
-
-
-
-
-
- 12 "Do you feel that you fully understand the CREA grant agreement and your obligations"
- 1 YES, fully understand
2 Understand all important aspects,

- under it?"
- but doubts about some details
- 3 Understand the fundamental nature, but doubts about some important aspects
- 4 NO, doubts about understanding of fundamental nature
- 5 DON'T KNOW *[check why]*
- 13 "Would you describe the CREA grant agreement as:"
[prompt options]
- 1 Straightforward and easy
- 2 Not easy, but reasonable given nature of CREA
- 3 Somewhat more complicated than necessary to achieve aims
- 4 Far too complicated and difficult than necessary
- 14 "Given the need to ensure that CREA funding directly benefits seed investments, are there ways that you could suggest the grant agreement could be better structured?"
-
-
-
-
-
- "I'd like to ask now about the regular reporting requirements of CREA"**
- [Interviewer: do not prompt this, but if queried, regular reporting does NOT include the audit]*
- 15 "Would you describe the CREA regular reporting requirements as:"
[prompt options]
- 1 Straightforward and easy
- 2 Not easy, but reasonable given nature of CREA
- 3 Somewhat more complicated than necessary to achieve aims
- 4 Far too complicated and difficult than necessary
- 16 "If possible, can you put a monetary cost on compliance with the CREA regular reporting, including your time, that of your staff and any advisors?"
- € OR, Not possible ☐
- 17 "Given the need to ensure that CREA-backed funds are complying with the grant agreement, are there ways that you could suggest CREA could be better administered?"
-
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-

“I’d like to ask now about the fund and investment managers involved the running of your fund”

18 “How many fund or investment managers with previous experience of seed finance have been involved in the running of this fund?”
or, ☐ DON'T KNOW

19 “And how many fund or investment managers without previous experience of seed finance have been given seed experience by being involved in this fund?”
or, ☐ DON'T KNOW

20a “Do you and your investment managers take a hands-off approach to the companies in which you invest, or get involved in the running of the companies, giving management advice and so on?”
1 Hands-off
2 Hands-on
3 DON'T KNOW

20b *If hands-on,*
“In what ways does your fund get involved in the running of your investee companies and what benefits do you believe this brings?”

.....
.....
.....
.....

“I’d like to ask now about the CREA network of seed capital funds”

21a “Are you now, or have you in the past been, involved in the CREA network?”
1 YES, in the past and now
2 YES, in the past but no longer
3 NO, not even aware of network
4 NO, aware of but not involved

21b *[If YES (1 or 2) to 21a]*
“Has your involvement in the network been limited to attendance of the annual meetings or have you been involved in other ways?”
1 Only attendance of annual meetings
2 Also:
.....

21c *[If YES (1 or 2) to 21a]*
“How useful would you say the CREA network has been to you?”
1 Very useful
2 Quite useful
3 Only marginal use
4 No use

22 “Do you have any comments on the CREA network?”
.....
.....

.....

**“I’d like to ask now about the overall effect
 of CREA backing and the general
 experience of your fund”**

- | | | |
|------------|--|---|
| 23 | “Was the idea to create your fund prompted by CREA, or were there plans to create the fund anyway (or was it already in existence)?” | 1 YES, prompted by CREA
2 NO, fund planned anyway
3 NO, fund already started anyway
4 DON'T KNOW |
| 24 | “Do you believe your fund would have been established anyway, without the backing of CREA?” | 1 YES, would have been established without CREA
2 NO, fund not possible without CREA
3 DON'T KNOW |
| 25 | “Do you believe your fund would have survived to this stage without the backing of CREA?” | 1 YES, would have survived without CREA
2 NO, fund would not have survived without CREA
3 DON'T KNOW |
| 26 | “Do you believe your fund would have raised as much capital or made as many seed investments without the backing of CREA?” | 1 YES, would have been much the same
2 NO, more funds raised/investments made with CREA
3 DON'T KNOW |
| 27a | “Apart from the financial assistance, has involvement in CREA had any other benefits, such as raising your profile and helping with fund-raising credibility?” | 1 YES
2 NO
3 DON'T KNOW |
| 27b | If YES,
“In what ways?” | |

- | | | |
|------------|---|--|
| 28a | “Was the focus or structure of your fund modified to meet the CREA requirements, or would it have had the same focus and structure anyway?” | 1 YES, Focus/structure modified because of CREA
2 NO, Focus/structure not modified
3 DON'T KNOW |
| 28b | If YES,
“In what way was the fund modified?” | |

-

29 In which of the following business sectors has your fund made seed investments?
 [prompt and circle any in which investments have been made]

- 1 Information and communication technologies (including computer software and hardware)
- 2 Other electronics
- 3 Life sciences, bio-technology, health
- 4 Other manufacturing
- 5 Business services
- 6 Transport/Tourism/Wholesale/Retail
- 7 Other personal/leisure services
- 8 Agriculture
- 9 Construction

30a “Has the fund performed, in terms of amounts of capital raised and amount and type of investments made, in roughly the way that was envisaged when it started?”

1 YES
 2 NO
 3 DON'T KNOW

30b *If NO,*
 “In what ways has the fund performed differently to expected and why do you think this has happened?”

.....

.....

.....

.....

31a “Do you expect your fund (or a successor fund) will raise further capital?”

1 YES, further fund/capital will be raised
 2 POSSIBLE, further capital may be raised
 3 NO, no further capital will be raised
 4 DON'T KNOW

31b *If YES or POSSIBLE,*
 “Can you give me any further details about that?”

.....

.....

.....

.....

.....

32 “How else do you expect your fund will develop in the future?”

.....

.....

.....

.....

.....

-
- 33a** "Do you expect your fund's involvement in CREA will change in the future?" **1** YES
2 NO
3 DON'T KNOW

- 33b** *If YES,*
"In what ways?"
-
-
-
-
-

- 34** "What other sources of public intervention were available to you (local, regional or EC)? Why did you apply for CREA as opposed to another one? How do you feel CREA compares with other schemes?"
-
-
-
-
-

- 35** "Which of the following do you believe are effective ways that public bodies can encourage the provision of seed capital?"
[prompt options and circle those believed to be effective]

- 1** Directly investing in seed capital funds
- 2** Providing loans or subsidies for recruitment of seed investment managers
- 3** Providing loans or subsidies for operating costs of seed capital funds
- 4** Offering guarantees for seed investments or loans
- 5** Tax incentives
- 6** Supporting networks to help link entrepreneurs with investors
- 7** Other business support mechanisms (e.g. advice/infrastructure)
- 8** Other (please specify)

- 36** "Knowing what you do now about the CREA, would you apply for CREA funding if in the same situation as when your fund was established?" **1** YES
2 NO
3 DON'T KNOW

- 37** "Do you have any more comments on your experience of CREA?"
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“Thank you very much indeed. That is the end
of the interview. If you have any more
comments about CREA which you wish to
make later, please feel free to contact me.”
[Check they have contact details]

3.2. Questionnaire B – SMEs receiving investment. *Online questionnaire.*

The European Commission Directorate General for Enterprise and Industry has contracted The Evaluation Partnership (TEP) to undertake an evaluation of the Seed Capital Pilot Action (CREA), started in 1998 to stimulate the creation of innovative smaller businesses through support for seed funds or similar organisations in their early years.

We understand that you have received seed capital finance from [NAME OF FUND], which is a participant in CREA and hope that you can spare a few minutes to complete the following questionnaire relating to your experience.

1a On what date did you first receive an investment from [NAME OF FUND]?

.....

1b What type of investment did you receive from [NAME OF FUND]?

- 1 Equity only
- 2 Loan only
- 3 Combined equity/loan
- 4 Other (please explain):

2 Which of these categories best describes your business sector?

- 1 Information and communication technologies (including computer software and hardware)
- 2 Other electronics
- 3 Life sciences, bio-technology, health
- 4 Other manufacturing
- 5 Business services
- 6 Transport/Tourism/Wholesale/Retail
- 7 Other personal/leisure services
- 8 Agriculture
- 9 Construction

3a How many people are employed by your company?

..... (Full-time equivalents – i.e. count 2 people working half-time as 1 full-time equivalent)

3b How many of these jobs were created since the first investment by [NAME OF FUND]?

.....

4a Did your company make profits in the past financial year?

- 1 NO, still in research and development stage
- 2 NO, past development stage, but no profits in last financial year
- 3 YES, made profits in last financial year

4b If you are prepared to say (your answers will remain confidential) what was your sales turnover in your last financial year?

€

4c If you are prepared to say (your answers will remain confidential) what were your profits in your last financial year?

€

5a Has your business grown/developed at about the pace you expected since you received investment from [NAME OF FUND]?

- 1 YES, growth close to what expected/planned
- 2 NO, grown slower than hoped
- 3 NO, grown faster than expected

5b If your business growth has been faster or slower than expected, why do you think this was?

- 1 External economic conditions worse/better than expected
- 2 Unrealistic expectations
- 3 Technical product/service development problems
- 4 Internal management problems
- 5 Problems with access to finance
- 6 Other (please explain):

.....

6 Do you believe that your company could have performed as well, or survived at all, without the financial backing you have received from your investor, [NAME OF FUND]?

- 1 Could have performed as well without any external financial backing
- 2 Could have survived, though not performed as well, without any external financial backing
- 3 Could have performed as well by raising external financing from other sources
- 4 Could have survived, though not performed as well, by raising external financing from other sources
- 5 Could not have performed as well without backing from [NAME OF FUND]
- 6 Could not have survived without backing from [NAME OF FUND]

7a Were you aware that your investor, [NAME OF FUND], has received backing from a European Commission scheme called CREA, which has encouraged new seed capital funds by providing assistance with operating costs?

- 1 YES
- 2 NO

7b If so, do you believe that your investor, [NAME OF FUND], behaves differently than they would if they did not receive backing from CREA?

- 1 DON'T KNOW
- 2 NO, do not behave differently
- 3 YES, (please explain how):

.....

8a Does your investor, [NAME OF FUND], take a hands-off approach to the your company, or get involved in the running of the company, giving management advice and so on?

- 1 Hands-off
- 2 Hands-on (please explain how):
-

8b If [NAME OF FUND] takes a “hands-on” approach, how big a help (or hindrance) is this in the running of your business?

- 1 Very helpful in running the business
- 2 A little help
- 3 A minor hindrance
- 4 A major and unhelpful distraction from running the business

9 How do you believe public bodies could best encourage the establishment and development of new, innovative companies such as yours? (tick all those which you believe effective)

- 1 Helping companies like yours find existing sources of finance
- 2 Encouraging/supporting seed capital funds
- 3 Encouraging/supporting other finance providers
- 4 Helping experienced managers and scientific/technical/creative people with ideas find each other
- 5 Direct grants/loans to businesses
- 6 General tax incentives for young, growing companies
- 7 Specific tax incentives for research and development and investment
- 8 Improved education and skills training for employees
- 9 Less regulation and paperwork
- 10 Business advice, training and support in management & marketing, etc.
- 11 Physical infrastructure, such as office space
- 12 Other (please specify)

10 If you have any more comments on your experiences as a young, innovative business, your sources of finance or CREA, then please add them here, or call [XXX] on [999999999]

.....

.....

.....

.....

.....

3.3. Questionnaire C– Unsuccessful CREA applicants. Telephone interview.

1 Confirm that the respondent applied for CREA backing but did not receive a contract.

2 Ask whether a fund nevertheless established.

If so,

3 Investigate whether still a seed fund, or given different focus.

4 Ask about total capital raised and number and type of investments made. Whether they think this would have been different if they had received CREA backing.

5 Ask about number of investment managers recruited, whether they had previous seed experience.

If not,

6 Ask whether respondent believes CREA backing would have enabled them to create successful fund (including fact that market conditions changed since application made).

7 Ask what happened to respondent – still working in seed capital market or not?

8 Ask for comments on application process.

9 Ask how CREA could have been better suited to help them (and, specifically, seed capital investments).

10 Ask how they believe public bodies can more generally best support seed capital.

3.4. Questionnaire D – Pre-selected CREA applicants identified as eligible by commission, but not given contract. *Telephone interview.*

- 1 Ask why chose not to take up contract (esp. whether because decided against, or unable to raise funds).
- 2 Ask whether a fund nevertheless established.

If so,

- 3 Investigate whether still a seed fund, or given different focus.
- 4 Ask about total capital raised and number and type of investments made. Whether they think this would have been different if they had received CREA backing.
- 5 Ask about number of investment managers recruited, whether they had previous seed experience.

If not,

- 6 Ask whether respondent believes CREA could have done more to help them raise funds. Whether CREA backing would have enabled them to create successful fund (including fact that market conditions changed since application made).
- 7 Ask what happened to respondent – still working in seed capital market or not?
- 8 Ask for any further comments on application process.
- 9 Ask how CREA programme could have been better suited to help them (and, specifically, seed capital investments).
- 10 Ask how they believe public bodies can more generally best support seed capital.

3.5. Questionnaire E – Non-CREA fundmanagers. *Online questionnaire.*

- 1 Were you aware that in 1998 the European Commission launched a scheme called CREA, to encourage new seed capital funds by providing assistance with operating costs?
 - 1 YES
 - 2 NO

- 2 Have you ever been involved in providing seed capital, or might you ever consider becoming involved?
 - 1 Am/have been involved in providing seed capital
 - 2 Might consider seed capital given appropriate incentives
 - 3 Would never consider being involved in seed capital

- 3 Which do you believe are effective ways that public bodies can encourage the provision of seed capital? (tick all those which you believe effective)
 - 1 Directly investing in seed capital funds
 - 2 Providing loans or subsidies for recruitment of seed investment managers
 - 3 Providing loans or subsidies for operating costs of seed capital funds
 - 4 Offering guarantees for seed investments or loans
 - 5 Tax incentives
 - 6 Supporting networks to help link entrepreneurs with investors
 - 7 Other business support mechanisms (e.g. advice/infrastructure)
 - 8 Other (please specify)

- 4 If you have any more comments on the CREA programme, the seed capital market or public support for seed capital then please add them here, or call [XXX] on [999999999]
.....
.....
.....
.....
.....

3.6. Questionnaire F – Funds that might have been eligible for CREA but did not apply for the programme. *Telephone interview.*

- 1** Ask whether interviewee was aware of the CREA programme in 1998, when it was calling for proposals.

If so,

- 2** Ask whether were involved in raising a seed fund at around this time [may already know this from desk research, if so, confirm]
- 3** Ask why did not apply for CREA backing (may have had no interest in raising a new fund, or might have been persuaded by a different scheme but not by CREA, etc.)

If not,

- 4** Ask whether were involved in raising a seed fund at around this time [may already know this from desk research, if so, confirm]
- 5** Ask if now aware of CREA programme. If not, explain in broad terms scheme.
- 6** Ask whether might have applied for CREA scheme if had been aware of it.
- 7** Ask how CREA programme could have been better suited to help them (and, specifically, seed capital investments).
- 8** Ask how they believe public bodies can more generally best support seed capital.

5 APPENDIX 5: BIBLIOGRAPHY

Title	Type of Document	Language	Author	Year	Source	Publisher
A Note on European Private Equity	Article in Harvard Business Review	English	Reyner Indahl & Eric Zinterhofer	1998	Harvard Business Review	Harvard Business Review, Oct. 1998
A Spanish conquest	Article in the European Venture Capital Journal	English	Angela Sormani	2001	European Venture Capital Journal	European Venture Capital Journal, Oct. 2001
Digital Economy and Structural Change	Research study	English	Deutsche Bank Research.	Jan. 26, 2005	Deutsche Bank	Deutsche Bank
European fund raising review	Research study	English	Campbell Luytens	2005	Campbell Luytens	Campbell Luytens
Finance for New Ventures:European Community supported seed funds- the Irish Experience	Presentation delivered at a conference on Early Stage Finance, Dublin 20-21 May 2004	English	Desmond Fahey	2004	Dublin Business Innovation Centre	Dublin Business Innovation Centre
Fundraising Report	Article from Real Deals magazine	English	Ross Butler, Amy Carroll, Vicky Meek and Duncan Woollard	March 23, 2005	Real Deal Magazine	Real Deal Magazine
Global Private Equity Performance Review 2004.	Research study	English	SCM Strategic Capital Management AG	2005	SCM Strategic Capital Management AG	SCM Strategic Capital Management AG
Glossary	Private Equity glossary.	English	EVCA	2005	EVCA	EVCA
Guide to Private Equity	BVCA guide	English	British Venture Capital Association	2004	BVCA	http://www.bvcaweb.co.uk/publications/guide/

Title	Type of Document	Language	Author	Year	Source	Publisher
Innovative Instruments for Raising Equity for SMEs in Europe University spin-outs in Europe - Overview and good practice	Final Report	English			DG Enterprise	DG Enterprise
Italy: still a family affair?	Article in the European Venture Capital Journal	English		2005	European Venture Capital Journal	European Venture Capital Journal, May 6th 2005
I-tec interim evaluation	Final Report	English			DG Enterprise	DG Enterprise
L'Innovation en France: De nouvelles mesures sont-elles nécessaires; Comparaisons européennes	Transcript of a conference on innovation	French	Jean-Yves Le deaut, Arnaud Fleury	2002	Internet research	Agora Europe
Nordic Lights	Article in the European Venture Capital Journal	English		2005	European Venture Capital Journal	European Venture Capital Journal, March 2005
Note on Limited Partnership Agreements.	Research Paper	English	Tuck School of Business: Centre for Private Equity and Entrepreneurship.	August, 2003	Tuck School of Business	Tuck School of Business
Note on Venture Capital Portfolio Management	Research paper	English	Tuck School of Business: Centre for Private Equity and Entrepreneurship.	August, 2003	Tuck School of Business	Tuck School of Business

Title	Type of Document	Language	Author	Year	Source	Publisher
PRESS MATERIAL: The Annual EVCA Symposium, Great Expectations, Berlin, 2-4 June 2004	Article distributed at the symposium	English	Amy Spenlove-Brown	2004	EVCA	EVCA, June 2004
Private equity in Europe: How can a UK-based Private Equity Firm Establish a Credible Presence in the European Private Equity Market?	MBA Thesis, Manchester Business School	English	Allan Beattie	2000	Manchester Business School	Manchester Business School, Oct. 2000
Raising Easdaq from the ashes	Article in The Deal	English	Fortson, Danny	June 10, 2005	The Deal	The Deal Magazine
Rapport de mission sur la technologie et l'innovation	French government study of innovation	French	Henri Guillaume	1998	French Ministry of Finance and Economics	Ministère de l'Économie, des Finances et de l'Industrie- 27/03/98
Reinventing Europe	Article in the Economist	English		2003	The Economist	The Economist, Sep. 4th 2003
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Seed capital pilot action final evaluation	Final Report	English			DG Enterprise	DG Enterprise
Sources of Capital and Implications for Industry Structure.	Research Paper	English	MacDonald and Associates	1998	Task Force on the Future of the Canadian Financial Services Sector	Task Force on the Future of the Canadian Financial Services Sector

Title	Type of Document	Language	Author	Year	Source	Publisher
Strategic evaluation of Financial Assistance Schemes for SMEs	Final Report	English			DG Budget	DG Budget
Symposium Journal: Building Bridges	Journal distributed at EVCA Symposium, London June 15-17	English	Oliver Gajda (Ed.)	2005	Internet research	EVCA
Technological Entrepreneurism: Enterprise Formation, Financing and Growth	Research study	English	Mario W. Cardullo	1999	Research Studies Press	Research Studies Press Ltd., Baldock, England
The Financing of Technology-Based Small Firms: A Second Report	Research study	English	Bank of England	2001	Bank of England	Bank of England
The rapid internationalisation of high-tech young firms in Germany and the United Kingdom	Research study	English	Burgel, O., Fier, A., Licht, G, Murray, G. C.	2001	Anglo-German Foundation for the Study of Industrial Society.	Anglo-German Foundation for the Study of Industrial Society.
The Rise, Fall and possible Revitalisation of the Danish Venture Capital Market.	Seminar paper	English	Jesper L. Christensen	November, 2000	Aalborg University	Aalborg University

Title	Type of Document	Language	Author	Year	Source	Publisher
Towards a European Innovation Area: PAXIS good practices in innovation financing	Presentation given at the 4th European Forum for Innovative Enterprises Stuttgart, December 6th, 2004	English	Dr. Rolf Reiner, i.con. innovation GmbH and Stuttgart Region Economic Development Corporation	2004	Internet research	PAXIS
Towards An Innovative Europe	A paper by the French, German and UK Governments	English	Gordon Brown, Patricia Hewitt, Wolfgang Clement, Edelgard Bulmahn, Claudie Haigneré, Francis Mer	2004	French Ministry of Finance and Economics	Ministère de l'Économie, des Finances et de l'Industrie- Feb. 2004
University spin-outs in Europe: Overview and good practice	A publication from the Innovation/SMEs programme of the fifth framework programme.	English	European Commission	2000	European Commission	European Commission, 2000
Venture capital turning a corner in France	Article in the European Venture Capital Journal	English	EVCJ	2005	European Venture Capital Journal	European Venture Capital Journal, May 6th 2005
Access to finance of small and medium-sized enterprises	Communication From The Commission To The Council And The European Parliament	English , French	European Commission	2003	European Commission	European Commission
Two Minute Warning	Article	English	Ariadne Capital	2005	theChilli.com	Ariadne Capital

6 APPENDIX 6: ANALYSIS OF STAKEHOLDER EVIDENCE

The presentation of the evidence follows the 5 main evaluative issues of the TOR (relevance, effectiveness, efficiency, utility and sustainability), breaking it down to the individual questions or groups of questions.

In each case, the presentation begins with a reminder of the questions, followed by a summary of the findings ***in bold italics*** (which is taken through to the main body of the report) and then by the evidence gathered from stakeholders during the evaluation field work.

6.1 RELEVANCE: To target group needs

To what extent has the programme met the needs of the target group, consisting of venture capital funds involved in the financing of the seed phase? Is the programme suited to the target group's needs?

6.1.1 Understanding

A number of CREA-backed organisations which have been audited have realised that they misunderstood the fundamental nature of the pilot action when they applied. It is possible that organisations which have not yet been audited by the Commission Services are under misapprehensions about the nature of the scheme. This means that care must be taken when considering how well they feel the pilot action has met their needs. Sentiment is likely to be more negative when all organisations fully comprehend their obligations.

In every interview with CREA-backed organisations we ensured that we were talking to the person who was most familiar with their organisation's involvement with CREA. While in every case we did speak to the person most familiar with the pilot action, Table 4 shows that in two-thirds of cases the person interviewed was not themselves involved in the creation of the fund which receives CREA backing, because the people involved had left and the interviewee only joined the organisation later (in one case interviews were carried out with two people, one involved in the original application and the other currently involved in the running of the organisation).

Table 4: “How involved were you personally in the creation of the fund which receives CREA backing?” – CREA funds (A)

Not at all, joined organisation later	8
Not at all, in organisation but not involved	0
Involved, but as part of team	1
Very involved – my sole or main responsibility	3
Sample	12

In three cases the creation of the fund was the sole or main responsibility of the interviewee while one interviewee was involved as part of a team.

The involvement in the process of applying for CREA backing was almost exactly the same. The majority of interviewees only joined the organisation after the application and the three which had sole responsibility for creating their fund also had sole responsibility for the CREA application (Table 5). The only difference is that the interviewee involved as part of a team in the creation of their fund was not directly involved in the CREA application.

Table 5: “How involved were you personally in the process of applying for CREA backing?” – CREA funds (A)

Not at all, joined organisation later	8
Not at all, in organisation but not involved	1
Involved, but as part of team	0
Very involved – my sole or main responsibility	3
Sample	12

This reinforces the point that there have often been changes in the personnel of the CREA-backed organisations, as well as Commission personnel, which have sometimes caused administrative problems. A commission official noted (at the kick-off meeting for this evaluation) that in some cases new personnel in the CREA-backed organisations did not even know that they had an agreement with CREA. In addition, it should be borne in mind when considering the responses to questions on the application process that most of the interviewees were not themselves involved in the process. One (who joined the organisation later) noted that:

“The application was created by an outside consultant working from the UK.” – CREA fund (A).

Table 6: “Do you feel you (or the people in your organisation involved in the application) fully understood the nature of CREA and the grant agreement when you applied for backing?” – CREA funds (A)

	Audited	Not Audited	All
YES, fully understood	2	2	4
Understood all important aspects, but misunderstood some details	1	1	2
Understood the basic aspects, but some important misunderstandings	1	2	3
NO, misunderstood fundamental nature	2	0	2
Don't know (but not fully understand)	1	0	1
Sample	7	5	12

Only four (one-third) of the CREA-backed interviewees think that the people in their organisation fully understood the nature of CREA and the grant agreement when they applied for backing. However, two out of three of those who were personally involved in the process believe that they fully understood it (though for one of these, their successor currently involved in the running of the fund believes that there was in fact some misunderstanding of details). It may be that the original applicants in the other funds may have had a higher rating of their own understanding than their replacements. However, there are some clear reasons given why these interviewees believe that their predecessors misunderstood some of or even the fundamental nature of the Pilot Action:

“The person who applied for the backing has since left the company. I do not think he had a full grasp of the complexity of implementing the reporting and other administrative aspects of the CREA project.” – CREA fund (A).

“From the feedback I have had from those involved. Also we have had contacts with other applicants, not everybody sure what were the consequences, accounting implications and so on.” – CREA fund (A).

“I think the person at our company who made the agreement cannot have fully understood the agreement.” – CREA fund (A).

“I think the manager who signed up for CREA was inexperienced, and there were few barriers to entry into the programme.” – CREA fund (A).

“Misunderstood because in our application, we did not say we were going to hire people to work directly in the fund. We wanted a management company to do it. The EC has refused us any money because they say that the expenses incurred are with the management company, not the fund. This should have been made clear from the outset. If the application didn’t meet CREA criteria, they should have told us then, not come back after several years.” – CREA fund (A).

This latter comment implies that some of the misunderstanding may have been due to the Commission officials, either because issues were not fully considered or because they expected the contract to be interpreted flexibly. A similar point was made by the one interviewee who was personally involved in the application and yet felt that they misunderstood some important aspects – when asked whether it was the case less that they had misunderstood aspects and more that their interpretation within the Commission seemed to have changed over time they agreed:

“There have been changes of Commission personnel which means some of the original momentum has been lost. They seem to have different aims, issues have arisen. The original guy, [an original designer] was very clear on the purpose [of the action]. Subsequent personnel are more concerned with ‘the contract says XYZ’.” – CREA fund (A).

These issues are addressed more fully in the ‘consistency’ section below.

One respondent indicated that they didn’t know the level of understanding of their predecessor at the time of the application, though did add later:

“I think the person at our company who made the agreement cannot have fully understood the agreement.” – CREA fund (A).

Table 7: “Do you feel that you fully understand the CREA grant agreement and your obligations under it?” – CREA funds (A)

	Audited	Not Audited	All
YES, fully understand	5	3	8
Understand all important aspects, but doubts about some details	1	1	2
Understand the fundamental nature, but doubts about some important aspects	1	0	1
NO, doubts about understanding of fundamental nature	0	1	1
Sample	7	5	12

Unsurprisingly, most (two-thirds) of interviewees feel that they now fully understand the CREA grant agreement and their obligations under it (Table 7). If individuals had doubts about the agreement and their obligations they would generally be expected to have investigated these. By the same token, most would have been expected to

have believed they understood the agreement when they applied for it. It is only later that misunderstandings become apparent. This question was designed mainly to elicit comments, which it did.

One interviewee who admits there was misunderstanding of some details at the application but now fully understands notes the complexity of the contract:

“There were two reasons for not understanding it all from the beginning: it was complicated and the crucial stuff was in the footnotes. I should have read everything at the beginning and I only saw later what is all meant.” – CREA fund (A).

Most significant are the views of the organisations which indicate that they realise that they misunderstood the fundamental nature of the Pilot Action when making their application (Table 6). Both of these now believe that they fully understand the agreement and their obligations. Both organisations have been (or are being) audited by the Commission:

“We now understand it because we have spent a long time with the internal audit team, know what now to expect, what are their concerns, know what key points to control because they are the ones they will want to know about.” – CREA fund (A).

“I understand it fully, but I do not agree with it.” – CREA fund (A).

It seems plausible that those organisations which have been audited now have a better understanding of the action and are more likely to realise that their initial understanding was flawed. It is possible that those which have not yet been audited are labouring under misapprehensions and would give more negative answers about their initial understanding if questioned again after their organisation had been audited.

The person involved in the application at another organisation which has been subject to an audit believes that they fully understood the agreement from the beginning, though their successor believes there were some detail misunderstandings then and these persist:

“There are now different focal points within the EC responsible for CREA - now Fund is being forced to look at different contractual administrative procedures, whereas before these had not been considered as previous focal points had said it was not important.” – CREA fund (A).

This comment again highlights the point that the Pilot Action is not viewed as being administered consistently. It suggests that feelings of persisting misunderstanding are perhaps suggesting more disagreement over the interpretation of the contract or the guiding principles of the scheme rather than actual confusion. Other comments support this. An interviewee which indicates they have “doubts over some details” seems in fact to feel that they understand the agreement and also the original aims of the action, but that Commission officials may have lost sight of it:

“The originator [an original designer] was an academic/businessman who understood the nature of what fund managers were trying to do – I met him a few times. People since don’t understand it. They seem to have more of a policeman role, concerned with the contract. There is less understanding as time has gone on.” – CREA fund (A).

Similarly, the one interviewee which indicates in Table 7 that they have doubts about the fundamental nature of the contract again indicates confusion over the seeming conflict between the aims and implementation of the scheme, rather than actually seeming to feel ignorant of the contract obligations:

“It is very confusing. Many of the provisions are also quite strange. For instance, the need to keep investments for at least five years. It punishes funds for exiting, something which surely cannot be the intention. That we have to pay back the subsidy if we exit before five years was not clear in the

contract as far as I know. So there are fundamental doubts still. I feel that the manager who entered the agreement was too inexperienced to understand the costs of complying for a small fund. I think there was a lack of education on the commission's side and a lack of explanation of the consequences of CREA to the former management of the fund." – CREA fund (A).

6.1.2 General needs

A majority of the CREA-backed funds which have been interviewed would not, if given their time again, apply for CREA funding. Even though this may in part be because of poor market conditions, the pilot action cannot be viewed as successfully meeting the needs of all these funds. The reasons include the market problems, unpredictability with payments, the administrative burden, lack of flexibility and the need to hold on to investments for five years. Larger funds more often report that they would apply again.

"If we knew what we knew now, I don't think we would have gotten into it." – CREA fund (A).

Table 8 shows that only one-third of the 12 CREA-backed funds interviewed report that, knowing what they do now about CREA, they would apply for CREA funding if in the same situation as when their fund was established.

Table 8: "Knowing what you do now about CREA, would you apply for CREA funding if in the same situation as when your fund was established?" – CREA funds (A)

Yes	4
No	5
Don't Know	3
Sample	12

Even funds which would apply again have clearly not had wholly satisfactory experiences:

"However it turns out (we probably won't apply for the 2nd and 3rd tranches), it has been helpful to us." – CREA fund (A).

"There should have been more flexibility shown by the commission during adverse market conditions. Also, in part because of the slump, but also because of the rule that shows that it usually takes 7 years to build up a company, the support should have gone up to five years, and not three. This would have helped us a lot and given us a lot more stability." – CREA fund (A).

"I think the CREA funding has been very useful to us. It meant we could employ more people during the years 2002, 2002 and 2003, years that were very difficult overall in the sector. It increased our ability to do deals. The reporting has been difficult, as there was never any template provided. We were only followed up by the commission after four or five years. Perhaps you can say that we ought to have been proactive, but we have other things to do frankly in a small fund as ours. We only got the first letter from the commission in 2003. I also don't understand a lot about why the commission asks for certain information about the SME's. Why do they need to know details of SME performance? I think on the balance, a lot of what they ask for is incomprehensible." – CREA fund (A).

One of the three funds which were not sure whether they would apply again added a comment:

"Hard to say- we'll have to see how much the administrative burden will be in the future. We did not expect this much work. We'll have to see how the cooperation develops." – CREA fund (A).

The largest group (5 out of 12) of the funds interviewed indicated that they would not have applied for CREA again, given what they know now. One of these implied that they would not have started their fund at all:

“Because of the market” – CREA fund (A).

In addition, two of the three funds which were pre-selected for CREA but subsequently did not receive backing were unable to raise funds (the third received money from government sources):

“I don’t think CREA backing would have helped. The market conditions at the time were just too dismal.” – Selected CREA applicant, did not take up contract (D)

“The seed capital fund was never launched because we were unable to raise money with private investors. The situation at the time was very difficult for seed capital funds in [our country]. There is virtually no interest from the large asset management funds.” – Selected CREA applicant, did not take up contract (D)

This is not necessarily an indictment of the CREA pilot action. Perhaps no action could have met the needs of these funds sufficiently to see them through the difficult and often unanticipated market conditions they faced. However, it remains the case that the CREA pilot action certainly failed to meet their needs.

Other funds did explicitly explain their reasons in terms of the pilot action itself:

“Too complicated and not sufficiently predictable (e.g. you never know if you will get the money)” – CREA fund (A).

“The commission did not explain everything that the programme would entail for the fund.” – CREA fund (A).

“I think the cost-benefit of CREA is not worth it. It is nice for a big organization, with teams of auditors etc, not for a small one. We are 2 people. The bureaucracy makes it very hard for us. There have been many mistakes made in the design of the programme, so it is not just the fault of the current project officers. The bottom line is that EC bureaucrats shouldn’t be managing these types of programmes- they do not empathize or understand our point of view.” –CREA fund (A).

or gave comments elsewhere which give examples of issues they have:

“the need to keep investments for at least five years. It punishes funds for exiting, something which surely cannot be the intention.” – CREA fund (A).

It is the case that the larger funds (in terms of funds raised) more often than the smallest indicated that they would apply to CREA again, given the same situation, or that they were not sure whether or not they would apply (average €10m compared with €5m for those which would not apply again). This is despite the fact that the level of intervention granted was similar in all cases and so would be expected to be relatively more important to the smallest funds. Half of those which would apply again have not yet been audited.

6.1.3 Varying needs

The organisations in the CREA target group clearly have varied needs. The CREA approach was to have a ‘one size fits all’ contract. This inevitably caused problems. Different member states have different taxation and regulatory environments, which have also caused problems.

Unsuccessful CREA applicants are perhaps best placed to comment on how the pilot action did not meet their needs. One of these believes that there needs to be more flexibility and that actions need to understand country differences.

“The fund needed was very small, the problem with the CREA system is that they wanted us to ask for more money.- they said it was too small, but we did not need more. We work at a smaller scale; in Sweden the population is small and we do not need such a larger scale. ... CREA (and seed capital) could be more suited if they understand that in different countries, with different realities, seed capital needs to adjust to these realities. For example, the term Joint European Venture is a great idea - but in terms of administrative costs can be huge and not operative at all.- the idea is good, but not flexible. You look for partners to get the funds, but it does not have sense business-wise. Seed capital investments can also be very valuable for small players like us.” – Unsuccessful CREA applicant (C)

One of the designers of the pilot action does note that it particularly avoided the smallest proposed funds because of previous experience:

“The Seed 1 evaluation criticized the small size and unprofessionality of the funds. The funds were too small, not real VCs. ... We applied lessons learned- they must have a minimum size, must have enough capital to follow an SME over 3 or 4 years.” – Former Commission Official (G).

and also that they were forced into a ‘one size fits all’ approach:

“Previously, contracts were adapted to need of projects. Now we were going towards ‘unictracts’.” – Former Commission Official (G).

One CREA-backed organisation, though, does not think it possible to design an action to ‘fit everyone’:

“Both the idea and the execution have been flawed in my opinion. I think there are so many differences between European countries that the Commission cannot hope to design a programme that fits everyone. It should be done nationally. The countries themselves need to create the right environment.” –CREA fund (A).

6.1.4 Network

The balance of opinion among CREA-backed funds is that the CREA network, one of the key objectives of the pilot action, had the potential to be useful. There does seem to be a need for such a network.

At least some of the CREA participants believe the network could fulfil a need:

“Good idea to have such a network.” – CREA fund (A).

“I think the general idea of the network is useful.” – CREA fund (A).

“The CREA network was very useful.” – CREA fund (A).

“It would have been useful for the analytical comparisons and sharing experience if we had stayed with it. – CREA fund (A).

“Networking would be interesting for us. ... If CREA goes on, we might be interested in the network.” – CREA fund (A).

“Useful to see how other CREA members are doing deals and how venture capital is working in different countries such as in the UK and France-they can provide useful inputs to help improve the process” – CREA fund (A).

“It could be very interesting in the future, but the Commission needs to take a much longer view.” – CREA fund (A).

“We need to get together once a year.” – CREA fund (A).

Two funds which did not take up the CREA contract also think the network would have been helpful:

“The network would have been useful. We have worked together with a German fund, not on investments, but on exchanging our experience. This has been good.” – Selected CREA applicant, did not take up contract (D)

“Creating European networks is also a very good policy, to encourage firms to cooperate across borders” – Selected CREA applicant, did not take up contract (D)

Even the few notes of dissent were qualified, or showed active use of the network:

“I think the usefulness of the network is limited. Most of the CREA backed funds are small, national players. There are significant differences between the countries, something which makes it difficult to exchange best practices for instance. It is also less useful to use because all of the funds invest in the same phase (seed phase).”

But (from the same respondent):

“We participate in the Gateway 2 Growth initiative - it is very good. It has a diversity of funds participating, not only seed capital funds but later stage investors as well. They have very precise themes to their meetings, making it easy to gain more specialized understanding of elements of VC funding.” – CREA fund (A).

“Generally, I do not think there is a need for a European network of this sort. Networks establish themselves, and there is no need to have this as a priority. It should be a very low priority for the EC.”

But (from the same respondent):

“I used it actively twice. Once I gave an IT project to a Belgian fund because their business model was focused on Europe and better for their portfolio than our own. I also sent an Italian fund a copy of a financial model I had done so that they could look at it. However, I wouldn't say that it has been particularly useful to me.” – CREA fund (A).

“It wasn't really networking I feel. CREA backed small funds that are not really international at this stage. There is too much difference between say the UK, Germany and Finland for the networking to be of much use in my opinion.”

But (from the same respondent, later in the interview):

“The network could be useful.” – CREA fund (A).

6.2 RELEVANCE: Regarding consistency in response to need

It is sufficiently consistent as regards the needs identified?

No. Rigidity is one of the main criticisms levelled by stakeholders at the implementation of the CREA pilot action. This was probably inevitable given the environment within which the pilot action was designed and the way that the Commission has changed. The Vade Mecum on grant management in 1998 and the Financial Regulation of 2002 changed the way in which the Commission could use grant agreements. As noted under Error! Reference source not found., a number of the CREA-backed organisations misunderstood how the grant agreement would be implemented. Some have perceived this as an inconsistency between the enabling ethos they assumed the pilot action to have and the subsequent rigid implementation of the grant agreement.

A recurring theme in interviews with CREA-backed funds (Stakeholders A) is that there has been inconsistency over time in the administration and, fundamentally, in the ethos of the pilot action and the interpretation of the contract.

“There have been changes of Commission personnel which means some of the original momentum has been lost. They seem to have different aims, issues have arisen. The original guy, [an original designer] was very clear on the purpose [of the action]. Subsequent personnel are more concerned with ‘the contract says XYZ’. ... The originator [an original designer] was an academic/businessman who understood the nature of what fund managers were trying to do – I met him a few times. People since don’t understand it. They seem to have more of a policeman role, concerned with the contract. There is less understanding as time has gone on. They don’t have the non-contractual capital invested in it that [an original designer] did.” – CREA fund (A).

“Overall, the grant agreement seemed to be clear on the major points. However, there has been widely varying interpretations of the agreement by the Commission and the project officers in charge of CREA. It seems that there have been very many different points of view in the Commission on how to manage the project, and this has placed quite a large burden on our fund.” – CREA fund (A).

“It should have been clear from the outset what our obligations were.” – CREA fund (A).

“While the agreement seemed clear, there were differences in how the agreement was interpreted by the different project officers.” – CREA fund (A).

“There are now different [individuals] within the EC responsible for CREA - now Fund is being forced to look at different contractual administrative procedures, whereas before these had not been considered as previous [individuals] had said it was not important.” – CREA fund (A).

“In the beginning, they accepted our reporting without question. We got no negative feedback for the first couple of years. It could have been clarified in advance what the reporting would entail.” – CREA fund (A).

“The people involved on the Commission side have changed every two years or so. We don’t know how to react each time a new person comes, and what interpretations they will put on the contract. It creates uncertainty.” – CREA fund (A).

“There have been far too many different project officers - they have all made their own interpretations. Perhaps the terms of the agreement should have been clarified better from the outset - I think this would have made it easier for the project officers as well as for ourselves.” – CREA fund (A).

“Today they are however trying to modify the fund after more than six years. For example, we wrote in our application that our company was managed and owned [in a particular way]. However, the contract is with another legal entity, [named]. The commission are insisting that [details on ownership/management structure]. We have repeatedly written to the commission about this and have not received a clear answer.” – CREA fund (A).

“The memory has got lost a bit and there is a new responsibility now.” – CREA fund (A).

Commission officials involved in the original design of the pilot action agree that the approach taken in implementing the pilot action has not been consistent:

“Before we had an economic approach, now it is a legal approach.” – Former Commission Official (G).

“Then we became very risk averse - Commission did not want to take risk but it was supposed to stimulate risk takers! “ – Former Commission Official (G).

“There was also rotation of people - a lot of new people who were not in the same logic.” – Former Commission Official (G).

It should be noted that stakeholders do not criticise directly the individuals involved. The view of the stakeholders is an acceptance that they are generally victims of changing circumstances.

Change of personnel always involves costs:

“It has taken a lot of time, because of changes in the team. Certain aspects we have had to explain 2, 3 or even 4 times to different people. When you get the feeling that someone is beginning to understand, the [CREA] personnel change.” – CREA fund (A).

However, the main view is that new European Commission rules, procedures and structures have inevitably led to the changes.

“The problem started when DG 23 was merged with DG Enterprise. We got a new financial unit. Annual control became stricter and stricter. Very heavy control regulations. Second CREA payments became very difficult to get. We insisted on each provision of the contract. Both sides have learned a lot. In the past, Commission gave money to private sector for certain results - result oriented. Financial control was just additional. Later it became - ‘we don’t care about results’.” – Former Commission Official (G).

“New financial directive - CREA happened before this. I think it had double impact. CREA was conceived before, but new financial regulations are applied backwards. 99% of commission grants are subsidies. This made it tougher.” – Former Commission Official (G).

“Each reform of financial regulations made it more difficult.” – Former Commission Official (G).

“First payment was very easy and no one even in DG ENT knew it would get more difficult. ... The image of increasing controls in Commission was not only not known in the market place, it was not even known to us.” – Former Commission Official (G).

“Financial unit would not have accepted anything less strict. When accountancy was modernized Commission did not take into account advances ‘double accounts’ streams of advances. We had to take on board that we make the final decision years later for an advance. Financial people only understand consultants - payment streams of consultants! They understand paying for fixed deliverables, but not much else. Original reason for CREA became obscured - it was originally designed to support small new funds so that they would make more and more investments, now we were hampering growth.” – Former Commission Official (G).

Where changes are caused by external factors and are unforeseen then a certain amount of inconsistency is unavoidable. However, it seems that the conditions for problems to emerge were in place from the beginning of the pilot action. Those responsible for designing the pilot action were forced to modify the contract to meet the requirements of other parts of the Commission:

“Contract was designed by us, but was result of compromise with DG Budget.” – Former Commission Official (G).

“We could control tender specifications to some extent, but DG Budget imposed clauses in the contract to get funds to be more transparent.” – Former Commission Official (G).

A specific problem encountered by the Commission officials who designed the pilot action was that the CREA action was assigned the same budget line as the Seed 1 action. This meant that the subsidy had to be made reimbursable, even though this was not seen as the most efficient design by the originators of the action:

“CREA was given the same nomenclature, budget line, as Seed one. Reimbursable subsidy. Had to invent reimbursable elements to the contract to stay within budget line.” – Former Commission Official (G).

It seems that applicants for CREA backing were given the impression that not all elements of the contract would be enforced. Some funds have quite explicitly stated

that when they applied for CREA backing there was an implication that the contract would be applied flexibly, that the administration would not be onerous:

“[The EC people responsible for the programme] said don’t bother with administrative details - just apply for the funds, make the application without worrying about administration; the important point is that you are working with the creating and founding of companies.” – CREA fund (A).

Most strikingly, one CREA-backed manager asserts that applicants were told that the reimbursable advance would not be required to be repaid:

“The reimbursable advance – [a Commission official] was dismissive. Said they wouldn’t want the money back. They wouldn’t know what to do with it, they didn’t have a bank account to pay it into. It was a grant for fund managers. 10 or so managers came out of a meeting having been told ‘don’t send the money back’.” – CREA fund (A).

A theme identified elsewhere in this report is a ‘culture-clash’ between the rules-based bureaucracy of the European Commission and flexibility of the venture capital industry. It seems that the fundamental problem of inconsistency of approach in the administration of the CREA pilot action is a consequence of these differences. The original scheme designers shared an understanding with the venture capitalists and tried to design an action to suit them, but within an environment with strict reporting and financial control requirements. It seems that certain elements of the contract were put in place to satisfy other sections of the European Commission, but were not expected to be rigidly enforced. However, as one of the designers themselves acknowledge, ultimately contracts should be enforced:

“Of course, if they have a contract, they should fulfil it.” – Former Commission Official (G).

Changes in the guiding attitudes of the Commission and its officials since the inception of the pilot action may have exacerbated the problems; ambiguities in the contract may have been interpreted differently. However, it seems that the ethos of the original pilot action was already in conflict with the nature of the Commission at that point. The required flexibility could not be built into the contract and subsequent events have shown that it was unrealistic to imagine that the enforcement of the contract would be flexible.

There is also a perception that sometimes there have been inconsistencies in how rules have been interpreted and applied.

“[A Commission official] admitted they have had to use different criteria for different contractors. There is a feeling it is perhaps not fair, not consistent. We are one of the luckier ones, but you have a feeling it depends on your personal skills, how well you propose a solution – it is not clear from the start.” – CREA fund (A).

One interviewee specifically questioned the consistency in terms of the time periods to which their agreement relates:

“We are not quite sure what is happening. It was supposed to be a 3-year program. We gave budgets for 98/99, 99/00 and 00/01, it was finalised. But because it didn’t actually happen until 2000 they are now saying what we did in 98/99 is not counted.” – CREA fund (A).

6.3 RELEVANCE: Could more suitable measures be found?

Do measures exist that are more suited to the needs of this target group as regards achieving the programme's objectives? What are they? Should new measures be drawn up and implemented that are better suited to the target group's needs?

CREA participants most often (three-quarters) believe that offering guarantees is the best way that public bodies can encourage the provision of seed capital. Half believe that direct investment in funds is effective, though the larger organisations favour this more often. The same proportion support networks to link entrepreneurs with investors. Only one-third believe programmes to provide loans or subsidies for operating costs (like CREA) are effective (and the same proportion that loans/subsidies for recruitment of investment managers are worthwhile). Experience of the practical difficulties in implementing the CREA pilot action seem to have reduced the appeal of actions of this form. Whether schemes such as CREA can be administered to better meet the needs of the target group is considered later in this report. Non-CREA organisations most often think that direct investment in funds is the best way to encourage seed capital. There are cautionary notes about guarantee schemes. SMEs which have received investment mostly agree that encouraging seed capital funds is the best way of supporting businesses such as theirs.

6.3.1 CREA-backed organisations

"There is still a 'market gap' within seed capital. Risk investors in [our country] still do not really take risks, if you know what I mean - they prefer to wait until the company is up and running. Here there is a need for public funds, either direct investments or in the form of a guarantee that the private investor will recoup at least a part of the funds he has contributed to seed capital." – CREA fund (A).

Table 9: "Which of the following do you believe are effective ways that public bodies can encourage the provision of seed capital?" – CREA funds (A)

Offering guarantees for seed investments or loans	9
Directly investing in seed capital funds	6
Supporting networks to help link entrepreneurs with investors	6
Providing loans or subsidies for operating costs of seed capital funds	4
Providing loans or subsidies for recruitment of seed investment managers	4
Tax incentives	3
Other business support mechanisms (e.g. advice/infrastructure)	2
Other (please specify)	2
Sample	12

Table 9 shows how many of the 12 interviewed CREA-backed organisations believe that each of a list of possible means of public intervention to encourage the provision of seed capital are effective (the respondents were not explicitly asked to consider the cost-effectiveness of these measures). Some qualified or expanded on their answers:

Offering guarantees for seed investments or loans (9 out of 12 believe effective)

This is the most popular measure among CREA-backed funds.

"If you have seed fund-at least you get some money back as 50% of investment is returned so there is a lower risk overall. The insurance sector and big banks are therefore more likely to invest. Austria [not an Austrian respondent] is working in this way - so this encourages greater investment as there is not so much to lose, especially when there are so many rules involving bonds and shares etc" – CREA fund (A).

"Best would be a semi guarantee to encourage VCs to invest in Seed." – CREA fund (A).

"Through EIF" – CREA fund (A).

"Maybe useful." – CREA fund (A).

However, one former Commission official stated that there could be a "moral hazard" involved in offering guarantees for seed funds:

"To take an extreme example from Europe - in Germany the government took 50 percent stake in seed funds, and reimbursed 75 percent of investment in case of failure. Encouraged funds to fail in the difficult years! They could recoup 75% if they failed!" – Former Commission Official (G).

Directly investing in seed capital funds (6 out of 12 believe effective)

Half of CREA-backed organisations believe that public bodies directly investing in seed capital funds can be effective. Two of these clearly indicated that, while they also thought some other of the measures could be effective, this was by far their favoured measure:

"Completely. With this method you have the money from the beginning, you can plan investments etc. Also these investors are involved and aware of the day-to-day management. It is much easier than CREA, where they have no day-to-day involvement and then you have to explain a whole year's activity all at once, it is very difficult. They [CREA] need to know it all, they don't give the green light unless everything is clear, but it is very difficult to explain everything [in retrospect] all at one time. ... [Public bodies] should put money in, be prepared to take risks. Naturally they need certain guarantees, the types of investments being made and the types of companies the fund is investing in, but need to be quick and flexible. You don't want to wait four years to have a fund manager with a track record before you give any money – that way you have just proven that they can manage without the funding." – CREA fund (A).

"Professional fund managers like the EIF investing directly in seed funds. These people are professionals and can evaluate and encourage funds. They know the business. ... The people at the EIF are very successful and know more about venture capital than I [the interviewee] ever will. But they operate under certain rules. If they could invest more, 30-40% or half of a fund then it would make it easier for managers to go out and raise money." – CREA fund (A).

Another noted the relative advantages of direct investment methods and the CREA pilot action:

"The EIF run very good programmes, investing directly in seed funds. However, they have very difficult criteria. CREA was easy to get accepted to, but very hard to get the money from. The EIF sets very high barriers for funds but are easy to work with once you are inside. The ideal public sector programme would combine the easy access of CREA with the smooth running of the EIF." – CREA fund (A).

In addition to the 6 CREA-backed organisations which indicated that directly investing in seed capital funds was an effective means of encouraging seed capital, one proposed a measure which was related, but more specific:

"The best way public bodies can support seed is through giving loans directly to the funds, matching every Euro the fund invests with a Euro of public money. This will give the seed funds crucial leverage and also impose market discipline because for every Euro you receive, you need to find a Euro of private money." – CREA fund (A).

The larger organisations interviewed generally are more in favour of the direct investment method of support (average funds under management of €11m compared with €5m for those which do not believe it effective). There was a contrary opinion expressed by one of the smaller funds:

(When prompted on whether the EIB is a useful instrument) “Oh, no.” (Laughs) “The EIB is not designed to help seed funds. As I understand it, the EIB only makes investments on market terms. This means they only will invest in large funds with proven records. They are not designed to help small funds, because the returns are too uncertain.” – CREA fund (A).

An unsuccessful applicant to the CREA pilot action also seems to favour direct investment:

“The system in which seed capital investments funds are formed with a combination of public money and private money is a very good one.- a good way to move forward. In any case, it is important that in every country.- with different formal structures- we can learn from each other and on how things are done.” – Unsuccessful CREA applicant (C)

Supporting networks to help link entrepreneurs with investors (6 out of 12 believe effective)

One CREA-backed organisation which agreed this measure can be effective did not think that it alone would achieve success:

“Good idea for dealing but this alone is not enough.” – CREA fund (A).

Two of those which did not think it effective explained:

“Some work, some don’t. Determined people can usually find investors. The marketplace is already beginning to make it happen.” – CREA fund (A).

“Think this is difficult.” – CREA fund (A).

This latter respondent agreed when referred to an earlier comment about difficulty in getting good projects that such networks might increase quantity but not quality of prospects.

Providing loans or subsidies for operating costs of seed capital funds (4 out of 12 believe effective)

This is the measure closest to that of the CREA pilot action and only one-third of the CREA-backed funds agreed that it is an effective way for public bodies to encourage the provision of seed capital.

One CREA-backed organisation (counted among those considering the measure effective) said that providing subsidies of this type was effective, but loans were not.

One of the positive respondents expanded:

“CREA was an excellent project, at least the original idea. In Europe, a lot of experimental programmes are launched but not followed up. Subventions to reduce operating costs are a great idea - this is what creates a head ache for smaller funds, that they have very low returns in the early phases of the fund. Every policy that seeks to reduce operating costs is good in my opinion. In my opinion there are two ‘levers’ that can be used for public interventions in the sector: the first is to reduce operating costs and the second is to offer guarantees on seed investments to reduce the risks to investors.” – CREA fund (A).

All applicants to the CREA action which subsequently did not take up their contract support the idea of CREA – presumably it appealed to them which is why they applied, but they have not been exposed to the difficulties in its implementation:

“The idea behind CREA is very good - covering operating costs for start up seed capital funds.” – Selected CREA applicant, did not take up contract (D)

"I thought the CREA project was well suited - I really liked the idea. I can't say how it could have been improved because I think the concept was very good. It was a good way of distributing best practices in the seed capital industry." – Selected CREA applicant, did not take up contract (D)

"CREA was a very good initiative. It hit the nail right on the head- one needs to cover operating costs and administrative costs in the start up phase of the fund. Due diligence, hiring lawyers and consultants is very expensive, and it would be great to have an initiative that would help funds with this. CREA seemed to be well structured and simple." – Selected CREA applicant, did not take up contract (D)

While there is positive support for the CREA concept, it seems that the experience of its practical implementation has reduced its appeal to those which have been involved. One which felt that subsidies or loans to cover operating costs was not an effective measure expanded on why:

"No. This is what CREA was supposed to be. The problem is what are eligible operating costs. Not all the budget will be granted, what investments are eligible, need to try to distribute costs between different investments. Not easy, many costs apply to company as a whole, not easy to allocate between different investments. Need a very analytical accounting system." – CREA fund (A).

Providing loans or subsidies for recruitment of seed investment managers (4 out of 12 believe effective)

Again, one CREA-backed organisation said that providing subsidies of this type was effective, but loans were not. Another said:

"Maybe useful. In [our country] there is a scheme for scientists and technical people, maybe the same thing for managers would be useful." – CREA fund (A).

Tax incentives (3 out of 12 believe effective)

While only one-quarter of CREA-backed organisations indicated that they thought tax incentives are an effective way for public bodies to stimulate seed capital, some of the others indicate that they said "no" not because tax incentives are ineffective *per se*, but because they feel they are already in place or because the European Commission is not in a position to create them:

"No scope in [our country]. If set up structure of vehicle properly then incentives already available. Don't know about other countries." – CREA fund (A).

"No point for fund managers. [In our country] investors have received incentives. Commission not in position to do that across Europe." [prompted: but effective for national governments to investors?]: "YES" – CREA fund (A).

Other business support mechanisms (e.g. advice/infrastructure) (2 out of 12 believe effective)

One comment from a CREA-backed organisation not believing this to be effective:

"Varies, some are good, some awful" – CREA fund (A).

Other measures

Of the two "other" measures suggested by CREA-backed organisations, one was a variant on investing directly in funds, described above. The second was:

"Training of Investment Managers" – CREA fund (A).

6.3.2 Non-CREA backed organisations

Table 10 shows that there is considerable difference between the views of CREA-backed funds and their counterparts which did not apply for CREA backing in their views on effective means of public support for seed capital.

Table 10: “Which of the following do you believe are effective ways that public bodies can encourage the provision of seed capital?” – CREA funds (A) and Non-CREA funds (E)

	CREA funds	Non-CREA funds		
		Involved in seed	Might consider seed	Never consider seed
Directly investing in seed capital funds	50%	91%	75%	64%
Tax incentives	25%	55%	75%	73%
Offering guarantees for seed investments or loans	75%	41%	63%	45%
Providing loans or subsidies for operating costs of seed capital funds	33%	45%	38%	36%
Supporting networks to help link entrepreneurs with investors	50%	18%	38%	45%
Other business support mechanisms (e.g. advice/infrastructure)	17%	18%	38%	18%
Providing loans or subsidies for recruitment of seed investment managers	33%	23%	0%	9%
Other (please specify)	17%	0%	25%	9%
Sample	12	22	8	11

It should be remembered that the sample sizes for all of these groups are very small. Nevertheless, it is striking that nearly all (20 out of 22) of the people who are (or have been) involved in providing seed capital and yet did not apply for CREA believe that directly investing in seed capital funds is an effective way for public bodies to encourage the provision of seed capital, far more than the 50% of CREA-backed funds which favour this method. This may well be a size effect, as it has already been noted that the largest CREA-backed funds interviewed all favour direct investment in seed capital funds.

Non-CREA funds less often than CREA-backed organisations favour offering guarantees. One echoed the point made earlier by a former Commission official:

“The tbg in Germany has proven that this actually encourages VCs to put companies into bankruptcy rather than try to save them!” – non-CREA fund (E)

Tax incentives are more often mentioned by non-CREA backed funds, though one did note that they meant tax incentives to investors in seed capital funds.

Providing loans or subsidies for operating costs of seed capital funds (like the CREA scheme) is, if anything, viewed as slightly more effective by the non-CREA funds than those which actually received CREA backing. One qualified this by suggesting such schemes need to have more effective incentives:

“I would suggest grants to achieve very specific milestones but done on a matching funds basis to ensure that the idea is actually backed by VCs who intend to put more money into the company if the milestones are achieved.” – non-CREA fund (E)

A few ‘other’ means mentioned by non-CREA funds centred on the SMEs themselves, rather than seed capital:

“Seed companies should have an early access to qualified business people (managerial knowledge). This should be sponsored by either subsidies and/or tax incentives. One of the most common mistakes in supporting seed businesses is ignoring business viability of the companies.

Seed capital providers should sponsor only companies that may grow to become businesses.” – non-CREA fund (E)

“Providing specific measures to the seed companies themselves (see French initiatives like the young innovative companies scheme).” – non-CREA fund (E)

One non-CREA funds (focused on Eastern Europe) thought that an effective means for public bodies to help was in creating:

“Positive legal and administrative environment.” – non-CREA fund (E)

One (from Western Europe) which was selected for CREA backing but did not take up the contract similarly feels that in their country there is work to be done in creating an environment favourable to investment in seed capital:

“Public bodies have an important advantage over many investors - they see the overall importance of seed capital and the overall effects on the economy. The problem is, at least in [our country], that they do not have the money. ... I think the most useful thing public bodies can do is to lobby pension funds on behalf of seed capital investors. It would be cost effective - all the pension funds are located in the capital, so they wouldn't have to walk far to meet with the government officials. Today, the rules governing pension fund investments do not incentivise seed capital investments.” – Selected CREA applicant, did not take up contract (D)

Another organisation selected for CREA but which did not take up the contract mentioned a number of measures, including the different regulatory environments in different countries and also exit routes:

“The problem is more on the national level- I think even with CREA it would not have helped. The EC needs to lobby the governments to change their rules on easing the restrictions of bringing innovative ideas to market and perhaps also help establish a stock exchange for innovative companies. Exit opportunities today are too hard to find. This should be the focus. ... I think the main thing is to create a network so that entrepreneurs can meet business angels. I think VCs have not been interested in seed capital up until now, and that the focus maybe should have been on business angels. There are signs this is changing, at least in France. With the development of Alternext (an exchange for small and midsize companies run by Euronext) I think a large burden has been lifted from VC managers. They can thus reallocate their time to looking for seed investments. It is still early, but I expect a trend where VCs will reorient themselves towards seed investments perhaps, because of developments such as Alternext.” – Selected CREA applicant, did not take up contract (D)

The issue of exits may also have been partially addressed with the recent announcement that AIM is going to be repositioned with a European focus. This interviewee also specifically held up a British scheme as an example:

“I think the only public investment scheme to have really worked in Europe is the British Enterprise Investment Scheme, started by Thatcher. They are very good at monitoring their investments, and learning from past experiences. Also in Britain, they offer tax exemptions on investments of up to £150 000 a year. We need this Anglo-Saxon style approach in continental Europe I feel.” – Selected CREA applicant, did not take up contract (D)

The one detailed response received from an organisation involved in seed but which did not apply for CREA backing made a point about the general approach to public intervention in seed capital:

“On a generalised note I believe that the only way to stimulate the economy through the use of seed capital is to start with the premise that it is Zero return money and that any return is upside with no attempt when the investment is made to protect the downside or guarantee the upside. It has to be super high risk money without the super high reward possibility where the metrics for success aren't measured in the financial ROI vs other forms of investment but on a Net return to the country basis. One metric might be whether the total tax revenue generated by the company and all its employees over the first five years of the project exceeded the capital invested. What

this means in practice is that you need to fund the managers of any groups as an expense not as a profit centre.” – Fund which might have been eligible for CREA but did not apply (F)

6.3.3 SMEs

While the target group for this pilot action has been defined above as venture capitalists providing seed capital, the ultimate aim of the programme of which it is part is to support the development of innovative start-ups. It is therefore relevant to consider whether such start-ups believe that encouraging seed capital is in fact a worthwhile way of supporting businesses such as theirs. It has not been within the scope of this evaluation to consider an unbiased sample of young SMEs (including those which have developed without seed capital). However, the SMEs which have received investment from CREA-backed funds were asked a general question about a range of ways in which public bodies could encourage the establishment and development of new, innovative companies such as theirs. Table 11 reassuringly shows that the most popular measure is indeed ‘encouraging/supporting’ seed capital funds. Two-thirds of surveyed SMEs agree that this is an effective measure.

Table 11: “How do you believe public bodies could best encourage the establishment and development of new, innovative companies such as yours? (tick all those which you believe effective)” – SMEs receiving investment (B)

Encouraging/supporting seed capital funds	14
Helping companies like yours find existing sources of finance	9
Direct grants/loans to businesses	9
Less regulation and paperwork	6
Encouraging/supporting other finance providers	4
Helping experienced managers and scientific/technical/creative people with ideas find each other	4
Business advice, training and support in management & marketing, etc.	1
Specific tax incentives for research and development and investment	1
General tax incentives for young, growing companies	0
Physical infrastructure, such as office space	0
Improved education and skills training for employees	0
Other (please specify)	2
Sample	21

While this group of SMEs is naturally predisposed to the concept of seed capital – they have chosen to use it to help their business develop – it is nevertheless striking that this measure is more popular than the wide range of other possible measures suggested in Table 8. Support for seed capital funds ranks above providing direct grants and loans to the businesses themselves and reducing that perennial bugbear of small firms, regulations and paperwork.

6.4 EFFECTIVENESS: In the call for proposals

How effective was the call for proposals?

The call for proposals was not perfect. Many organisations and individuals involved in seed financing are unaware of CREA and some of these will have been in the target group of potential seed funds. Funds have been established

without knowledge of CREA and at least one CREA-backed fund only found out about the pilot action “by accident”. However, (after two rounds) a substantial number of applications were received and sufficient grant agreements were signed to account for the budget allocated to the pilot action. The call was sufficiently effective to meet the aims of the pilot action.

The Commission received 68 proposals applying for CREA-backing (though two of these were from the same organisation in different rounds) – (kick-off meeting presentation). This in itself shows a widespread awareness of the pilot action within what was a fairly limited target group. A Commission official at the time, though, did note that this was an extended process:

“First time we did a selection, there were too few good proposals, so we did a second round. Lot of work for little return from Commission point of view.” – Former Commission Official (G).

There does remain a considerable body of venture capitalists unaware of the CREA pilot action. Table 12 shows that over 80% of venture capitalists involved in providing seed capital but who did not apply for CREA-backing are unaware of the pilot action. A potentially even more vital target group for a pilot action such as CREA, with an aim of encouraging new seed capital funds, is those active in other stages of venture capital who might consider becoming involved in seed capital given appropriate incentives. However, an even higher proportion, 88%, of these are unaware of CREA. It should of course be remembered that many of those aware of CREA will have applied for the pilot action and so not be included in this sample. One interpretation is that the pilot action must have appealed to those already or potentially involved in seed as there are few who were aware of the pilot action and yet did not apply. Some of the interviewees have also only have entered the world of European venture capital since the establishment of the CREA pilot action.

Table 12: “Were you aware that in 1998 the European Commission launched a pilot action called CREA, to encourage new seed capital funds by providing assistance with operating costs?” – Non-CREA funds (E)

	Aware of CREA	Not aware	Sample
Am/have been involved in providing seed capital	18%	82%	22
Might consider seed capital given appropriate incentives	13%	88%	8
Would never consider being involved in seed capital	36%	64%	11
All Non-CREA funds	22%	78%	41

General awareness of the CREA pilot action though remains fairly low. Only just over one-third of other stage venture capitalists had heard of CREA. This has been corroborated by conversations between members of the evaluation team and individuals involved in the venture capital arena, including at conferences.

Those involved in the establishment of CREA feel that the pilot action was well publicised (though it is not clear that venture capitalists regularly read European Commission journals):

“There was a publication in an official journal to get applications. EVCA mentioned it on website. Difficult to launch an early stage fund without knowing about it.” – Former Commission Official (G).

However, there are examples of seed capital funds which have been established within the CREA timescale yet which were unaware of the existence of CREA.

Perhaps most telling is the comment from an organisation which did ultimately get CREA-backing:

“[The person in our organisation who applied for CREA] learned very late that there was a CREA program. He learned about it basically by accident.” – CREA fund (A).

6.5 EFFECTIVENESS: In the typology of funds selected

What is the typology of the funds selected and to what extent do they currently meet the programme's requirements?

CREA-backed organisations are not a homogenous group. Most though are very small (less than €10m under management). Most have a technology/life sciences focus, though the group includes other far less specialised and low-tech funds. While they one way or another seem to meet the original aims of providing risk capital to business start-ups they do not appear to meet the strict interpretation of the requirements of the pilot action as interpreted by its current and recent administrators.

6.5.1 Typology

Most information on the typology of the funds has been supplied by the Commission. Given the concerns over the burden of the reporting requirements of funds it is surprising that this information seems less than complete and that the Commission has, for instance, been unable to provide details of all SMEs receiving backing.

The smallest CREA-backed fund has the minimum requirement of €4m under management and three-quarters have less than €10m under management. Three funds have between €10m and €20m under management and only one remaining within the pilot action has more than this (€35m).

These are generally small funds, making small investments, an area acknowledged to be a difficult market segment:

“I think a fund needs at least 50 million Euros to have a critical mass. Smaller than this and you need public support.” – Selected CREA applicant, did not take up contract (D)

Four-fifths of CREA-backed organisations originally described themselves as being focused on technology investments (including bio-technology), though a few were distinctly low-tech, including “Forestry and wood products, agricultural SME's” and “Industry and handicraft”. The industry sectors in which the funds which were interviewed have actually invested are generally those anticipated.

Only a few CREA-backed organisations come close to being classified as the first type of seed organisation identified in the contextual section of this report: commercial specialist very high risk equity of the order of €1m, seeking to create global firms to maximise their fund's capital gains – the dominant model for funds in the US. Most are making much smaller investments than this and have other goals. Most have a mix of private and public investors (a CREA requirement is that at least half of the investment capital comes from private sources).

Half of the funds have a clear sub-national regional focus. A number are associated with university spin-offs. One seems more of a business incubator than a venture capitalist, at least one is described as a non-profit organisation.

Elsewhere in this report it is noted that more than half of CREA-backed funds interviewed believe that they have performed as well or better than originally expected, though some of those focused on the ICT sector have undoubtedly been

badly hit. Some have been forced or chosen to modify their organisational structure, fund-raising and investment activity and, crucially, have found exiting investments more difficult. Some funds offered contracts were unable to get enough private investors or chose to proceed with public money.

6.5.2 Programme requirements

This evaluation was specifically asked not to repeat or evaluate the audit process, which is part of the structure of the pilot action. However, it has been made clear by the Commission that this process (as well as the regular reporting and administrative tasks) has found many investments which are not deemed as eligible under the scheme. As well as obvious exclusions, such as investments outside the European Union, there are many cases where investments have been deemed not to have been seed or transfer of business, using instruments not deemed to be risk capital or in companies not considered to be small. No fund has yet been paid all of the money which was supposed to cover part of their operating costs during their first three years. To this extent, the funds cannot be said to completely meet the requirements of the pilot action, as interpreted by its current administrators. However, they do appear generally to be in the business of providing risk capital to business start-ups, the original aim of the pilot action.

6.6 EFFECTIVENESS: At the level of contractor efficiency

Which contractors have been particularly efficient in terms of the resources used? Which contractors have been the most efficient and which the least in terms of cost-effectiveness? Are there lessons to be learned?

As noted earlier, the larger CREA-backed organisations more often than the smaller would apply for the CREA scheme again if in the same situation as when they applied. While estimates of the cost of the reporting and administration requirements of the pilot action vary widely (examined elsewhere in this evaluation), economies of scale probably make it more cost effective for the larger organisations.

6.7 EFFECTIVENESS: At the level of beneficiary SME outcomes

To what extent have the investments made by the target group promoted the creation of jobs, growth and profitability among the beneficiary SMEs?

All beneficiary SMEs surveyed believe that they have performed better than they would have without any external finance. Over 40% think that they could not have survived at all without finance from their CREA-backed investor. A similar proportion think that they could have performed as well if they had managed to obtain finance from other sources while the remainder think they would have survived, but not performed as well, without any external finance. Supported SMEs probably turn over €400m, have profits of €20m and have created around 2 500 new jobs. Even cautious estimates suggest one-quarter of this would not have happened without the CREA pilot action.

The survey of SMEs has addressed the question of to what extent the performance of the SMEs has been promoted by the investments made by the CREA-backed investor organisations. External finance has in most cases been crucial. None of the 21 beneficiary SMEs surveyed believe that they could have performed as well without any external finance (Table 13).

Table 13: “Do you believe that your company could have performed as well, or survived at all, without the financial backing you have received from your CREA-backed investor?” – SMEs receiving investment (B)

Could not have survived without backing from the CREA-backed fund	9
Could have performed as well by raising external financing from other sources	8
Could have survived, though not performed as well, without any external financial backing	4
Could not have performed as well without backing from the CREA-backed fund	0
Could have survived, though not performed as well, by raising external financing from other sources	0
Could have performed as well without any external financial backing	0
Sample	21

Less than 20% believe that they could even have survived without external finance. The over 80% which feel that external finance was crucial to their very survival are fairly evenly split between those which believe they could not have survived without backing from their CREA-backed investor (9 SMEs) and those which feel that they could have performed as well by raising external financing from other sources (8 companies). Of course, while this latter group view other sources of finance as an acceptable substitute for seed capital, there is no guarantee that they would actually have been able to raise such finance.

The evaluation survey of SMEs (which of course covers only surviving SMEs) also gives some indications of the scale of beneficiary SMEs.

On average, the SMEs taking part in the survey employ 22 people. 86% of SMEs have recruited extra employees since they received their investment (two have the same number of employees and one has shed staff). The average net job creation since investment is 15 jobs per firm (though approaching half of this is accounted for by one SME which has recruited 140 employees).

Only eight SMEs reported their turnover. This averaged €2.5m per firm.

Less than half of SMEs surveyed made profits last year (one-quarter are still in the research and development stage and one-third are past the development stage but not yet making profits). Only three SMEs revealed the level of their profits, averaging over €270 000 per year. Averaging this across all firms (including those not yet making a profit) implies profits equating to around €120 000 per surviving SME.

It was explicitly acknowledged in the proposal for this evaluation that there were insufficient resources available to conduct a census of the performance of the beneficiary SMEs. Difficulties in contacting the SMEs and the relatively low response of 21 companies confirms that this is the case. The annual investment activity reports carried out for the CREA pilot action, while not perfect, give the best available estimates of the numbers of jobs created and financial performance of the beneficiary SMEs. The most recent report covers the portfolio at the end of 2002. At this date the portfolio of surviving investments stood at 174 SMEs (and this does not include the successful exits prior to this date).

If the portfolio remains at about this size and the responses to the SME survey carried out for this evaluation are representative, then the current portfolio of SMEs supported by CREA-backed organisations employ around 4,000 people. Around 2,500 of these jobs will have been created since the CREA-backed investment. The SMEs probably have a combined turnover of over €400m and generate profits of over €20m (set to increase to around €50m when all SMEs move out of the research and development stage).

Even taking cautious estimates that half of the investments would not have happened without CREA (based on detail in the “Has the existence of the programme led to a change in the behaviour of players on the market as regards financing seed phases?” section) and half of the SMEs would not have survived without the CREA-backed investment (based on the answers above), this suggests that the CREA pilot action has already caused the creation or growth of in the order of 40 SMEs, with sales €100m and profits of €5m, with 650 new jobs, which would not have happened without the pilot action.

6.8 EFFECTIVENESS: The lessons learned from SME beneficiaries

Are there SMEs which have benefited more than others and if so why? What lessons can be learned from these cases?

Most beneficiary SMEs have grown more slowly than they expected. ICT firms in particular have been disappointed by their performance. The most common explanation is an admission that they had unrealistic expectations.

Over two-thirds (15 out of 21) of beneficiary SMEs surveyed have grown more slowly than they had hoped when they received investment from their CREA-backed investor (Table 14). While the samples involved are small and so care must be taken when generalising to all SMEs receiving backing, it is the case among those surveyed that firms involved in information and communication technologies (including computer software and hardware) have most often been disappointed by their performance. Over 80% of ICT firms (compared with 60% of others) have grown more slowly than they expected. The only SME to report growing faster than expected is one engaged in the life sciences/bio-technology/health sector.

Table 14: “Has your business grown/developed at about the pace you expected since you received investment from the CREA-backed fund?” – SMEs receiving investment (B)

	ICT	Life Sciences	Other	All
NO, grown faster than expected	0	1	0	1
YES, growth close to what expected/planned	2	2	1	5
NO, grown slower than hoped	9	4	2	15
Sample	11	7	3	21

There is no evidence from this (relatively small) survey that investments made prior to the market difficulties of 2001 have more often than recent investments performed worse than expected.

While two-fifths of SMEs which have grown slower than expected blame external economic conditions, over half admit that they had unrealistic expectations (Table 20). Only a few mention each of the more practical issues (technical, management or finance problems).

Table 15: “If your business growth has been slower than expected, why do you think this was?” – SMEs receiving investment (B)

Unrealistic expectations	8
External economic conditions worse than expected	6
Technical product/service development problems	3
Internal management problems	2
Problems with access to finance	2
Other (please explain):	3
Sample	15

The single SME which had grown faster than expected explained this as being because they had:

“new product, no competition, world wide approach.” – SME receiving investment (B)

6.8.1 Hands-on involvement

Nearly all CREA-backed organisations believe that they take a ‘hands-on’ approach to the companies in which they invest. Many say that they get very heavily involved in the running of these companies. Investors have an interest in helping SMEs become profitable and in finding an exit route for their investment. The SMEs themselves, however, have a very different perception. They nearly all feel that their investor takes a hands-off approach and only one (out of 21) that their investor’s non-financial input is very helpful in the running of the business. None though find the involvement of their investor a hindrance.

6.8.2 CREA-backed organisations

Table 16 shows that ten out of twelve CREA-backed organisations interviewed report that they take a hands-on approach to the companies in which they invest. Even the other two interviewees would be described by some as ‘hands-on’. The one classified as ‘don’t know’ actually said:

“We take an approach that is somewhere in the middle between hands-on and hands-off. We are not really hands-on because we never take more than a minority stake in the companies we invest in. We always have a seat on the board though, so you cannot say we are hands-off. We sometimes help with personnel decisions and finding other investors.” – CREA fund (A).

Table 16: “Do you and your investment managers take a hands-off approach to the companies in which you invest, or get involved in the running of the companies, giving management advice and so on?” – CREA funds (A)

Hands-off	1
Hands-on	10
Don’t know	1
Sample	12

Even the one fund which reports taking a 'hands-off' approach noted that they place a Non-Executive Director on the board of investee companies.

CREA-backed organisations which take a hands-on approach were asked in what ways their fund gets involved in the running of their investee companies and what benefits they believe this brings. Many clearly feel they are very involved in the running of their investee companies:

"We take a very hands-on approach. We are in contact with each of our portfolio companies every second or third day. We have a representative on the board of each company who chairs the board meeting. Our engagement with the companies we fund is very broad, but especially focused on personnel matters and recruitment, as well as financial structure and helping the companies raise further capital from other investors." – CREA fund (A).

"We get heavily involved in all matters of the companies we invest in. This includes personnel decisions, sales strategy, purchasing and overall strategy." – CREA fund (A).

"It is part of the spirit of how we operate. We have no choice. These are small companies. Almost more than the money, they want advice, management, budgetary control, financial accounting and so on." – CREA fund (A).

"We follow up our companies quite closely. We usually have representatives on the board of our companies who take an active role, providing management advice etc. We have also engaged external consultants to steer troubled companies away from crisis." – CREA fund (A).

"We have a seat on the board of the companies. We deal with personnel decisions, strategic planning, providing contacts and networks for instance in the biotech sector, coaching, mediating between managers and founders and providing investor contacts. We also provide connections to public bodies in [our country] who can provide the SMEs with further funding." – CREA fund (A).

"Attend board meeting of companies every other week, help with administration, market research, getting finance from banks. It's very broad." – CREA fund (A).

Others have tried to take more of a back-seat role, at least in some cases:

"In the early days we were very hands-on as we were virtually the only investor. We found this an unenviable position as it takes these type of companies twice as long to achieve their milestones and to generate revenue. We took the view that if 2 or 3 other VCs or private investors were alongside us then the risk could be managed better. So now we sometimes take a direct hands-on role and sometimes it is through our partners or others. We don't always have the time or the best expertise. Sometimes we find other people who are better able to help the companies, not usually technical expertise or accounting and so on, but developing channels to market and helping revenue. The goal is to make sure the company gets over the revenue line and gets channels to market." – CREA fund (A).

"All companies have been funded and financed by [the company] - sometimes the Fund provides ideas about how companies should work. For example, there was a spin off from a university - one of the investor managers was a professor who had good contacts in the university sector - he suggested that the company should be formed - creation was based on the founding and the investment process. [We] have to build up the team as a founder and investor." – CREA fund (A).

"It is very broad. It really depends on the companies. ... It is very different in each case." – CREA fund (A).

"Mainly financial; the benefits are in terms of control and looking for mergers and alliances which we need to find an exit route." – CREA fund (A).

6.8.3 SMEs

SMEs which have received investment from CREA-backed organisations were also asked about whether their investor takes a hand-on or hands-off approach.

Responses were received from SMEs backed by a range of different venture capitalists.

Table 17 shows a striking disparity between their answers and those of the CREA-backed organisations themselves. While over 80% of CREA-backed organisations believe that they take a 'hands-on' approach to their investees, the proportions are reversed for the SMEs themselves, with over 80% believing that their investor takes a 'hands-off' approach.

Table 17: "Does your CREA-backed investor take a hands-off approach to your company, or get involved in the running of the company, giving management advice and so on?" – SMEs receiving investment (B)

Hands-off	18
Hands-on	3
Sample	21

Of those which do feel that their investor provides hands-on support, only one reports that the assistance is 'very helpful in the running of the business'. This company noted that the assistance helped in:

"... backing the CEO in creating the company culture in an academic spin-off." – SME receiving investment (B)

The other two (and three of those which reported that their investor takes a hands-off approach) report that the assistance provided is 'a little help'. The involvement was described as:

"Frequent meetings." – SME receiving investment (B)

"Advising, but not too much - he gave feedback but not interfered." – SME receiving investment (B)

This latter comment reinforces the positive message given by the fact that no SMEs surveyed feel that the approach of their investor hinders or is a distraction from the running of their business.

There may be some technical reasons why the answers between the two groups differ. Almost half of the SMEs surveyed received their first investment more than five years ago. In some cases the involvement of their investor may have been greater in the earlier years. The one which reports that the assistance was 'very helpful', for instance, notes that it:

"Played a key role during the early stage" – SME receiving investment (B)

However, the inescapable conclusion appears to be that what is regarded as a 'hands-on' approach by an investor is often viewed as 'hands-off' by the SME receiving the investment. These SMEs do not appear to generally believe that the level of non-financial assistance supplied by their investors has been critical, despite the fact that it is thought important by the investors themselves and has often been described by third parties as vital to seed and start-up companies.

6.9 EFFECTIVENESS: In terms of the cost per SME targeted

What is the cost of the programme per business targeted?

The paid-out costs per surviving SME supported are under €20 000 and per job created around €1 200. Using pessimistic estimates of the proportion of the effect which would not have happened without CREA and the maximum possible paid-out costs provides upper-limit estimates of €200 000 per SME and €15 000 per new job.

The pilot action initially earmarked just under €9m to be advanced to the backed organisations. To date, only just over €3m has actually been paid out. By the end of 2002, 174 SMEs were in the portfolio and these had created over 1 700 new jobs. By now they have probably created about 2 500 jobs. The paid out costs per SME are around €17 000 and per created job around €1 200.

Using cautious estimates that half of investments would not have been made without the CREA action and half of the SMEs would not have been created without the CREA backing and assuming all the budgeted €9m is eventually paid out and none reimbursed, the most pessimistic appraisal would be paid-out costs of in the order of €200 000 per SME and €15 000 per job.

Hopefully, of course, the SMEs supported will continue to grow and create even more jobs and value added.

Does the programme have indirect effects? What are they?

The most important indirect effect of the pilot action is the support of the development of innovative start-ups, covered in depth elsewhere in this evaluation. The funds backed by the CREA programme have also made some investments in companies which do not qualify as eligible investments (such as expansion of existing businesses). While not the intended focus of the pilot action, there will have been some indirect effects such as job creation through these investments. Management teams supported by CREA have also established other seed funds, examined in more detail under 'sustainability'.

6.10 EFFICIENCY: The suitability of the CFP procedure

To what extent is the target group aware of the programme's existence?

This question was dealt with earlier under the question, "How effective was the call for proposals?"

Is the call for proposals procedure suited to this type of programme?

Although complications are acknowledged, the application process seems generally to have been regarded as efficient. More CREA-backed funds describe the application procedure as easy or reasonable than too complicated. However, some have had to spend far more time and money than others. Interviewees from different CREA-backed organisations have widely different views on the ease of the process (though few were personally

involved). Estimates of the effort taken to apply range from only a few days to two person months. Applicants which did not receive backing all view the process as straightforward.

There are a wide range of views on the ease and straightforwardness of the process of application for CREA backing (Table 18). It should be noted (as detailed elsewhere) that only three out of the twelve CREA-backed interviewees were themselves personally involved in the application process. Two of these three described it as “straightforward and easy” and the other as “not easy, but reasonable given nature of CREA”.

Table 18: “Would you describe the process of application for CREA backing as:” – CREA funds (A)

Straightforward and easy	4
Not easy, but reasonable given nature of CREA	2
Somewhat more complicated than necessary to achieve aims	3
Far too complicated and difficult than necessary	1
Don't know	2
Sample	12

Perhaps most striking is the divergent estimates of the costs of application and the comments given, even by interviewees which rated the process the same. Estimates of the cost given by those who rated the process as “straightforward and easy” range from a few days to three weeks plus external support.

“Very little, almost zero. From what I hear, it was surprisingly easy. It only took a few days.” – CREA fund (A).

“I believe that the application was quite easy. We sent a business plan in [our language] with a letter attached, that was it.” – CREA fund (A).

“I spent between two to five full days on the CREA application- I did it entirely myself. That time includes a meeting in either Brussels or Luxembourg with [an original designer], who was managing the project.” – CREA fund (A).

“It was quite straightforward and easy process. The project officer and the people we met in Brussels were open minded and very interested and enthusiastic about seed financing in Europe. ... Our internal and external costs combined were between 25 000 and 30 000 euro. We spent two days in Brussels, meeting with the Commission officials and so on. We also spent money on external advice and on several phone conferences. Most of the cost was internal though, in terms of time spent on application, drawing up a business plan etc. It was three weeks full time work. We started working in [date] and signed the contract [seven months later].” – CREA fund (A).

It is notable that the first of these organisations was given as the example of a fund which had been informally consulted by a Commission Official when designing the Pilot Action. These organisations were probably in a much better position to understand what was required by the Commission. Another interviewee mentioned links between their predecessor and the pilot action director (though in this case the interviewee nevertheless rated the application process as “Somewhat more complicated than necessary to achieve aims”):

“[an original designer] was the director of the CREA programme in Brussels and have been told there was a good relation between my predecessor and this person.” – CREA fund (A).

Of the two funds which classified the application process as “not easy, but reasonable given nature of CREA”, one was unable to make an estimate of the

costs, but the other (who was personally involved) gave the largest estimate of the costs:

“2 person months. Difficult to remember back to 98/99 but this seems about right. ... Two or three iterations were necessary in order to get it into the shape they wanted” – CREA fund (A).

Other comments on the ease or costs of the application process were, from organisations indicating it was “somewhat more complicated than necessary to achieve aims”:

“I think it was quite easy to get funding, although we paid an outside consultant to look at it.” – CREA fund (A).

“[The people involved in the application] were very positive about CREA and I had the impression that they were quick in their response to the application. ... I think that the process is a bit complicated; a lot of budgetary descriptive information. I am told that the application was 100 pages long for instance.” – CREA fund (A).

It seems that amounts of time which are viewed as “reasonable” by some are seen as “too complicated” by others. The organisation which thought that the application process was “far too complicated and difficult than necessary” nevertheless said that they thought the actual costs of application were “not too much”, though the interviewee was not themselves involved in the application:

“Not too much. 2 people [seconded from an associated organisation] involved half time in CREA.” – CREA fund (A).

One of the interviewees which said that they did not know how to describe the application process could not quantify the cost but described it as “hard”.

Overall, more CREA-backed interviewees think the application process was “easy” or “reasonable” than think it was “somewhat more complicated” or “far too complicated” than necessary (Table 18). All three of the interviewees who were personally involved in the application process report that it was “easy” or “reasonable”.

The process will though have involved considerable costs within the Commission:

“Selection procedure done in house. It was an inter service committee with people from Budget and ECFIN.” – Former Commission Official (G).

A former Commission official did note that the application process was more demanding than earlier schemes:

“We asked for additional financial information from funds. Each VC fund had to submit final audited report to apply.” – Former Commission Official (G).

It should be remembered that some of the costs of application will have been borne not only by the successful applicants, but also by the 47 organisations which applied for CREA backing but were not granted a contract and those which were offered a contract but did not take it up. However, all in these groups which we managed to interview were positive about the process:

“The application process did not present any particular problems.” – Selected CREA applicant, did not take up contract (D)

“The application process was very smooth and very easy.” – Selected CREA applicant, did not take up contract (D)

“The application was done within two weeks, so it was not very costly. I felt the agreement was clear and quite reasonable.” – Selected CREA applicant, did not take up contract (D)

“There was not any problem, it was fine.” – Unsuccessful CREA applicant (C)

“No problem, it was fine. Just that CREA has very fixed criteria.- they should be more flexible, understand different realities.” – Unsuccessful CREA applicant (C)

“Do not remember too much, but do not think there was any problem. We did not fulfil some criteria objective to be granted the funding, and the application process was not hard.” – Unsuccessful CREA applicant (C)

Some comments suggest that the application process may in some ways have been too easy:

“... there were few barriers to entry into the programme.” – CREA fund (A).

“We were quite surprised and actually thought it was strange that we were given a contract when in retrospect it should have been clear that the market just wasn't there.” – Selected CREA applicant, did not take up contract (D)

6.11 EFFICIENCY: Influencing the behaviour of seed financiers

Has the existence of the programme led to a change in the behaviour of players on the market as regards financing seed phases?

The CREA action has been more of an enabler than a driver of changes in the supply of seed capital. Few of the CREA-backed funds were actually prompted into existence by the CREA pilot action or significantly modified the focus of their fund. Slightly more (but still a minority) feel that the establishment of their fund would not have been possible without CREA backing, while most think that their fund would have survived without CREA backing. Taking these items together, however, five out of the twelve organisations report either that the idea for their fund was prompted by CREA, it would not have been possible without CREA or it would not have survived without CREA. Half report that their fund has raised more capital or made more investments than it would have done without CREA backing. Overall, two-thirds report one or more of these effects from CREA backing. A cautious estimate is that around half of the investments made by these organisations would not have been made without CREA.

Two CREA-backed organisations report that the idea to create their fund was prompted by CREA (Table 19). One of these two funds (one of the smallest CREA-backed funds) added a comment relating to the importance of the CREA

“I think that CREA was very important; a fine signal to get at the beginning.” – CREA fund (A).

Table 19: “Was the idea to create your fund prompted by CREA, or were there plans to create the fund anyway (or was it already in existence)?” – CREA funds (A)

Yes, prompted by CREA	2
NO, fund planned anyway	9
NO, fund already started anyway	1
Sample	12

Most though (9 out of 12) reported that their fund was already planned and one that their fund was already started. A few of these, however, added comments that the picture was not completely clear-cut and that CREA had an influence:

“A bit of both, we wanted to start a fund, the conditions were there, with the techy boom. But CREA was a help.” – CREA fund (A).

“When CREA started, we began the new fund and added other seed capital to it.” – CREA fund (A).

One respondent asserted that prompting funds with an action such as CREA is generally not possible:

“It is impossible to do it this way [prompt funds into existence]. Because of the timescales, takes too long to deliver money.” – CREA fund (A).

However, the corollary of this is that there may be effects which come into play after the pilot action itself. Two funds (one of which reported that their CREA-backed fund itself was not prompted into existence by the pilot action, the other that it was) noted that the CREA backing did make possible the establishment of later, much larger funds. This point is addressed under sustainability issues.

Most (10 out of 12) of the CREA-backed organisations interviewed report that the focus or structure of their fund was not modified to meet the CREA requirements (Table 20).

“We were already pretty much in the middle of CREA’s target group.” – CREA fund (A).

“We would have had the same focus.” – CREA fund (A).

“We fitted anyway” – CREA fund (A).

“It was OK from the beginning” – CREA fund (A).

This again suggests that the CREA pilot action has been more of an enabler, encouraging funds which were already planned to operate using private capital in the area of seed finance, rather than prompting new operators to enter this field or to shift their focus, for instance from later stage to seed finance.

Table 20: “Was the focus or structure of your fund modified to meet the CREA requirements, or would it have had the same focus and structure anyway?” – CREA funds (A)

YES, Focus/structure modified because of CREA	2
NO, Focus/structure not modified	10
Sample	12

One of the two funds which did modify the focus of their fund reports that this was their geographical focus:

“Focus shifted to [our country] as a whole, as opposed to only in the region.” – CREA fund (A).

The other fund at first thought that their fund focus/structure had not been modified, then on reflection decided that it had:

“It was not really modified, but we did bring in more private investors to meet CREA requirements. It probably influenced our decision to make more seed investments. So yes, without CREA we would have made fewer seed investments.” – CREA fund (A).

The two funds which report that their fund focus/structure was modified were not the same two which were prompted into existence by CREA, so 4 funds (still only one-third of those interviewed) indicate that their fund was prompted to be formed or changed its focus due to the CREA programme.

In addition to the two funds which report that the idea of their fund was prompted by CREA, another two nevertheless believe that their fund would not have been possible without CREA. This means that four CREA-backed organisations (one-third of the 12 interviewed) believe that their fund would not have been possible without CREA. Two of these did note that the answer was not completely certain, but that CREA probably made the fund feasible:

“Difficult to say, we had taken risks before and lost money. CREA helped to manage the risks, so probably would not have happened without.” – CREA fund (A).

“It might not have been established.” – CREA fund (A).

Another noted that the fund was established largely to satisfy CREA requirements:

“The reason for the new fund is that we needed it to get the CREA grant. The other investments could not be transferred because they were too old under the CREA rules.” – CREA fund (A).

The remaining 8 organisations believe that their fund would in any case have been established without CREA (Table 21).

Table 21: “Do you believe your fund would have been established anyway, without the backing of CREA?”– CREA funds (A)

YES, would have been established without CREA	8
NO, fund not possible without CREA	4
Sample	12

Three-quarters of the CREA-backed organisations interviewed believe that their fund would have survived without CREA backing (Table 22) – though one of these did qualify their answer with a ‘probably’.

Table 22: “Do you believe your fund would have survived to this stage without the backing of CREA?”– CREA funds (A)

YES, would have survived without CREA	9
NO, fund would not have survived without CREA	2
DON'T KNOW	1
Sample	12

Two organisations do not believe their fund would have survived without CREA backing. One more did not know:

“Not sure. We have been in the process of getting 3 tranches from CREA, the first was linked to the establishment of the fund; the 2nd was linked to investment in [a number of] companies and a

high % of VC was used. We felt that we fulfilled the conditions, but have not yet got the money yet (we applied in [date]).” – CREA fund (A).

Taking the issues above together, five out of the twelve interviewees believe that their funds either were prompted by CREA, would not have been possible without CREA or would not have survived without CREA. CREA is therefore viewed to be essential for the existence of these funds.

However, CREA backing is clearly not a necessary condition for the establishment and survival of a seed/start-up fund. Other seed and start-up funds have started in Europe before, during and since the CREA action (both applicants to CREA and ones which did not apply). Half (6 out of 12) of interviewed funds which have received CREA-backing admit that their fund was planned (or started) without prompting from CREA, was not modified because of it, would have been established and would have survived without CREA backing.

Two of these funds, however, report that while CREA backing was not necessary for their existence, it has meant that they have been able to raise more funds or make more investments. One elaborated:

“The CREA money allowed us to hire more investment managers. We could not have expanded our team without the CREA money. So I think it is fair to say that we would have made fewer investments, merely because we wouldn’t have had the human resources and capacity to do so.” – CREA fund (A).

Table 23: “Do you believe your fund would have raised as much capital or made as many seed investments without the backing of CREA?”– CREA funds (A)

YES, would have been much the same	5
NO, more funds raised/investments made with CREA	6
DON'T KNOW	1
Sample	12

In total, half of the respondents report that they have raised more funds or made more investments than they would have without CREA backing (Table 23). One said that:

“It was crucial in the beginning.” – CREA fund (A).

One of the unsuccessful CREA applicants similarly believed that they could have developed more quickly and effectively with CREA backing:

“The company managed to get the funds from the own investors, but this meant that the solutions took more than 2 years to be developed - it took longer. ... With CREA funds, we could have developed our solution much faster and in a much better way, proper job.” – Unsuccessful CREA applicant (C)

The one CREA-backed fund which answered “don’t know” to whether they had raised more funds or invested more capital than they would have without CREA noted that they had faced much difficult market conditions than they had anticipated and had made only one investment.

Overall, two-thirds of the 12 respondents reported at least one of these effects of CREA backing (prompting of the idea of the fund, modifying focus/structure, enabling establishment, enabling survival or increased funds/investments). The remaining four, however, did not recognise any of these effects on their fund.

One CREA applicant which did not in the end take up the contract similarly did not think that this had a major effect:

“I do not think it would have mattered too much if we had gotten the CREA funding.” – Selected CREA applicant, did not take up contract (D)

Experiences gained with the help of CREA backing may also have helped to influence other, non-CREA backed market players:

“From our point of view, the idea behind obtaining the CREA funding was to spread a certain financing model in [our country]. Our concept was to bring together three types of investors in consortiums to invest in individual SMEs: National banks, local banks and [a Government agency responsible for promoting innovation]. The idea was to identify bank investors in different parts of [our country]. The model is that each party in the consortium will provide 1/3 of the funding and a share of 1/3 of the profits. CREA funding enabled us to spread this concept in [our country]. ... We are not really a traditional fund, but we were able to spread the financial model of three investors across [our country] with the help of CREA. We would not have been able to do so without CREA, so it probably enabled more companies to get seed capital ... We feel that the CREA scheme has helped us spread the original concept throughout [our country]. This was useful at the time.” – CREA fund (A).

Given that five out of twelve CREA-backed organisations do not believe their fund would have existed without CREA and a further three believe they have raised more capital or made more investments because of CREA, it seems reasonable a reasonably cautious estimate to suggest that around half of the investments made by these organisations would not have been made without CREA.

6.12 EFFICIENCY: The achievements of the programme

How far has the programme achieved its objectives? In general what (positive or negative) effects have been achieved under the programme?

6.12.1 Perceptions of the efficiency of the agreement

A majority of CREA-backed organisations, mostly ones which have been audited, see the grant agreement as “somewhat” or “far too” complicated and difficult than necessary. Only one (un-audited) organisation rates the agreement as “straightforward and easy”. Certain grant beneficiaries have stated that what they perceive as ambiguities and changes in approach by the Commission, perhaps stemming from the beneficiaries’ initial misunderstandings of their obligations, have placed a burden on them.

Table 24: “Would you describe the CREA grant agreement as:”– CREA funds (A)

	Audited	Not audited	All
Straightforward and easy	0	1	1
Not easy, but reasonable given nature of CREA	1	2	3
Somewhat more complicated than necessary to achieve aims	3	2	5
Far too complicated and difficult than necessary	2	0	2
Don't know	1	0	1
Sample	7	5	12

Just one CREA-backed organisation rates the CREA grant agreement as “straightforward and easy” (Table 24):

“I felt the agreement was quite well structured. The reporting hasn’t really posed a problem - it’s pretty much the same thing we are required to send to our investors.” – CREA fund (A).

It should be noted that this organisation has not been audited.

All three interviewees which view the agreement as “reasonable” commented. The first seems to accept the nature of the agreement:

“Contracts are contracts, there are some bits in it that are complicated but not unreasonably so.” – CREA fund (A).

The second still has concerns over some aspects which are relevant to a number of organisations considering leaving the CREA pilot action (detailed elsewhere in this report):

“The only thing not clear was when you decide to stop and will never meet the criteria, what do we do with the fund. Got 30% and the remaining obligations are not clear if you cannot meet the criteria or stop.” – CREA fund (A).

The final one (which has been audited) notes again the change in approach of the Commission to the contractual obligations of the agreement:

“Reasonable agreement considering the amount of money received; the EC are now saying you must follow contractual procedures very closely.” – CREA fund (A).

However, there is evidence that some interviewees may feel that the agreement is reasonable because they do not fully appreciate its implications. The above respondent is the only one of the seven interviewed organisations which have been (or are being) audited to view the agreement as “reasonable”. Three audited firms describe it as “somewhat more complicated than necessary to achieve aims” and two believe that the grant agreement is “far too complicated and difficult than necessary” (the final one felt unable to answer).

The largest group of interviewees believe that the agreement is “somewhat more complicated than necessary”:

“CREA is somewhat more complicated than necessary to achieve its aims (this complication appeared afterwards, but CREA was well received from our markets as it was a flagship and accepted from outside companies).” – CREA fund (A).

Further views of respondents on the nature of the grant agreement and suggested improvements are detailed later in this section.

6.12.2 Perceptions of the efficiency of the reporting requirements

Some CREA-backed organisations feel that the efficiency of the reporting requirements could be improved by providing a reporting template and giving more detailed guidance. However, a majority of CREA-backed organisations find the requirements “reasonable” or “easy”.

Although comments reported elsewhere in this evaluation show dissatisfaction with the reporting requirements and the administration of the pilot action, when clearly asked to describe the reporting requirements, CREA-backed organisations were on balance understanding. Table 25 shows that only two interviewees describe the regular reporting requirements as “far too complicated and difficult than necessary”. Half believe that the reporting requirements are “not easy, but reasonable given nature of CREA”.

Table 25: “Would you describe the CREA regular reporting requirements as:”– CREA funds (A)

	Audited	Not audited	All
Straightforward and easy	0	1	1
Not easy, but reasonable given nature of CREA	4	2	6
Somewhat more complicated than necessary to achieve aims	2	1	3
Far too complicated and difficult than necessary	1	1	2
Sample	7	5	12

It should be noted that Commission officials indicate that “no company has provided all the relevant information” (presentation at kick-off meeting, 22 April 2005). They also noted that, for instance, reports are rarely audited, even though this is a contractual requirement. It may be that some organisations feel that the reporting is “easy” or “reasonable” because they are not providing all that is required.

On the other hand, more than half (four of the seven) interviewed organisations which have been through (or are in) the auditing process feel that the reporting requirements are “reasonable” (though one does feel that they are “far too complicated and difficult than necessary”). For some of these firms reporting may be easier as they have received detailed guidance on what is required:

“... we have spent a long time with the internal audit team, know what now to expect, what are their concerns, know what key points to control because they are the ones they will want to know about.” – CREA fund (A).

Some of those rating the reporting requirements as “reasonable” note that they have nevertheless been demanding:

“It has been very heavy on us. Especially finding data going back 10 years has been very hard.” – CREA fund (A).

“Once a year have to report. Normal financial statements and so on not enough. Need special reports on investments, dates, amounts and so on. Each year they introduce changes (some proposed by us, to save time later – easier to give more information initially than have to keep responding to queries). There is not a standard format. As well as the initial reporting there are calls, checks etc. All time consuming.” – CREA fund (A).

An organisation which rates the reporting requirements as “far too complicated and difficult than necessary” added (in comments at the end of the interview):

“I also don’t understand a lot about why the commission asks for certain information about the SME’s. Why do they need to know details of SME performance? I think on the balance, a lot of what they ask for is incomprehensible.” – CREA fund (A).

Some interviewees were unable to quantify the time it takes to fulfil their reporting requirements. Those who did gave a wide range of estimates:

“For reporting, less time is used. We have to do it for the company as a whole. It is just a little extra work for one person.” – CREA fund (A).

“Difficult to say, about 1 week.” – CREA fund (A).

“Reporting alone costs us one to two weeks work a year.” – CREA fund (A).

“2 person weeks per year” – CREA fund (A).

“High cost in terms of time” – CREA fund (A).

“5,000-7,000 euros a year. This is based on time used for meetings, labour costs, accountant costs. This year, I spent a whole week gathering data. It costs a fair bit.” – CREA fund (A).

“More than 10,000 euros. I have had to hire one person to work full time on the reporting - especially following up with the banks. She has worked full time for several weeks. I have spent a lot of my time on it as well, and so have our auditors - I have had to ask them for information.” – CREA fund (A).

“It costs about 15 000 a year. Most of that is audit costs (8- 10 000). We need this to prepare the balance sheet of the management company. The internal costs are 5- 7000.” – CREA fund (A).

“20,000 euros a year” – CREA fund (A).

“Not possible. It is very difficult to do this and we are a small organisation. We service around 70 SMEs in this house and change around 10% each year.” Interviewer asked if more than 2 months for one person. “Yes, especially the last time – it got more labour intensive towards the end – we did not know what was required in the beginning.” – CREA fund (A).

The pilot action of course also demands a considerable amount of administration on the part of the Commission.

One interviewee elsewhere in comments compared the CREA pilot action with other support they have received:

“We have a loan from the province. We have a start-up subsidy from the Chamber of Commerce. CREA is the least transparent and most time-consuming of all.” – CREA fund (A).

6.13 EFFICIENCY: The relationship between results and EC funding

What is the relationship between the results of the programme in terms of investments made, SMEs contacted, fund managers recruited, jobs created and value added, and the level of Community intervention granted?

Although it has not all been paid, most of the CREA-backed organisations were granted the maximum allowed intervention of €500 000 (or very close to it). It is therefore not practical to relate the results to the level of intervention granted to individual organisations, save to note that the typology of funds section identifies funds of widely different sizes, which have all been granted similar levels of intervention.

The overall impacts of the pilot action on SMEs have been examined in the effectiveness section.

On average, CREA-backed funds interviewed have employed 4 investment managers each and 2.6 per firm have been gained their first experience of seed capital finance through their involvement.

6.13.1 Fund managers

At least 48 fund or investment managers have been involved in running 11 CREA-backed funds (one interviewee did not know how many managers were in the old team). One interviewee reported that he was the only manager involved in the fund, yet elsewhere mentioned a predecessor. It seems likely that other interviewees also may have answered in terms of the current team, rather than including all who have been involved in the past.

Most significantly for the objective of encouraging seed capital, at least 29 managers with no previous experience of seed finance have been given experience by being involved in the running of a CREA-backed fund.

It is difficult to say exactly how many of these investment managers would have been recruited anyway, if CREA had not existed. As a bare minimum, though, 10 managers, 8 of them without previous seed experience, have been employed by organisations which say that their fund would not have been possible without CREA. In addition, some organisations which believe that their fund would have been started anyway will have recruited extra managers. One which believes their fund would have been started and survived without CREA nevertheless commented:

“The CREA money allowed us to hire more investment managers. We could not have expanded our team without the CREA money.” – CREA fund (A).

6.14 EFFICIENCY: The impact on seed capital availability

Has the programme led to an increase in the capital available for the financing of the seed and start-up phases within SMEs?

Yes. As examined in the “Has the existence of the programme led to a change in the behaviour of players on the market as regards financing seed phases?” section, two-thirds of CREA applicants believe the pilot action has increased the amount of capital they have offered. There are also longer-term effects considered under ‘sustainability’

Two (out of twelve interviewed) organisations report that the idea for their fund was prompted by CREA.

Four believe that their fund would not have been possible without CREA.

Two believe that their fund would not have survived without CREA.

Six believe that they have raised more funds or made more investments than they would have without CREA.

Eight (two-thirds of those interviewed) identified one or more of these effects.

6.15 EFFICIENCY: The impact on networking

Has the planned network been set up?

The network of CREA funds has been set up, though it has not been well supported by the Commission and is now dormant. Any remaining activity is due to the personal contacts made between the funds and the critical mass of this is insufficient to make the network viable.

"The network has not been a success, frankly." – CREA fund (A).

Officials involved in the inception of the CREA pilot action intended that the costs of attending the network should be eligible:

"It was an eligible expense." – Former Commission Official (G).

"It was eligible costs, the ticket." – Former Commission Official (G).

However, the current administrators insist that the costs of attending the network meetings are not eligible expenses:

"Costs of attending the network are not considered to be eligible costs." – Commission presentation, kick-off meeting 22 April 2005

This seems to be a negative signal about the support of the network to send to participants.

"We do not have the funds to participate in the network." – CREA fund (A).

The network now seems to be dormant. No meetings have been organised since 2003.

Three CREA-backed organisations report that they are still involved in the network (Table 26), one explaining:

"Meet people once a year; telephone contacts also." – CREA fund (A).

Table 26: "Are you now, or have you in the past been, involved in the CREA network?" – CREA funds (A)

YES, in the past and now	3
YES, in the past but no longer	6
NO, not even aware of network	1
NO, aware of but not involved	2
Sample	12

The largest group are the 6 (out of 12 interviewees) which were involved in the network in the past but no longer are:

"Only no longer because nothing has happened with it." – CREA fund (A).

Only one was unaware of the network, while of the two who chose not to be involved one explained that this was for financial reasons:

"We do not have the funds to participate in the network." – CREA fund (A).

Table 27: If YES (involved in network), “Has your involvement in the network been limited to attendance of the annual meetings or have you been involved in other ways?”– CREA funds (A)

Only attendance of annual meetings	6
Also:	3
Sample	9

Of the nine interviewees which have been involved in the network, for two-thirds of them involvement has been limited to attendance of annual meetings (Table 27). One of these noted that they had attended only one meeting. For two of the three which had been involved in other ways, this was limited to telephone contacts, including for one:

“conference calls on unclear issues with the grant agreement”– CREA fund (A).

The other, however, had been more involved:

“Have given talks and so on” – CREA fund (A).

Table 28: “How useful would you say the CREA network has been to you?” – CREA funds (A)

Very useful	1
Quite useful	1
Only marginal use	6
No use	2
Haven't been involved	2
Sample	12

Only one CREA-backed organisation felt that the network as it has been implemented has been “very useful” (Table 28) though this organisation was voluminous in its praise:

“It was great to meet funds from the UK and France in 2001 for instance as there was basically no market in [our country]. It provided inspiration and ideas. The problem was not so much that we could speak freer to them than to [our country's] funds (we were not competing for the same projects at the time) but that they gave us insights into their best practice. ... the discussions are very open and non-competitive, providing a good way to share similar experiences. They all have the same problem as creating companies is difficult especially regarding the funding in later stages.” – CREA fund (A).

The organisation which rated the network as “quite useful” seemed to do this because the network was no longer active:

“Nothing has happened recently, the initiative has been lost. I suppose we could have arranged to meet together.” [Agreed when prompted: but it was left to the Commission and it has essentially stopped.] “I have made some contacts through the network and kept in touch with certain people, learnt how others do things.” – CREA fund (A).

Half of the CREA-backed organisations interviewed felt that the network as it stands had been only of marginal use:

“The network has never been dynamic at all. It does not live.” – CREA fund (A).

“My predecessor was at one meeting, but not after. I had the feeling that it was difficult to draw experience out of these meetings. I learnt afterwards that our [organisation] was a bit special, as the others were not in [the same field].” – CREA fund (A).

When one was asked about talking to other investors, they said:

“This was the most useful aspect, contrasting experience and so on. Now not a strong tendency to keep in touch.” – CREA fund (A).

6.16 EFFICIENCY: The measures which promise improvement

What existing or new measures should be taken to improve the situation?

6.16.1 Agreement

It has been established that there have been many misunderstandings and disagreements about the CREA agreement. Even if this may in part be due to applicants not fully reading and considering all the details, it is clear that in any similar future action the agreement should be made less ambiguous and it should be checked that participants fully understand their obligations. In future, any intended flexibility by the scheme’s designers should be made explicit for their successors and scheme participants. If such flexibility is not possible then that should be acknowledged from the start.

There were many comments from CREA-backed organisations on how the grant agreement could have been better structured. Some of these were more related to how the agreement has been interpreted and implemented by Commission officials. These have already been listed in the ‘consistency’ section. Naturally inconsistency creates problems. It should have been clear from the start either that the agreement was just an initial structure with an acceptance that it would need to be implemented flexibly, especially if conditions changed, or the provisions should have been implemented strictly from the beginning.

“I think the idea behind the agreement was very good and useful. I think there were many things that could have been clearer from the start, or spelled out better, such as reporting requirements and the content of the audits. ... I think there has been a lack of communication from the commission’s side with funds such as us. The original objective was very good I thought, helping seed capital funds with their start-up costs.” – CREA fund (A).

“The contract is a very general framework with varying definitions. Not clear enough. Internal audit team has been here ... There is a lack of definition, should be in more practical terms. For example, which expenses are covered, which are not.” – CREA fund (A).

“[The agreement could be better structured by] clarifying the obligations.” – CREA fund (A).

“We gave details of our budgets, the budget of who we would employ etc. We didn’t give details of where the invested money would go. If the commission wanted the money to go to particular investments then that should have been explicit.” – CREA fund (A).

“The thing that has created the most work for us that was not foreseen was collecting information on costs from all three investors [listed]. While for [one] this was reasonable, the banks are very concerned with secrecy and will not give us their data easily. Our financing model was maybe not, in retrospect, suited to the reporting requirements of the CREA project and we miscalculated the impact this would have.” – CREA fund (A).

One recurring issue was that the agreement should have made explicit the reporting requirements and presented a clear template to ensure that the required information was delivered at the first request:

“Especially the lack of a reporting template has created a lot of misunderstandings.” – CREA fund (A).

This is addressed in the sections dealing directly with the reporting requirements. Apart from either making the agreement more flexible or alternatively less ambiguous and clarifying the obligations, some organisations had comments related more to the intent of the agreement:

“The way it is structured doesn’t make sense. For instance, that an investment in a company with over 50 employees is not eligible under the CREA scheme. Our most successful seed investment has grown in very short time into a company of over 50 people. Why do they want to punish success? I think there should be more flexibility on how the rules are applied. And why do we have to make [a certain number of] investments? This depends on the market and should not be decided in this way.” – CREA fund (A).

“The EC say: we will sponsor you for the first three years, because of a market gap in seed funding. Then they come back and look at our profits, and do not pay us our money if we have made enough profits to cover operating costs ourselves. Either there is a market gap, or the market functions - you cannot have either or - it is illogical. The result here is that good funds are punished, while bad funds are given money!” – CREA fund (A).

6.16.2 Reporting/administration

It bears repeating that any future scheme of this type needs to be understood and administered consistently from the beginning. A common perception of participants is that the guiding principles of the scheme and the obligations of its administration are not what they expected at the beginning. Many beneficiaries believe a more flexible approach is essential, though this may not be possible given the requirements and obligation of the public procurement rules in place (including the Financial Regulation and its Implementing Rules). In terms of practical improvements to the existing action, a clear reporting template is the strongest requirement.

A common theme in discussions with stakeholders is a ‘culture-clash’ between the perceived flexibility and dynamism of seed capital managers and the rigid bureaucracy of the Commission. There are issues of risk-averse behaviour to handle in Brussels and the pilot action is dealing with risk-taking entrepreneurs. It is difficult to hold these two worlds together. CREA-participants feel that their needs would be better met by a more flexible approach:

“The administration of CREA is far too inflexible. Too much store is placed on what has been written on paper without looking at the realities of running a seed capital fund. An example is the importance the commission places on old forecasts from 1999- 2000 about the operating costs up to 2004. We hired an outside consultant to provide management advice directly to many of our portfolio companies after the bursting of the internet bubble. Many of our companies were not performing as well as we thought they could, and some were in crisis. Because the use of an outside consultant had not been specified in forecasts from 1999, the commission refused to consider it as an operating expense. Things like this are what I mean by the commission’s lack of flexibility.” – CREA fund (A).

“It could have been more flexible. The situation for VCs and especially seed funds changed drastically in 2001. We lost five of our companies. The commission was insisting we make a certain number of investments, even though the market was dead at the time.” – CREA fund (A).

A few respondents seemed to feel that the administration was satisfactory. When asked whether there are there ways that CREA could be better administered two said:

“Not really” – CREA fund (A).

“As I said, it has been satisfactory on the first goal.” – CREA fund (A).

Related to the issue of consistency examined elsewhere, a number of comments complain that the Commission had been quite “hands-off” in the first few years and then suddenly required much more information of the firms.

“The Commission should have followed up on the CREA investments during the first few years.” – CREA fund (A).

“We would like the administration from Brussels to be more proactive, rather than reactive and over a long period of time.” – CREA fund (A).

“The commission did not follow up at all in the first few years, and are now conducting an audit. We are expected to show boarding passes for investment trips going back to 2000, and explain purpose of trips etc. They are asking for our timesheets from 2000-2001. It is costing us enormously to comply with their demands. I feel that the Commission does not grasp the situation of seed capital funds.” – CREA fund (A).

“We were only followed up by the commission after four or five years. Perhaps you can say that we ought to have been proactive, but we have other things to do frankly in a small fund as ours. We only got the first letter from the commission in 2003.” – CREA fund (A).

“If it is to work, an agreement like this needs to be more clear and more monitored. They did not monitor the agreement. It also seems to have been too “theoretical” and not adapted to reality.” – CREA fund (A).

The main suggested improvement though is for a clear reporting template, which would have to be simple but comprehensive enough to cover all eventualities. While the Commission has prepared reporting guidelines it seems that these are viewed as insufficient as the demand for a straightforward reporting template is clear:

“I suggest they fix the reporting requirements. The most important thing would be creating a reporting template. ... Review budget reporting requirements. Reporting guidelines at template. We delivered figures and they wanted different figures.” – CREA fund (A).

“The situation has improved, but not as much as we would like. The improvement is more in the nature of the reporting requirements rather than the people.” – CREA fund (A).

“It could be standard. Should be clear from the beginning. I know it is difficult, each country has different investment instruments, legal differences and so on. But initial reports were too basic. Couldn't deal with different types of instrument, assumed e.g. just equity or loan. Needed extra explanations, e.g. convertible/participating loans.” – CREA fund (A).

“We were never provided a reporting template. We were told that our financial reporting to the Commission was inadequate, but there was little communication with us. It was very costly to us in terms of time, and since we were in the middle of a restructuring, it was difficult for us to be proactive on the matter. We had a high turnover of managers, and my impression is that the situation was the same in the Commission. I think it is both of our faults that we have pretty much given up on the reporting.” – CREA fund (A).

“As I said, the main issue has been the unclear reporting requirements. ... The reporting has been difficult, as there was never any template provided. I also don't understand a lot about why the commission asks for certain information about the SME's. Why do they need to know details of

SME performance? I think on the balance, a lot of what they ask for is incomprehensible.” – CREA fund (A).

“I think that it would have been better if there had been some forms in the original application that you knew you should fill out to meet CREA requirements. We now have different forms to fill in; they have not stayed the same. Part of the grant agreement which related to the reports required was not clear; it is difficult to do it later. Some figures may have disappeared from our fund records in the meanwhile for instance. Our experience is that each year you might be asked for something different. There are complex legal documents also that need signatures.” – CREA fund (A).

This is an issue which should be resolved quickly.

6.16.3 Allowing easier early closure

Although it seems negative, an important measure which must be considered to improve the scheme is whether participating organisations should be given an easy way to leave the pilot action. Two-thirds of those interviewed express a wish to leave the scheme.

At the kick-off meeting for this evaluation Commission officials noted that at least two funds want to close their agreement. It seems that this sentiment is considerably more widespread than this. Two-thirds of the CREA-backed organisations interviewed voluntarily expressed an intention or desire to leave the scheme:

“Our involvement will end soon.” – CREA fund (A).

“I expect my involvement to be finished.” – CREA fund (A).

“We wish to bring our engagement to a minimum with CREA because of all the work it has cost us. Our reporting requirements have been fulfilled now we feel.” – CREA fund (A).

“How can we get out of CREA? The Commission will insist on a 10 year evaluation. Could we get out of it even if we wanted to?” – CREA fund (A).

“We’ve gotten the subvention. One objective has thus been obtained, and we are happy with it. Don’t really see the use of CREA anymore, especially since the network has failed.” – CREA fund (A).

“I imagine we will have to fulfil the demands until our contract runs out. Frankly, we are not too thrilled about our relationship at the moment.” – CREA fund (A).

“We will have to continue reporting now for another five years without receiving anything in return from the commission. This places quite a big burden on us, as we are [description of type of organisation]. We do not necessarily have the disposable income to spend on all the reporting requirements without getting anything in return.” – CREA fund (A).

“How can we get out of CREA? We have had a meeting with the EC officials, but are not getting answers. The fund is there, we do the reports but there is no added value in continuing.” – CREA fund (A).

(Organisations were not explicitly asked whether they wanted to leave the pilot action. They were asked “Do you expect your fund’s involvement in CREA will change in the future?” and, if yes, “In what ways?”)

While the Commission notes that “early closure is however possible under certain conditions” (kick-off meeting), the comments above make it clear that these conditions are not clear to participants. Allowing some of these organisations to

leave the scheme might be the most efficient way to reduce the administrative burden on both the participants and the Commission.

6.16.4 Network

The network should be properly supported. It has been identified as a genuine need by most CREA-backed organisations (see under relevance). Given that it was one of the primary objectives of CREA, it seems strange that the costs of supporting the network (presumably modest compared with the scale of the pilot action) are not eligible expenses. The network meetings could be more relevant. Different organisations though have different needs. Some, for instance, want to meet other seed capital funds, others would be more interested in talking with later-stage investors.

Earlier sections have established the relevance of the network to most CREA-backed organisations. Certain comments stressed the networking and transfer of best practice elements:

“For my part, I would be very interested in meeting representatives of other seed capital funds.” – CREA fund (A).

“It would be good to find European investors who are interested in companies [in our country].” – CREA fund (A).

“We need to get together once a year.” – CREA fund (A).

More specific comments make it clear how the utility of the network, if revived, could be improved:

“The network meetings were formal or political. Not to the ‘feel’, didn’t propose further ways of collaboration, Commission’s ideas for the future, how we could make use of new programmes and so on.” – CREA fund (A).

“The network needs more critical mass and more people attending involved in seed capital. The meetings need to have a better programme, for instance by inviting knowledgeable external speakers. It should be an opportunity not only to network, but also to learn from academics or senior practitioners ... We are willing to increase our involvement in the network, but it needs to be more effective and offer more obvious benefits than it does today.” – CREA fund (A).

“I think a really important part that could have been very useful to us is the network. The emphasis was perhaps not enough on the network. In a possible successor programme, I would hope that this would be a bigger component.” – CREA fund (A).

“The most important people we would like to network with would perhaps be investors specialized in other phases, so that we could learn what they look for in a company and so that we can have a better appreciation of how we should prepare our exits or raise further money on behalf of our SME’s.” – CREA fund (A).

“The main problem seems to be that the Commission has not been willing to invest in the network or dedicate any resources to managing it. They ought to have at least one person dedicated to it, organising the programme and so on. It seems the Commission has expected the seed funds themselves to take the initiative, paying for trips etc. This is just not realistic - as a seed manager, I do not have time to dedicate to the network. It is hard enough running the business day to day. I am sure most seed managers would agree. At the moment, we do not participate in any European networks. It could be very interesting in the future, but the Commission needs to take a much longer view. Today they have a patchwork approach and initiatives fizzle out after a few years. This is not the way to do it. ... The network needs a dynamic ‘Animateur du reseau’.” [When prompted on what he would find most useful in such a network]: “I think it would be most useful to meet with other seed capital investors. We have a very good idea of what later stage investors are

looking for - this is not very hard to find out - I know their criteria of investment very well. I meet VCs every day through networks I am engaged in here in [our country]." – CREA fund (A).

It also seems that perhaps the administration of the network could be more efficient:

"The former head of seed financing went to meetings. I haven't been because I actually received the invitation to the last meeting too late." – CREA fund (A).

Do other measures exist that could be taken to increase the capital available?

This issue was dealt with under relevance: "Do measures exist that are more suited to the needs of this target group as regards achieving the programme's objectives?"

6.17 EFFICIENCY: Lessons from contractor performance analysis

Which contractors have performed well? Which contractors have performed less well? Which practices are good? What lessons can be drawn from these differences?

Adverse market conditions have affected some funds, notably those focused on the hi-tech, ICT sector. However, the impacts are perhaps less than expected, with half the CREA-backed organisations reporting that their funds have performed in terms of capital raised and investments made roughly as envisaged when started and some of the others reporting that expectations were exceeded. Market conditions have made exiting difficult.

The Terms of Reference for this evaluation and the Commission presentation at the kick-off meeting stressed the adverse conditions which CREA-backed organisations had faced. The Pilot Action was launched just before the Internet bubble burst and the seed capital sector faced very difficult conditions.

"This was a period where everybody was focusing on high tech. ... Until 2002, VC was very much in demand, and business angels etc. It was a situation when everyone believed the good times would continue to roll. Within 3 or 4 months, whole climate changed drastically. For funds it was a disaster - they had problems in market, and our new strict policies on top of that. Before 2002, funds believed IPO's would work. After, the market was closed and no exit opportunities. ... E business companies suddenly had no support from the market. Funds had invested in companies that would not make money for 5 or 6 years. ... In 2002 there were left about 20 funds in Europe that were active in seed, down from 120." – Former Commission Official (G).

In fact, though, many of the CREA-backed organisations seem not to have been blown too far off course by these events. Table 29 shows that half of the CREA-backed organisations interviewed report that their fund has performed, in terms of capital raised and amount and type of investments made, in roughly the way that was envisaged when it started. Just one of these qualified their answer:

"In terms of capital raised and investments made, yes. In terms of performance (returns for our investors), no." – CREA fund (A).

Table 29: "Has the fund performed, in terms of amounts of capital raised and amount and type of investments made, in roughly the way that was envisaged when it started?" – CREA funds (A)

Yes	6
No	5
Don't know	1
Sample	12

One fund said “no” because they have performed better than expected:

“The fund has performed better than expected. The original aim was to invest 60% of the 4 million EUR we had at our disposal. We actually invested 3.3 million EUR, which is much more. We have invested in roughly 20 companies, and exited 5.” – CREA fund (A).

Two funds said “no” because they had initially performed well but then found it harder than expected to exit or to find new opportunities:

“The fund has performed very well. We currently have a portfolio of eight investments. However, it has been more difficult than envisaged to exit from the investments. It is hard for the companies to raise further financing.” – CREA fund (A).

“Faster investments at the beginning, then became more prudent! It has become harder to find good investments in which to invest.” – CREA fund (A).

The one fund which said “don’t know” was established after the market shocks and feels it too early to judge their performance:

“Hard to say. It’s a young fund - we have had no exits yet. Our first investment was made at the end of 2002 and we really got into high gear in 2003-2004. It’s too early to say if we will meet our original expectations.” – CREA fund (A).

Only two of the twelve organisations interviewed clearly report that their fund was badly affected by changing market conditions:

“Not as good as planned as companies made hi-tech investments in 99 and 2000 with great capital requirements; then in 2001 and 2002 had to look for fresh money which they didn’t get to survive-one company survived-the Fund has high stakes in this company as it has a fund size over 6 million; still possibility that can pay back Fund. Only one company is left now-follow on investment didn’t work-have limited resources and there are great capital requirements. In [our country] after the EU market collapsed, no venture capital companies made investments outside their own funds. A lot of start ups in 1999 and 2000 then at end of 2001 first [a stock market for small firms] collapsed then Sept 11 so venture capital didn’t invest in start ups anymore as was so risky.” – CREA fund (A).

“Changing market conditions was the main reason.” – CREA fund (A).

Both of these organisations were focused on ICT investments.

Another, while indicating that their organisation had performed roughly as expected indicated in later comments that they had found it harder than expected to exit investments:

“The tendency in the market is that it requires longer term investment. We have not had an IPO from an entrepreneurial company for the last 5 years in [our country] and this has forced investors to stay longer before exit.” – CREA fund (A).

Given the shake-out in the seed market during these years, it is striking that so many CREA-backed funds have in fact survived.

6.18 UTILITY: The unexpected effects

To what extent does the programme meet the needs of the identified target population?

This issue was dealt with under relevance: “To what extent has the programme met the needs of the target group, consisting of venture capital funds involved in the financing of the seed phase? Is the programme suited to the target group's needs?”

What additional measures should be taken into account to improve the utility of the programme?

This issue was dealt with under efficiency: “What existing or new measures should be taken to improve the situation?”

Has the programme had any unexpected effects? If so, what? Have they met the needs of the target population?

Only one-third of CREA-backed funds interviewed commented on effects other than the financial backing, related to fund-raising credibility and the opportunity to have a strengthened management team – these seemed marginal issues, not meeting a vital need. Concerns over the burden of administration were repeated. The unpredictability of payments is perceived as a problem.

The positive responses about non-financial benefits of the CREA pilot action were mostly about fund-raising credibility:

“I think CREA helped us raise the last million euros we targeted for the fund. It's hard to say the exact impact because the CREA funding was part of our business plan, part of a total package we presented to private investors. I believe it helped with our credibility, and that it reduced the risks for the private investors and made them more likely to come on board.” – CREA fund (A).

“Marginally. We were able to say to one or two investors, ‘look, we have this backing’. It helped because it meant that we could field a credible team at lower risk to our business.” – CREA fund (A).

“There is no big Venture fund in the local area, so the CREA grant helped establish the small Venture fund. A 2nd very large fund was also established, so CREA operation was important in this; a kind of leverage effect.” – CREA fund (A).

The issue of successor funds mentioned in this final comment are addressed in more detail in the sustainability section.

The other positive comment was:

“Yes-possibilities to build up management team-more flexibility to go to network meetings” – CREA fund (A).

Table 30: “Apart from the financial assistance, has involvement in CREA had any other benefits, such as raising your profile and helping with fund-raising credibility?” – CREA funds (A)

YES	4
NO	8
Sample	12

One of the eight CREA-backed organisations which did not identify any non-financial benefits indicated that the credibility issue was a marginal one:

“We have the European flag on our web-site but not really. The [our country] market, especially in seed and start-up is more local – no-one knows about CREA.” – CREA fund (A).

Another used the opportunity to comment on the negative impact of the uncertainty of the pilot action, which is addressed in more detail elsewhere in this report:

“It has been difficult to get the payments. They have been unreliable. This has made it difficult to count on the CREA payments when creating budgets and forecasting activity, because we simply do not know if the funding will come.” – CREA fund (A).

6.19 UTILITY: The greatest beneficiaries

Who are the greatest beneficiaries of the programme?

CREA-backed organisations generally agree with the Invitation to Tender for this evaluation, that the main beneficiaries of the pilot action are themselves – the organisations involved in providing seed and start-up capital. While the ultimate beneficiaries are SMEs in the seed and start-up phases, this is indirect.

Interviewees were directly asked what they believe CREA is all about (some also added relevant comments elsewhere during the interview included here). They can be broadly divided into three categories. The first talk specifically about the seed capital organisations themselves being the intended beneficiaries:

“I thought, and still do think, that it is about helping people who want to get into the early stage fund management business. It helps business such as ours manage the risks of putting people on the ground in business, which is costly and risky. Providing a grant (or should it be reimbursable advance) is helpful to us. ... Firstly, it doesn't directly benefit seed investments. I have always understood it as a subsidy for the fund manager. ... If one investment comes good, managers don't benefit from the returns, they are paid a fee. If the whole fund is a success they may get a bonus, but only after a very long time. [an original designer] understood this.” – CREA fund (A).

“CREA is about the Commission supporting the start-up costs incurred by seed capital funds. The idea is that the Commission provides a grant to cover 50% of total operating costs for the first three years of the fund.” – CREA fund (A).

“To support the establishment of start-up funds and support technology development. It was also to stimulate the development of knowledge and expertise at the lower end of the VC market and get VCs to exchange experiences.” – CREA fund (A).

“CREA had two goals. The first was to help seed funds meet their expenses so that a fund could be launched. The second goal was to create a network of funds specialized in seed capital. In my opinion, the first goal has been reached quite satisfactorily, at least in the case of our fund. As for the second goal, that has been a failure in my opinion.” – CREA fund (A).

“CREA exists to address an important market deficiency. Smaller funds have difficulty establishing themselves and getting a track record. The purpose of CREA was to provide a subsidy to small funds in their start up phases.” – CREA fund (A).

“The purpose of CREA as I understand it was to kick start the VC market in Europe. It was designed to support firms on a national level by making it possible for firms to hire new people and cover their start up costs. – CREA fund (A).

The second group stress the fact that encouraging seed capital funds is a means to stimulate SMEs in the seed and start-up phase:

“Establish new seed funds so that they can channel money to start-up companies. Offer help to get the organization running before the fund has been properly established. ” – CREA fund (A).

“It is an incentive for seed capital to invest in SMEs and spread the risk a bit through CREA financing. We started rather late (in 2000) and at a time when there were general problems of start ups, so it was bad timing for [our company]. If it had started earlier, there would have been more than one investment. Also the strategy of the group has changed since those days. ” – CREA fund (A).

“It should be to back the financial institutions that plan to invest in SMEs in the seed/start-up phase. And then to create new workplaces etc.” – CREA fund (A).

“EU political decision that Europe has to be involved in innovation process to make economy more innovative, with the aim of being as innovative as the US by 2005; one part of political goal was backing of venture capital funds by investing in seed capital funds which are innovative so that start up companies got venture capital money and seed capital to support businesses; overall goal of CREA is for EU to be more innovative for start up companies; goal was 2005; now there is discussion that European economy hasn't closed gap with USA economy as had originally been planned. [Our country] has problems with legislation not with innovation -due to power of [a political party]. For new companies there are good programmes like CREA -helps [our country] as [our] economy is not innovative. What is missing in the venture capital industry in [our country] is the ability to get money in the later stages; there is a lot of creation but then collapse as unsustainable; Seed creation sector good but then lack of capital as banks not interested in backing small companies then in view of the economy as a whole this makes [our country] lack innovation. The private equity firms have more backing, if risk is going down. Risk is quite high to support growing businesses in the venture capital industry. CREA is working in funding for start ups but then there is lack of funds to sustain this.” – CREA fund (A).

Only a few interviewees described CREA directly as a means of supporting SMEs:

“I think the basic idea was to help SMEs get funding.” – CREA fund (A).

“CREA is about making SMEs into larger organisations, taking them from the start up stage. We had venture capital (VC) at the outset and the reason that it went well is that CREA was positive and met its objectives and facilitated the process.” – CREA fund (A).

The interpretation by the interviewed organisations seems generally reasonable. In the Invitation to Tender for this evaluation, it is noted that, “One of the objectives of the Third multiannual programme for SMEs in the European Union is to support the development of innovative start-ups”. However, the CREA Pilot Action was focused on a particular way of achieving this. The Invitation notes that “the beneficiaries of the pilot scheme are recently created seed-capital funds and via these funds entrepreneurs and business start-ups”. The Invitation also identifies “the target group, consisting of venture capital funds involved in the financing of the seed phase” – ‘Invitation to Tender No ENTR/03/60’.

The sustainability section below notes the issue that looking forward the group of beneficiaries may extend beyond the funds initially supported by the pilot action to further funds which have been raised by supported venture capital organisations and also perhaps to other organisations influenced by the experience of CREA-backed organisations.

6.20 SUSTAINABILITY: expectations of maintaining continuity

To what extent will the bodies supported by the programme maintain their activities after the Community measure?

Most of the CREA-backed organisations interviewed have already or are in the process of raising further funds and the remainder generally think it possible they will raise more. The CREA-backed organisations interviewed all seem likely to continue in one way or another, with only one indicating that they are moving out of seed. Some organisations explicitly note that their much larger successor funds would not have been possible without CREA.

Table 31 shows that two-thirds of CREA-backed organisations report that their fund (or a successor fund) will raise more capital. Even the one organisation which reported that no further capital will be raised did indicate that a larger fund, managed by different people, is a successor to the fund which received CREA backing.

Table 31: “Do you expect your fund (or a successor fund) will raise further capital?”– CREA funds (A)

YES, further fund/capital will be raised	8
POSSIBLE, further capital may be raised	3
NO, no further capital will be raised	1
Sample	12

A number of organisations have already raised extra funds.

“We already raised further funds (in 2001).” – CREA fund (A).

“Managed to get second fund raised in 2001-able because of CREA-with money from CREA able to build up good management team to get new fund” – CREA fund (A).

“Successor fund has the backing of private investors and banks.” – CREA fund (A).

“We are working with some partners to raise money for a new fund. It looks good at the moment.” – CREA fund (A).

“Yes, we are trying now to raise new funds.” – CREA fund (A).

Two of these organisations did note that they had particular financing arrangements which meant that they did not have to raise funds in the same way as other venture capitalists. Another indicated that the form of capital they invest would be different in future:

“We will continue, but the concept will be very different. The model with three investors worked well at the time the seed capital sector in [our country] was less developed, but it is now not really relevant. The companies for instance do not like having three different investors to relate to - it is too complicated for them and they will go elsewhere for the money. [A government agency] is working on a concept where they will make direct investments in the companies.” – CREA fund (A).

One of those which will raise a new fund, though, did note that the successor fund was not involved in seed/start-up investments:

“We shall not do more seed capital, but would do other type of investment (Mature businesses, supporting MBOs, but with a majority stake).” – CREA fund (A).

The remaining three organisations all feel that it is possible that further capital may be raised.

“It is a bit premature to say. Currently, compared to the four or five similar investment funds in [our country], we are performing very well. They have one successful investment in ten. Our goal is to have three for ten, and it looks like we can reach this. We have had one exit already. ... At the moment, we are not raising any funds. We still have money to invest after the dry years since 2001. Also, in [our country] [a government agency] has offered 3 to 4 new start-up funds a lot of backing and subsidies of 50% for their investments. We cannot benefit from this as we are too old. This will create competition for us and it will be harder to find good projects for our existing capital. So, at the moment we are not raising funds.” – CREA fund (A).

“The fund is of “duree limitee” and we will not raise further funds for it. It will end in 2006-2007, then we will liquidate it and possibly create a new fund.” – CREA fund (A).

“We want to wait until we have exited some of our current investments. ... We will exit our investments and hopefully succeed in raising a new fund.” – CREA fund (A).

Of crucial importance are the explicit views from two funds that their large successor funds (much larger than the CREA-backed funds) would not have been possible without the earlier CREA backing. This suggests that the future, indirect impacts of CREA may in fact be larger than the immediate impacts of the initial funds within the pilot action.

“[The original fund] would have been there anyway but the second one would not have been in existence. The CREA agreement allowed a good robust management structure to be built up and it was this which helped to secure the second fund. The first fund was there anyway as had to create the fund to be able to get CREA backing - without this the second fund would have been a lot smaller with less investee companies. Therefore CREA was crucial to get the [more than ten times as much capital] for the second fund.” – CREA fund (A).

“There is no big Venture fund in the local area, so the CREA grant helped establish the small Venture fund ([amount]). A 2nd very large fund was also established, so CREA operation was important in this; a kind of leverage effect.” – CREA fund (A).

It has also been noted already that experiences of funding models gained with the help of CREA backing may also have helped to influence other market players. These aspects suggest that sustainable outcomes will be present even beyond the target group of CREA-backed funds.

CREA-backed organisations were also asked how else they expect their fund to develop in the future. The most common sentiment was to carry on with their activities:

“Similar to today.” – CREA fund (A).

“Continue in much the same way.” – CREA fund (A).

“I hope we will be able to grow and hire more fund managers.” – CREA fund (A).

“The current fund has the same objectives, investing in maximum €500k deals. We are creating new funds with different targets, specialised sectors, higher average amount of investment.” – CREA fund (A).

“We still have money to invest after the dry years since 2001.” – CREA fund (A).

Other funds are concentrating mainly on gaining value from their remaining portfolio or moving on to successor funds:

"We are working to get money back for our investors. All the capital has been invested so there are no new investments. We are re-circulating some money from realisations into follow-on investments." – CREA fund (A).

"One portfolio left from first fund-possible that this company could give investors money back but still not as much as planned-very risky as just one company but as it is well financed, if it is successful could be great payback for investors. 2nd fund successful-able to raise future funds-in second fund made 12 investments-some successful-6 quite successful; 3 don't know about; 5 not doing very well. Seed companies are all long term investment as depends on the exit amount in 6-7 years after venture capital has been invested." – CREA fund (A).

"See our brochure. Some of our investment is for the long term (no exit within 5 years) and we want to see a dividend only. No pressure from the stock market. We have an open fund." – CREA fund (A).

"The fund is closed. The reasons were that we got a bigger momentum in the larger fund and can include more expertise and mgt power than in CREA. It is more hands on. I am not involved in [the larger fund]." – CREA fund (A).

6.20.1 What is the future outlook of the network?

While it has been identified that a number of CREA-backed organisations believe that the Network could be useful to them, there is no indication that it will be revived, either by the Commission or under the initiative of the organisations themselves.

It is noted that the Commission indicated to the evaluation team at the kick-off meeting that they hoped to 'piggy-back' some network events onto the Commission and Presidency Summit on Risk Capital in London in October 2005. In the event this did not happen and few CREA participants attended the summit.

Specific recommendations relating to the network are detailed in the 'measures to improve the situation' section.