

# Procedure file

| Basic information  |                |                     |
|--|----------------|---------------------|
| COS - Procedure on a strategy paper (historic)   | 1998/2081(COS) | Procedure completed |
| Enterprises and SMEs: entrepreneurship for job creation, innovation and competitiveness  |                |                     |
| Subject<br>3.40.14 Industrial competitiveness<br>3.45.02 Small and medium-sized enterprises (SME), craft industries<br>3.45.06 Entrepreneurship, liberal professions |                |                     |

| Key players                   |   |   |            |
|-------------------------------|---|---|------------|
| European Parliament           | Committee responsible   | Rapporteur  | Appointed  |
|                               | <b>ECON</b> Economic and Monetary Affairs, Industrial Policy                    | ELDR <a href="#">KESTELIJN-SIERENS Marie-Paule (Mimi)</a> | 03/09/1998 |
| Council of the European Union | Council configuration   | Meeting   | Date       |
|                               | Industry  | <a href="#">2133</a>                                      | 16/11/1998 |
|                               | <a href="#">Competitiveness (Internal Market, Industry, Research and Space)</a> | <a href="#">2117</a>                                      | 24/09/1998 |
|                               | <a href="#">Competitiveness (Internal Market, Industry, Research and Space)</a> | <a href="#">2094</a>                                      | 18/05/1998 |
|                               | Industry  | <a href="#">2091</a>                                      | 07/05/1998 |

| Key events |  |                              |         |
|------------|--|------------------------------|---------|
| 07/04/1998 | Non-legislative basic document published   | COM(1998)0222                | Summary |
| 07/05/1998 | Debate in Council                          | <a href="#">2091</a>         |         |
| 18/05/1998 | Debate in Council                          | <a href="#">2094</a>         |         |
| 24/09/1998 | Debate in Council                          | <a href="#">2117</a>         |         |
| 09/10/1998 | Committee referral announced in Parliament |                              |         |
| 16/11/1998 | Debate in Council                          | <a href="#">2133</a>         |         |
| 30/03/1999 | Vote in committee                          |                              |         |
| 30/03/1999 | Committee report tabled for plenary        | <a href="#">A4-0172/1999</a> |         |
| 13/04/1999 | Decision by Parliament                     | T4-0238/1999                 | Summary |
| 13/04/1999 | End of procedure in Parliament             |                              |         |

## Technical information

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|----------------------------|--|
| Procedure reference        | 1998/2081(COS)                                 |
| Procedure type             | COS - Procedure on a strategy paper (historic) |
| Procedure subtype          | Commission strategy paper                      |
| Legal basis                | Rules of Procedure EP 142                      |
| Stage reached in procedure | Procedure completed                            |
| Committee dossier          | ECON/4/10002                                   |

## Documentation gateway

|   |  |  |            |      |         |
|---|--|--|------------|------|---------|
| Non-legislative basic document                      |  | COM(1998)0222  | 07/04/1998 | EC   | Summary |
| Economic and Social Committee: opinion, report      |  | <a href="#">CES0803/1998</a><br><a href="#">OJ C 235 27.07.1998, p. 0069</a> | 27/05/1998 | ESC  |         |
| Document attached to the procedure                  |  | COM(1998)0550  | 30/09/1998 | EC   | Summary |
| Committee report tabled for plenary, single reading |  | <a href="#">A4-0172/1999</a><br><a href="#">OJ C 219 30.07.1999, p. 0007</a> | 30/03/1999 | EP   |         |
| Text adopted by Parliament, single reading          |  | T4-0238/1999<br><a href="#">OJ C 219 30.07.1999, p. 0022-0052</a>            | 13/04/1999 | EP   | Summary |
| Committee of the Regions: opinion                   |  | <a href="#">CDR0387/1998</a><br><a href="#">OJ C 293 13.10.1999, p. 0048</a> | 02/06/1999 | CofR |         |
| Follow-up document                                  |  | SEC(2000)1825  | 27/10/2000 | EC   | Summary |

## Enterprises and SMEs: entrepreneurship for job creation, innovation and competitiveness

**OBJECTIVE:** to define a framework at national and Community level to foster entrepreneurship in Europe. **CONTENT:** this communication proposes a number of priority issues for action at both national and European level in order to foster entrepreneurship in Europe. The first part of the document recalls Europe's position as an economic power and underlines the direct link between the dynamism of the Community's economy and the success of entrepreneurs and the competitiveness of its businesses, in particular SMEs. However, European businesses are confronted with too many legislative obstacles and an overcomplicated administrative system and this is slowing down their development. For this reason, in order to allow this sector to make swifter progress, the Commission proposes a 2-part strategy: 1) promote enterprise culture by encouraging risk-taking: this means combating the social stigma attached to bankruptcy through a variety of initiatives, notably related to training (LEONARDO programme), the creation of a network of business schools providing specialised training in enterprise management etc. At Member State level, the Commission proposes encouraging collaboration between research institutes and targeting action at specific groups (women, long-term unemployed) in order to make them aware of the potential of entrepreneurship. It is also planned to make the institutional framework more entrepreneurial and aware of the special needs of business start-ups. Member States are also called upon to promote self-employment as a career option and improve access to education and training for entrepreneurs. It is further proposed to restore the balance in domestic national legislation between the rights and obligations of creditors and debtors, for example by introducing discharge clauses that offer entrepreneurs a clean slate after a certain number of years. 2) improve the business environment by: - simplifying the administrative environment: a number of initiatives have been taken by the Commission in this field, for example the BEST initiative (business environment simplification task force), which will shortly submit proposals with a view to eliminating administrative barriers to entrepreneurship. At a national level, Member States need to step up efforts with a view to alleviating the fiscal, administrative, social, environmental and statistical burdens on start-ups; - combating late payments, which are the cause of 1 in 4 insolvencies in Europe. A proposal for a directive should shortly be adopted in this field; - facilitating business transfers: 30% of businesses to be transferred will disappear because of poor preparation, for which reason the Commission will consider support for pilot projects aimed at preparing for the transfer of businesses in the Member States. Member States are called upon to implement measures with a view to providing technical assistance at an early stage to businesses to be transferred; - improving access to finance: the growth and employment initiative entered into force in 1998 with a total budget of EUR 420 million. Other initiatives have also been planned, such as the action plan to develop pan-European venture capital markets and the setting up of an "innovation financing help desk". For their part, Member States should introduce loan guarantee schemes and interest rate subsidies to encourage investment; - making taxation systems more business-friendly: apart from the introduction of a common system of VAT based on the principle of origin, the Commission considers that the Member States should stimulate business start-ups through tax relief and review the relative taxation of debt and equity financing. Finally, apart from these actions, the communication proposes redirecting and significantly reducing state aids and developing innovation within the framework of RDT (through easier access for companies to patents and better protection of their intellectual and industrial property). It is also planned to support action to improve access for SMEs to Community programmes and to stimulate entrepreneurship in the social economy.?

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**OBJECTIVE:** within the framework of the Community strategy to promote entrepreneurship in Europe, to present the Commission's response to the recommendations of the BEST task force report with regard to reducing administrative constraints on European business. **CONTENT:** the Commission established the BEST task force as a group of entrepreneurs, public administrators and academic experts, to consider the existing and new legal and administrative regulations which could reduce the administrative burden on European business (particularly SMEs). This task force presented a report in June of 1998 to the Cardiff European Council, containing a number of recommendations addressed to both the Member States and the Commission with a view to improving and simplifying the business environment. The Cardiff Council invited the Commission to draw up a timetable for action in the light of the recommendations in the BEST report and to assess the extent to which current policies encourage entrepreneurship. This communication is the Commission's response to the BEST task force's recommendations and proposes a plan for Commission initiatives and action by the Member States. The communication and action plan incorporate these measures into one comprehensive framework with the overall objective of promoting entrepreneurship as a means of improving competitiveness, growth and job creation. The action plan contains the following main elements: 1.1) strengthen the training and education aspects by reforming current educational systems and basing them on models which promote entrepreneurship; 1.2) develop training in close cooperation with business and social partners; 2.1) facilitate access to finance for smaller enterprises and at an earlier stage; 2.2) facilitate access to finance for expanding firms, gear taxation in favour of the development of SMEs (encourage equity financing over debt financing), persuade investors to put their money into high-tech companies and facilitate the recycling of venture capital to new SMEs; 3.1) improve access to research and innovation; 3.2) better target the Community's RDT programmes to help SMEs; 3.3) better use of patents by SMEs; 4) improve visibility of support services to business; 5) facilitate the creation of enterprises and improve public administration (improvement of the environment for enterprises which are starting up, simplification and regulatory reform in public policy decisions, better impact of decisions taken and simplified administrative procedures); 6) improve and simplify regulations relating to the organisation of work and maximise employment flexibility where this is possible. All of these actions will be implemented by means of specific actions at both national and Community level. The budgetary implications, at Commission level, are set out in the communication's financial statement. The action plan contained in the communication contains a timetable of actions to be achieved between now and the year 2000. It is proposed that the Commission, in consultation with the Member States, will assess the progress made in the implementation of this action plan by means of annual reports submitted to the Council and the European Parliament.?

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Without debate, the European Parliament adopted the report by Mimi Kestelijn-Sierens (ELDR,BE) on the Commission Communication "Fostering Entrepreneurship in Europe: Priorities for the Future". The report calls on Member States to: - at the earliest opportunity, adopt structural measures in the labour market; - take measures to adapt the social security systems and to reduce the non-wage costs of workers, because these involve a major burden on undertakings; - as a matter of urgency, observe and implement Community legislation on mutual recognition of diplomas in practice; - encourage the media to pay more attention to the importance of entrepreneurship and the development of a stock market culture; - take the necessary fiscal and legal steps to improve the transfer of undertakings; - restrict the costs of patent applications and help potential entrepreneurs determine a strategy for protecting intellectual and industrial property. The Parliament proposes launching a strategy aimed at promoting learning as a "leisure activity" in order to promote lifelong learning and the transmission of knowledge and values in the information society. It urges a revision of directive 86/613/EEC on the application of the principle of equal treatment between men and women engaged in an activity, including agriculture, in a self-employed capacity, and on the protection of self-employed women during pregnancy and motherhood, so as to improve the status of spouses of self-employed persons. The report also encourages the Commission to consult the business world even more systematically than at present before coming up with new regulations, in order to ensure that legislation is simple, transparent and practical. The Council is urged to reach an agreement without delay on a simple and transparent definitive common VAT system, while the Parliament also calls for alternative legislative procedures to be drawn up which put to the test legal provisions that are either new or have been duly amended for a given period of time in a limited domain. The report asks that, in line with the policy of deregulation, the Commission and Member State governments charge a Commissioner, or a government member or state secretary, with simplifying rules and administrative obligations. It calls on the Commission to simplify technical standards and proposes the development of instruments to promote and secure European exports in order to promote the competitiveness of internal market undertakings in third countries and to avoid distortions of competition. The Parliament calls for the elimination of bureaucratic hurdles where a business is handed over to family members. Finally, applauding the Commission's cluster surveys, it recommends that their findings should also be applied to export activities outside the internal market.?

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The first Implementation report describes the work that has been done by Member States, the Commission, the Council and the European Parliament towards implementing the BEST "Action Plan to Promote Entrepreneurship and Competitiveness". The Action Plan includes a series of action points, and concentrates on the following priority areas: education for an entrepreneurial society; training; access to finance; access to research and innovation; making EU RTD development programmes more sensitive to SME requirements; better use of patents by SMEs; improving the visibility of support services; improving public administration; and improving employment and working conditions. BEST has proved extremely effective in identifying areas where countries have made progress in promoting entrepreneurship and competitiveness. It has also provided valuable information on those areas where more needs to be done. What is apparent is that, even though countries have made efforts to implement actions under all the priority area in the Action Plan, they tend to have different specialities and areas of expertise. Taken together, this adds up to a very useful fund of knowledge for future improvement of the enterprise environment throughout Europe. It is the identification and dissemination of this knowledge, above all, that represents the real added value of the BEST exercise. The report is divided into the Main report and three Annexes. Section II of the report includes a series of individual Member States profiles, which provide a single-page summary of policies in favour of entrepreneurship and competitiveness. The main report consists of various sections including an "Overview", giving a general outline of recent policy developments; "Areas of current interest", highlighting any notable recent achievements and an "Outlook", identifying possible future trends and areas offering scope for further improvement. In conclusion, promotion of an entrepreneurial spirit amongst young people has received particular attention in Greece, which has initiated awards for young entrepreneurs,

in Luxembourg, which has developed curricular activities for schoolchildren at primary and secondary level, and Austria, which has introduced entrepreneurship courses and virtual enterprises into schools. In the field of training, both Sweden and Norway have well-established systems for the development of skills, including the use of investments, Germany benefits for the development financial markets for SMEs, Spain has implemented successful tax-related measures in favour of SMEs, and the Netherlands and the UK have both pioneered business angel activity in Europe. France, Ireland and Finland all have well-functioning programmes in the area of research and innovation, focusing particularly on the promotion of technology transfer. Denmark has achieved successful co-ordination between all levels of administration as a means of improving support services, Portugal has introduced innovative ways of making information available to SMEs and Italy has taken significant steps towards the simplification of administrative procedures. ?