

Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) 1998/2171(COS)	Procedure completed
Risk capital markets and the job creation: action plan. Cardiff European Council 1998	
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 4.15.02 Employment: guidelines, actions, Funds	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs, Industrial Policy	PSE KATIFORIS Giorgos	23/04/1998
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2136	23/11/1998

Key events			
31/03/1998	Non-legislative basic document published	SEC(1998)0552	Summary
14/09/1998	Committee referral announced in Parliament		
23/11/1998	Debate in Council	2136	
23/02/1999	Vote in committee		Summary
23/02/1999	Committee report tabled for plenary	A4-0090/1999	
09/03/1999	Decision by Parliament	T4-0145/1999	Summary
09/03/1999	End of procedure in Parliament		
21/06/1999	Final act published in Official Journal		

Technical information	
Procedure reference	1998/2171(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

Documentation gateway

Non-legislative basic document		SEC(1998)0552	31/03/1998	EC	Summary
Document attached to the procedure		09476/1998	12/06/1998	CSL	
Committee report tabled for plenary, single reading		A4-0090/1999 OJ C 175 21.06.1999, p. 0005	23/02/1999	EP	
Text adopted by Parliament, single reading		T4-0145/1999 OJ C 175 21.06.1999, p. 0016-0032	09/03/1999	EP	Summary
Non-legislative basic document		COM(1999)0493	20/10/1999	EC	
Follow-up document		COM(2000)0658	18/10/2000	EC	
Non-legislative basic document		COM(2001)0605	25/10/2001	EC	Summary
Follow-up document		COM(2002)0563	16/10/2002	EC	Summary

Risk capital markets and the job creation: action plan. Cardiff European Council 1998

OBJECTIVE: to propose a European Union action plan promoting the development of risk capital markets in the European Union with the aim of future job creation. **CONTENT:** this communication is a first response to the mandate given to the Commission by the Luxembourg European Council (November 1977) to examine the role of pan-European risk capital markets in job creation. It sets out the main arguments why implementing a full range of these financial products in the EU is vital for future job creation. It briefly compares the EU's performance vis-à-vis the United States, which is a long way ahead of Europe in this field, and underlines the main barriers that are preventing a much wider use of these financing instruments in the EU. These obstacles are mainly due to over-fragmentation of the market, regulatory and institutional barriers and taxation. The communication also cites other barriers such as cultural barriers to entrepreneurship. The Commission considers that the low rate of enterprise creation in the Community is due to the limited availability of seed capital and excessive punishment of failure in Europe (compared with the United States, where the "right to fail", including bankruptcy, is seen as part of the learning process of business). In the third part of the document, the Commission outlines the main elements of an action plan which aims to develop a strong European risk capital sector on all fronts. The first objective is to remove the barriers which are preventing the sector from developing, in order to create a new spirit of enterprise in Europe. The proposed action plan (and the related timetable of actions) could provide the tools, technologies and financial instruments necessary to allow a new generation of European entrepreneurs to start up and succeed. The key elements of this strategy are as follows: - the finalisation of actions already under way: development of a network of local "business angels", market monitoring, transposition and implementation of all directives relating to financial services, developing electronic trade clusters for SMEs and promoting education systems conducive to entrepreneurship and innovation; - the establishment during 1998 and 1999 of a number of regulatory Community actions with the purpose of eliminating the institutional and regulatory barriers to the development of risk capital (creation of a European passport for "closed-end funds", amendment of the relevant directive to make approved prospectuses or offer documents valid in all Member States). Actions are also proposed to stimulate the growth of high-tech SMEs and reform the European patent system. Further actions are proposed for the elimination of cultural barriers to entrepreneurship and to better develop human resources; - in the medium term, measures for the adoption of prudential rules to facilitate investment by institutional investors in risk capital, assessing existing accounting and auditing rules, reducing capital requirements for company creation and reviewing insolvency and bankruptcy laws. Measures are also proposed in the field of taxation, although responsibility for this remains with the Member States (double taxation of venture capital funds, capital gains tax, tax regimes for start-up companies and comparison of taxes on venture and non-venture capital in the Member States).?

Risk capital markets and the job creation: action plan. Cardiff European Council 1998

Improving access to the risk capital market for small firms has been identified by the European Council as a key means of encouraging job creation. In its response, presented to EU ministers at the Cardiff June Summit, the Commission singled out high-tech industries such as computing, telecoms and bio-technology, as important sectors in need of substantial investment for the potential of SMEs, to be realised. The commission is therefore putting forward as action plan for risk capital as the first step towards a pan-European risk capital market. In a draft resolution, submitted by Giorgos Katiforis (PES,Gr), the Economic and Monetary Committee, while welcoming the Commission's initiative, notes that the EU is somewhere behind the US in this area, but sees the establishment of a single currency as a positive factor for the risk capital market. The Committee identifies over-regulation and tax differences as barriers to investment. It takes the view that the Commission's action plan should concentrate on promoting a more positive attitude to risk investment in Europe, by, for example, encouraging tax breaks backed up with state guarantees, advice and support schemes and partnership agreements between large and small firms. Electronic trading by SMEs should also be encouraged. On the savings side, tax incentives and legal protection should also be offered to investors and a stock market for SMEs (EASDAQ) promoted along with the European bond market for the sector.?

Risk capital markets and the job creation: action plan. Cardiff European Council 1998

This report on a communication from the Commission on the role of risk capital in job creation, drafted by Mr. Giorgos Katiforis (PES, Greece) was adopted without debate. The Parliament welcomes the Commission's emphasis on the need to mobilise risk capital to encourage entrepreneurship, thereby stimulating the creation and development of SMEs and their ability to create employment. It believes that the following three broadly interacting aspects represent the priority areas to be tackled to improve the provision of risk capital to SMEs, and its utilisation by them: - the lack of a 'risk culture' in the productive sectors of the economy, both among those providing finance for businesses, particularly the banking sector, and among many SMEs themselves who either do not wish to grow or where 'risk' projects are inadequately thought through; - the absence at national level of adequate legal, administrative and fiscal frameworks enabling the creation and development of SMEs to take place, with excessive bureaucracy characterising some countries' administrative and legal structures; - the absence of fiscal and other supportive mechanisms at Community and Member State level to mobilise private and institutional savings into SME investments. It calls on the Commission to give priority to encouraging the Member States to implement the Action Plan within their areas of responsibility, and to tackle especially regulatory barriers, the simplification of regulatory provisions, improvement of market structures and tax harmonisation. Parliament believes that the Action Plan could be enhanced by the incorporation of: (a) measures to change risk culture in order to: - promote separate industrial and commercial banking institutions, dedicated to financing businesses; - encourage such organisations to provide long-term capital in the form of loans, secured against both tangible and intangible assets of the companies; - provide investment grants and/or guaranteed loans for technical innovation projects of small companies; - provide financial support for managers of micro-businesses and small companies when they are considering the development of products or of markets, or the expansion of productive facilities; - provide financial support for advice and support schemes for micro businesses' expansion, via firms of accountants who are close to the businesses and are trusted by them; - encourage the use of partnership arrangements between small companies and larger companies to enable the former to engage in cross-border trading, with reduced costs and administrative effort, and to encourage the commercial development of SMEs via supply chain development; - encourage the use of electronic trading and the facilities offered by the information society for SMEs through grants and pilot schemes. (b) measures to mobilise savings into investment in SMEs by: - encouraging private individuals to invest in SMEs; - encouraging the development of EASDAQ and similar equivalents to allow medium-sized companies access to equity markets; - encouraging the development of the European corporate bondmarket as an option to equity markets for medium-sized companies; - removing excessive restrictions on the type of investments permitted for pension funds.?