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Commission Communication to the Council

**“Promoting Entrepreneurship and Competitiveness”**

**The Commission’s Response to the BEST Task Force Report  
and its Recommendations**

## INTRODUCTION

1. The Commission is committed to a policy which promotes entrepreneurship as an essential part of improving competitiveness, to generate growth and create jobs. The Commission works closely with the Member States to create the right conditions for promoting and fostering a culture of entrepreneurship, and to support entrepreneurs and small businesses. Recognising the need for a fresh consideration and assessment of the issues affecting competitiveness the Commission was quick to accept a Council invitation to set up the BEST Task Force in September 1997.
2. The Commission established the BEST Task Force as a group of entrepreneurs, public administrators and academic experts, with a remit to consider, **“the existing and new legal and administrative regulations in order to improve the quality of Community legislation and reduce its administrative burden on European business, particularly SMEs”**. BEST was requested to prepare an independent report for the Commission and the Member States.
3. BEST was asked to address the impact on enterprises of legislation and administrative practices directly affecting the environment in which enterprises function. This led BEST to look at issues of particular concern to small businesses such as access to finance, management and employee training, innovation and technology transfer, and all aspects of public administration and its interaction with business. Furthermore BEST was encouraged to challenge existing practices and the mentality of "it has always been done this way".
4. The Cardiff European Council in June 1998 considered the BEST Report which made a number of detailed recommendations addressed to both the Commission and the Member States with a view to improving and simplifying the business environment. The Cardiff Council invited the Commission to draw up a timetable for action, in light of the recommendations in the BEST Report, and to assess the extent to which current policies encourage entrepreneurship<sup>1</sup>.
5. Entrepreneurship needs to be considered in the context of the major economic reforms currently underway in the European Union. A properly functioning Single Market, the introduction of the Euro, reform of the Financial Services marketplace, the importance of developing risk and venture capital, the rapid expansion of communications and information technology and electronic commerce, all have a contribution to make towards a sound macro-economic environment essential in promoting and fostering entrepreneurship.
6. The BEST report was prepared as an important contribution to this on-going debate. The Commission has already adopted several Communications and initiatives in this area including those on Fostering Entrepreneurship<sup>2</sup>, Risk Capital: a Key to Job Creation in the European Union<sup>3</sup>, the Innovation Action Plan<sup>4</sup>, and the Single Market Action Plan<sup>5</sup>. In addition, developing entrepreneurship is one of the four pillars in the 1998

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<sup>1</sup> No. 20 of the Presidency conclusions from Cardiff 15 – 16 June 1998

<sup>2</sup> COM(98) 222 final of 07.04.98.

<sup>3</sup> SEC (98) 552 final of 31.03.98.

<sup>4</sup> COM(96) 589 final of 22.11.96.

<sup>5</sup> COM(97) 184 final of 06.05.97.

Employment Guidelines<sup>6</sup>, which Member States are currently using to develop and implement their National Action Plans for Employment.

7. This Communication is the Commission's response to the BEST Task Force's recommendations, and proposes a plan for Commission initiatives, and for action by the Member States. The Communication and Action Plan also draw together measures from these other policy initiatives into one comprehensive framework with the overall objective of promoting entrepreneurship as a means of improving competitiveness, increasing growth and job creation.
8. The **Action Plan** in this Communication contains a timetable for the appropriate authorities to initiate action either at a Community, national or regional level. In consultation with the Member States in the Article 4 Committee under the Third Multiannual Programme for SMEs<sup>7</sup>, the Commission will draw up indicators of performance so that the progress made in implementing the Action Plan can be measured and evaluated.
9. **Annual Reports** on such progress will be presented by the Commission to the Council and the European Parliament with information about the measures taken at all levels to stimulate enterprise and encourage entrepreneurship. Actions arising from the transposition of the Employment Guidelines will continue to be dealt with through the National Action Plan procedures. **The focus now should be on action and the implementation of measures through a coherent and co-ordinated strategy agreed by the Commission and the Member States.** As part of this overall strategy a sustained public relations campaign to keep these issues before the public should be organised jointly by the European institutions and national governments. The practical outcome of these actions taken together at both E.U. and national level should lead to improved competitiveness, and the growth and new jobs that Europe needs.

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<sup>6</sup> Council Resolution of 15.12.97, "The 1998 Employment Guidelines".

<sup>7</sup> Council Decision of 9 December 1996 (97/15/CE) O.J. L 6/25 of 10.01.97

## COMMISSION'S RESPONSE TO BEST'S RECOMMENDATIONS AND ACTIONS PROPOSED

10. In conformity with the recommendations made by BEST on implementation, this **Communication responds to each of the priority recommendations** contained in Volume I. The accompanying Action Plan concentrates on measures which either have already started, or can be initiated in a relatively short time span. In order to deliver first results quickly the Commission's intention in its Action Plan is to concentrate on three major priority areas. **These are new approaches in education, training and the workplace environment; access to finance and helping innovation; and better public administration.**
11. Specific and more detailed recommendations which do not find an echo in this Communication, particularly those in Volume II of the BEST Report, will be the subject of further consideration before the Commission decides on specific proposals for action as appropriate.

### Better Public Administration

#### **BEST Recommendation No. 1:**

***Simplification and regulatory reform should be made central to public policy at all levels in the European Union.***

12. The Commission shares BEST's view that simplification and regulatory reform should be made central to public policy at all levels in the European Union. A **change of culture is required** in public administrations acting either as regulators or as providers of support to businesses. The primary aim should be **to assist and enable** rather than control and to introduce a user-friendlier **attitude** on the part of public administrations particularly where they inter-act with business and the public in general.
13. Better lawmaking, simplification and regulatory reform is a shared responsibility for all E.U. institutions and is a process which must be continued and reinforced. The methods for achieving these shared objectives must take account of different structures and traditions in the Community Institutions and the Member States. In particular each will wish to consider whether they want to adopt the recommendation to set up central Better Regulation Units. As regards the Commission, the Secretariat General has the role of ensuring that all actions proposed by the Commission and, in particular, legislation meets clear criteria. These are;
  - that the measures proposed are really **necessary** and that they respect the principles of **subsidiarity** and **proportionality**
  - that appropriate **consultation** with all interested parties has taken place
  - that the **impact and consequences of all legislative proposals** (including those affecting SMEs) have been evaluated and taken into account.

The Commission will continue with the current arrangements and its Annual Report to the European Council “Better Lawmaking” describes progress and the future prospects in this area.

A number of Member States are already moving in the right direction in terms of ensuring a central role for officials responsible for simplifying legislation. Member States would benefit from an exchange of information on best practice particularly from those which have already introduced more business and user friendly methods. The Commission will continue to encourage developments in this area.

*For the Commission's specific proposals see Part 5 of the Action Plan.*

**BEST Recommendation No. 2:**

***The impact of legislation on business must be an important consideration in determining its form and content.***

14. The Commission's commitment to simplifying the regulatory environment is well signposted in the Communication “Legislate Less to Act Better: the Facts”<sup>8</sup>. The Commission **is legislating less** by targeting its initiatives and concentrating on political priorities. The Commission remains determined to give effect to the Protocol on the application of the principles of subsidiarity and proportionality even before the Amsterdam Treaty is ratified. New Commission **Guidelines on Legislative Policy** are being drawn up to update those issued in January 1996<sup>9</sup>. In addition, the Commission remains committed to the **SLIM project**, and its technique and methods, as a means of simplifying and improving current Community legislation, both at a Community and Member States level.
15. The Commission agrees with BEST that there is a need to avoid the “**gold plating**” of Community legislation. Often, national legislation which implements a Council and European Parliament Directive, is embellished with additional requirements not previously foreseen in the consideration of the legislation by the Community's institutions. These embellishments often impose additional unnecessary compliance costs or administrative burdens on business.
16. The Commission's Legal Service will also continue to work closely with the legal services of the other institutions to produce co-ordinated guidelines on the quality of drafting of Community legislation in line with Declaration n° 39 annexed to the Amsterdam Treaty.
17. In addition, the Commission remains committed to improving its own regulatory impact analysis procedures, including the **Business Impact Assessment**. This includes comprehensive consultation procedures with business, particularly SMEs, and the “**think small first**” concept when drafting regulatory proposals. The Commission supports the need for similar attention to be paid to these concerns in the Member States and the other Community Institutions, and will continue its co-ordinating efforts on the whole question of regulatory impact analysis, including the spread of information and ideas on best practice. This includes the first pilot projects for **Business Test Panels**<sup>10</sup>

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<sup>8</sup> COM(98) 345 final of 27.05.98.

<sup>9</sup> SEC(95) 2255/7 of 18.01.96.

<sup>10</sup> COM(98) 197 final of 30.03.98.

which are being undertaken by the Member States to determine compliance costs and administrative burdens placed on individual enterprises from legislative proposals.

*For the Commission's specific proposals see Part 5 of the Action Plan.*

**BEST Recommendation No. 3:**

***Administrative procedures faced by SMEs need changing.***

18. The Commission agrees with the broad principles behind this recommendation that institutions and agencies at a European level need to both simplify and standardise procedures to increase transparency, and improve effectiveness.
19. The Commission also agrees on the need for **standardisation** when dealing with Community programmes such as the Structural Funds or Research and Technology Development, (R&TD). This includes standardised procedures for submitting application forms, and for accounts so that payments are received as quickly as possible. These procedures should be compatible with normal business accounting and administrative procedures. The Commission is currently preparing a **Recommendation on ways to increase the participation of SMEs in Community programmes**. This will focus on the following areas: the Structural Funds, the Fifth Framework Programme for Research and Technological Development, access to finance and credit through the EIB and EIF, and on training and internationalisation. The Recommendation will include specific proposals concerning craft and small businesses in order to help them have better access to EU programmes.
20. The Commission in examining all its administrative procedures is also revising its **guidance for officials** covering such issues as standards of service, accessibility, and accountability. A new version of the **Code of Conduct** intended for internal use by Commission staff is currently under preparation. A version of this Code of Conduct will also be made available for the general public on the Internet.
21. The Commission supports the BEST view that Member States should also examine the opportunities for standardising their procedures and re-examining administrative practices.

*For the Commission's specific proposals see Part 5 of the Action Plan.*

**BEST Recommendation No. 4:**

***Member States should take initiatives to facilitate the creation of enterprises.***

22. The Commission agrees with the importance placed by BEST on the need for measures to facilitate the creation of enterprises. The Commission's **Recommendation on Business Start-ups**<sup>11</sup> was designed to highlight the issues and point to some best practice in Member States. While the measures to be taken are primarily for the Member States to decide, the Commission will continue its co-ordinating role in terms of monitoring and evaluating progress, working in co-operation with the Council. The Commission wishes to emphasise here the importance of considering all forms of enterprise, e.g. co-operatives, mutuals, and other entities within the Social Economy.

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<sup>11</sup> OJ L 145 of 05.06.97, p. 29.

Few Member States have reported back to the Commission on the measures they have taken or adopted from the Recommendation in order to encourage more business start-ups. Although the Commission is aware of various measures already underway in a few Member States, there needs to be a more pro-active response. The importance of making it easier to start up enterprises is also emphasised in the Employment Guidelines and progress made will be assessed in the Joint Employment Report to be submitted to the Vienna European Council.

*For the Commission's specific proposals see Part 5 of the Action Plan.*

**BEST Recommendation No. 5:**

***Good information and advice services are a valuable support in the creation of businesses and in helping them at critical stages of their development.***

23. The Commission endorses this recommendation. The provision of business services, both public and private, are often fragmented and uncoordinated and do not meet the specific needs, or understand the culture of business.
24. The Commission is therefore establishing its "**Dialogue with Business**" service which is one of the key objectives of the Single Market Action Plan and will complement the successful "**Dialogue with Citizens**" Initiative. As a first step the Commission will set up a **One-stop Internet Shop** for all firms interested in doing business in the Single Market. This will give easy access to Single Market regulations at EU and national level, provide links to useful Single Market on-line information sources, facilitate access to national contact points for businesses, and to the Euro Info Centre network (EICs). The One-stop Internet shop will also encourage feedback from business about the difficulties they encounter with a view to identifying ways to improve the functioning of the Single Market. In addition, the Commission agrees with the BEST recommendation that **greater use should be made of information and communications technology**. Advantage should be taken of the new tools which are available such as electronic commerce which are important in a global market. The use of Internet should be encouraged by the Member States and the Commission, in order to exploit the tremendous opportunities offered by the world-wide computer network to assist start-ups in the development of their activities at very low cost : external communication, contacts with business partners, electronic commerce.
25. Through **concerted actions** with the Member States and the business organisations, the Commission will continue to provide logistical support for seminars organised by the Member States to consider particular issues. The next one is planned for November 1998 in Helsinki about business support services for **Innovatory Enterprises** and how incubators and technology parks can help.
26. An important part of this work in the **concerted actions** is for the Commission to monitor, evaluate and disseminate information on best practice in the provision of business support services. Having concentrated on the start-up phase in the business cycle the **concerted actions will now consider the growth phase** with the emphasis on finance, training and transnational co-operation as being important issues for SMEs with growth potential.

*For the Commission's specific proposals see Part 3.1 and 4 of the Action Plan.*

## Education and Training

### **BEST Recommendation No. 6:**

#### ***Education for the creation and promotion of an entrepreneurial spirit.***

27. The Commission agrees that if we are going to establish a more entrepreneurial culture and spirit throughout the European Union this has to begin with our early education systems and be carried through into our higher education and training provisions. The Commission considers that national and regional educational authorities should be encouraged to take the necessary actions in co-operation with business organisations towards making changes in education policies. The Commission accepts BEST's recommendations regarding closer co-operation between businesses, business organisations and schools.

*For the Commission's proposals see Part 1.1 of the Action Plan.*

### **BEST Recommendation No. 7:**

#### ***Re-orientation of training provisions in close co-operation with the business community.***

28. The Commission agrees with BEST and suggests Member States should look at the need to adapt training systems in co-operation with social partners. There is a need to determine a common approach and develop models for training provision that allows adaptation to different local needs and qualifications, and meets the severe time constraints facing most SMEs. The Commission will shortly present a **Communication on Training for SMEs, "Learning for Growth"**, for both entrepreneurs and employees, which will consider the new opportunities and responses required in a changing business environment.
29. The Commission will also launch in October 1998, in response to a European Parliament initiative, a **Business Education Network of Europe (BENE)** which will bring together training organisations with proven experience in training for entrepreneurship and disseminating the skills required by entrepreneurs. The BENE Network should permit all the actors including the teachers' professional organisations and the enterprises themselves to exchange experiences, identify best practice and adjust the courses and curricula to changing demand.

*For the Commission's specific proposals see Part 1.2 of the Action Plan.*

## Employment and Working Conditions

### **BEST Recommendation No. 8:**

#### ***Improve flexibility in employment and working conditions.***

### **BEST Recommendation No. 9:**

#### ***Improve and expand enterprise level dialogue between employers and employees.***

30. The Commission supports the development of a skilled and adaptable workforce through a policy of promoting the right balance between flexibility and security at the workplace.

The Employment Guidelines<sup>12</sup> seek to encourage adaptability in businesses and their employees, and Member States are developing National Action Plans for Employment in response to the Guidelines.

31. The Commission's Green Paper, "Partnership for a New Organisation of Work"<sup>13</sup>, points out that the relationship between employers and employees becomes a key factor as firms move from traditional methods of organisation to more flexible internal arrangements. The Commission recognises that this is a valid issue of concern for enterprises of all sizes and is currently preparing a **Communication on the Modernisation of the Organisation of Work** as a follow up to the Green Paper. The BEST recommendations seek to extend the concept of dialogue at enterprise level to the benefit of both employers and employees, to those enterprises which either are excluded from current provisions relating to workplace consultations, or whose owners and employees do not participate in collective agreements. The Commission welcomes any progress which can be made in extending workplace consultation where it currently does not take place, provided that this does not weaken the existing mechanisms in place for consultation and for collective agreements between representatives of both workers and employers. This development is particularly important for smaller firms where flexible management practice and working as a single team are important criteria for growth.
32. The Commission agrees that flexibility in relation to working time could be increased provided that the provisions of the Working Time Directive<sup>14</sup> are fully respected.

**BEST Recommendation No. 10:**

***Improve and simplify health and safety regulations in relation to their impact on SMEs.***

33. The Commission notes the suggestions made by the BEST report about health and safety regulations and will continue, in line with current practice, to examine their impact on SMEs. The Commission is working with the Member States who have been asked to consider the need for simplification in their national reports on the practical implementation of the relevant health and safety Directives.
34. The Commission agrees that best practice examples should be analysed and considered to help SMEs comply with health and safety regulations. Indeed, as part of the pilot phase of the **SAFE Programme**<sup>15</sup>, the Commission has launched a series of public relations events highlighting examples of good health and safety practices. These best practices will be added into a database which is being set up by the European Agency for Safety and Health at Work in Bilbao. The Council is urged to adopt the Commission's proposal. The Commission also agrees on the **need for user-friendly practices** between Member States' health and safety inspectors and their customers by providing advice on the implementation of health and safety practices during their on site visits.

*For the Commission's specific proposals see Part 6 of the Action Plan*

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<sup>12</sup> Council Resolution of 15.12.97, "The 1998 Employment Guidelines"

<sup>13</sup> COM(97) 128 final of 16.4.1997.

<sup>14</sup> Dir. 93/104/EC OJL 307 of 13.12.93 p. 18

<sup>15</sup> Draft Council Decision on SAFE, COM(95) 282 of 12.07.95.

**BEST Recommendation No. 11:**

***Member States should simplify the administration and financing of their social security systems.***

35. The organisation and financing of social security systems is clearly a matter for individual Member States to decide, in the light of their differing cultures and traditions. Nevertheless, there is often common ground, in terms of the challenges Member States face or the solutions they adopt, which offers the scope for them to learn from each other's experience and to identify best practice, which could result in reducing the burdens on SMEs.
36. The Commission has encouraged Member States to consider the impact of the way they finance and administer social security schemes, and other ways of making social protection more employment friendly. The Commission Communication on Modernising and Improving Social Protection has added useful momentum to this debate. Member States have agreed to consider obstacles to employment in social security schemes. The Commission will continue to work with the Member States on these issues including the consideration of the **one-stop-shop** concept.

*For the Commission's specific proposals see Part 5 of the Action Plan.*

**BEST Recommendation No. 12:**

***EU Directive on the transfer of undertakings (acquired rights) needs to be clarified and simplified in order to avoid confusion.***

37. An amendment to this Directive has just been adopted by the Council<sup>16</sup>. In particular, the new text clarifies the definition of a transfer of an undertaking in the light of the case law of the European Court of Justice, as well as providing for a degree of flexibility in the event of transfers in the context of insolvency proceedings. It also contains measures which improve legal certainty. No further proposal to amend this Directive is envisaged.

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<sup>16</sup> Council Directive 98/50/EC of 29 June 1998, OJ L201 of 17.07.98, p.88.

## Finance

### **BEST Recommendation No. 13:**

#### ***Access to finance on the right conditions for smaller businesses and at an early stage.***

38. The Commission agrees that access to finance remains a key issue for all European enterprises, particularly for SMEs, which tend to remain under-capitalised and depend on expensive short-term loans. This lack of stable, long-term finance affects the growth potential of both new and fast growing, innovative SMEs, increasing the risk of business failure, especially in times of recession. The specific and different needs of small businesses and the craft sector require support for improved access to finance at a reasonable cost.
39. SMEs' liquidity problems are further aggravated by the practice of late payment in commercial transactions, which unfortunately continues to be widespread. **The Commission regards such continuing liquidity problems as a good reason for the Member States to adopt its proposal for a Directive on Late Payment<sup>17</sup> as quickly as possible.**
40. The Commission readily agrees with BEST that improving access to finance is a key element in promoting entrepreneurship and has recently instituted measures designed to improve the situation. The **ETF Start-up** facility, the **SME Guarantee** facility and the **Joint European Venture (JEV)** programme, which together make up the Growth and Employment Initiative approved by the Council on 19 May 1998<sup>18</sup>, are operational. The Commission has also launched in collaboration with the EIF the **I-TEC (Innovation and Technology Equity Capital) action** which fosters early stage investment in innovative enterprises with high growth potential. In addition, the Commission is considering launching a new **Seed Capital action (CREA: Capital-Risque pour les Entreprises en phase d'Amorçage)**, which will focus on smaller seed capital funds investing in innovative enterprises with growth potential from all economic sectors.
41. In recognition of the important role played by banks as providers of finance for new and growing businesses, the Commission will continue its initiative to improve the relationship between banks and SMEs by launching the **3<sup>rd</sup> Round Table of Bankers and SMEs** on 15 October 1998. By bringing together SME representatives, entrepreneurs, bankers and other parties with a key interest in enterprise creation and growth, the Round Table will address the issues and problems associated with start-up and early stage finance with a view to identifying best practices that can be disseminated throughout the European Union.

*For the Commission's specific proposals see Part 2.1 of the Action Plan.*

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<sup>17</sup> OJ C 168 of 03.06.98, p. 13.

<sup>18</sup> OJ L 155 of 29.05.98, p. 43.

**BEST Recommendation No. 14:**

***Access to finance on the right conditions for expanding firms.***

**BEST Recommendation No. 15:**

***Taxation regimes to stimulate development of dynamic, innovative SMEs. Encourage equity financing over debt financing.***

**BEST Recommendation No. 16:**

***Persuade investors to put their money into hi-tech companies and facilitate the recycling of venture capital to new SMEs.***

42. In its Communication, “**Risk Capital: A Key to Job Creation in the EU**”<sup>19</sup>, the Commission analysed the damaging impact of an underdeveloped equity culture on the growth and employment potential of fast growing, innovative companies. The Commission will implement its **Action Plan** aimed at promoting risk capital, opening up European capital markets and strengthening the equity culture. As part of this the Commission will set up a **European Business Angels Network**. Member States should examine distortions in risk/reward ratios, including the tax treatment of stock options and capital gains to encourage high-tech start-ups.
43. Barriers of a cultural, fiscal or regulatory nature also need to be addressed, primarily by the Member States taking due account of state aids and other regulations. The Commission can assist in this process by helping to identify and disseminate best practice.
44. In a wider context, the Commission will submit to the Vienna European Council a Framework for Action for Financial Markets, as requested by the Cardiff European Council. Recognising the major impact of the introduction of the single currency and the profound changes already occurring in the financial services industry in Europe, the Framework will be the Commission’s proposed policy response towards removing the remaining obstacles to the single market for financial services and the development of a deep and liquid EU financial market.

*For the Commission's specific proposals see Part 2.2. of the Action Plan.*

### **Research and Innovation**

**BEST Recommendation No. 17:**

***SMEs have to be helped to make better use of research and technology.***

45. The Commission agrees that SMEs have to be helped to make better use of research and technology and that EU research and technology development programmes need to be more sensitive to SMEs requirements including for small and micro-businesses. Actions to encourage SMEs participation in RTD programmes were successfully carried out under the Third and Fourth Framework Programmes for Research. Although there has been an increase from 5,400 SMEs taking part in the 3<sup>rd</sup> Programme, to 12,500 SMEs in

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<sup>19</sup> SEC(98) 552 final of 31.03.98.

the 4<sup>th</sup> Programme, these actions will be reinforced further under the Fifth Framework Programme.

46. Many of these recommendations are directed mainly at the Member States including fostering co-operation between SMEs, academics and large companies. They also seek to improve the transparency of RTD innovation support services and networks.
47. The Commission is concerned to play its role in terms of co-ordinating concerted actions with the Member States and business organisations and promoting pilot actions, identifying best practice and creating networks. This will include amongst other actions setting up an "**Innovation Financing Help Desk**" (LIFT) for participants in Community funded research, and to help regions improve innovation support infrastructures.

*For the Commission's specific proposals see Part 3.1 of the Action Plan.*

**BEST Recommendation No. 18:**

***EU research and technology development programmes, in particular R&TD funds under the 5<sup>th</sup> Framework Programme will need to be far better targeted to help SMEs.***

48. The Commission recognises the need to help SMEs and for this reason within the 5<sup>th</sup> Framework Programme for R&TD there will be a horizontal programme, the "**Promotion of Innovation and Encouragement of the Participation of SMEs**", which will **support and co-ordinate the implementation of special measures in favour of SMEs**, (e.g. **Exploratory Awards, CRAFT projects**), ensure the improved dissemination of information, (e.g. via CORDIS), use simpler application forms, and give a quicker response time to proposals.

*For the Commission's specific proposals see Part 3.2. of the Action Plan.*

**BEST Recommendation No. 19:**

***The use of patents by SMEs should be further encouraged by simplifying procedures giving SMEs access to easier remedies for infringement.***

49. The Commission will continue its work in presenting proposals aiming at reforming European patent law and its accompanying administrative procedures as part of the follow up to its Green Paper, "Promoting Innovation Through Patents"<sup>20</sup>. This will include a Commission proposal for a uniform **Community Patent**, set up **Helpdesks**, and develop a **Pilot Action** with national patent offices to explore how patent information can be made more comprehensible, accessible and practical to SMEs.
50. Member States should reinforce initiatives to improve the information and advisory functions of patent offices, including training, and to support the efforts of the European Patent Office to further reduce patent costs, including the reduction of search fees.

*For the Commission's specific proposals see Part 3.3 of the Action Plan.*

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<sup>20</sup> Green Paper on the Community Patent and the Patent System in Europe, COM(97) 314 final of 24.06.97.

## **BEST's IMPLEMENTATION PROPOSALS**

51. It was the BEST Task Force's view that their recommendations required a precise response from the European Commission, the Council of Ministers, the European Parliament and the Governments of the Member States. It will also be important to have the observations and comments of the business community. BEST was concerned about the pragmatism of the actions which it proposes and suggested practical measures to ensure the effective follow up of its recommendations.
52. BEST suggested a three-point mechanism to ensure appropriate follow up:
- **Each recommendation should be addressed. The Commission and Member States should propose a specific plan with a timetable.**
  - **The Commission should prepare and publish an Annual Report for the European Council which will set out the actions taken by the appropriate decision makers.**
  - **The Commission should set up an "Enterprise Panel" composed mainly of entrepreneurs, to make a periodic evaluation of the progress being made.**

### **Commission's Response and Proposals on Implementation**

53. **It is the Commission's view that the implementation procedure proposed by BEST to introduce practical and effective measures in a coherent framework promoting entrepreneurship is the appropriate way to move forward and very much in line with the mandate from the Cardiff European Council. This Communication and the detailed Action Plan sets out where the Commission will concentrate on issues where there is broad agreement and which are capable now of being put into effect**
54. It is important that all the actors are seen to be making progress, and that there is an evaluation of this progress. It is therefore proposed to establish **performance indicators** of progress made in entrepreneurship policies, to provide an open and transparent indication of that performance throughout the European Union. These performance indicators will be established after consultation with the Member States through the Article 4 Committee.
55. The experience of inviting a group of independent entrepreneurs and public officials as in the BEST Task Force to evaluate existing policies and make suggestions for improvements based on their own experience has proved very positive. The Commission therefore intends to **set up an Enterprise Panel** as proposed by BEST composed mainly of entrepreneurs to produce an independent assessment for the Commission and the Member States about the progress that has been achieved Community wide no later than two years after the adoption of the Action Plan in this Communication.

**The Commission invites the Council and the European Parliament to:**

- 1. Take note of this Communication;**
- 2. Endorse the Action Plan which provides for measures to be taken at appropriate levels - Community wide, nationally and regionally; and**
- 3. Endorse the Commission's proposals for monitoring implementation of specified actions and measures , including an Annual Report which measures progress throughout the European Union on the basis of performance indicators and the setting-up of an Enterprise Panel.**

## ***ACTION PLAN TO PROMOTE ENTREPRENEURSHIP AND COMPETITIVENESS***

<i>Action</i>	<i>Ongoing/ Immediate Action<sup>1</sup></i>	<i>Mid-term Action<sup>2</sup></i>
<b><i>1.1. Education for an entrepreneurial society</i></b>		
<p><b><u>Member States:</u></b></p> <p>National and regional education authorities in co-operation with business organisations are encouraged to:</p> <ul style="list-style-type: none"> <li>• Make changes in curricula to promote enterprise and entrepreneurship;</li> <li>• Encourage SMEs to work in close co-operation with schools and universities;</li> <li>• Set up awards at a local/regional/national level to recognise successful and innovative entrepreneurs and SMEs;</li> <li>• Promote image of entrepreneurship through media campaigns.</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Pilot actions to develop entrepreneurship promotion campaigns including achievement awards such as a European Young Entrepreneurs Prize.</li> </ul>	<p>Dec. 98</p> <p>Dec. 98</p> <p>Ongoing</p>	<p>Dec.99</p> <p>Dec.99</p>

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<sup>1</sup> To start before March 1999

<sup>2</sup> To start after March 1999

<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>1.2. Training</b>		
<p><b><u>Member States:</u></b></p> <ul style="list-style-type: none"> <li>• Develop special entrepreneurship courses.</li> <li>• Adapt training curricula and provisions to the needs of entrepreneurs and employees in SMEs in co-operation with Social Partners.</li> <li>• Encourage SMEs to carry out training by examining appropriate measures, including changes in tax and social security contributions.</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Communication on Training for SMEs, “Learning for Growth” with strategy for future training actions in favour of SMEs and their employees.</li> <li>• Establish a Business Education Network of Europe (BENE) which will link up training organisations providing specialised training in entrepreneurship and enterprise management issues.</li> <li>• Concerted actions with Member States on training needs for start-ups, and SMEs in the growth phase.</li> <li>• Revise Leonardo da Vinci Programme to involve more entrepreneurs and promotion of flexible forms of training.</li> </ul>	<p>Nov 98</p> <p>Oct 98</p> <p>Ongoing</p>	<p>Dec 99</p> <p>Dec 99</p> <p>Dec 99</p> <p>End 99</p>

<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>2.1. Access to finance for smaller enterprises and at an earlier stage</b>		
<p><b><u>Member States:</u></b></p> <ul style="list-style-type: none"> <li>• Consider and improve Loan and Mutual Guarantee Schemes.</li> <li>• Consider new schemes to attract small amounts of capital into smaller enterprises and the craft sector.</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Establish a co-operation agreement with the EIF to make the SME Guarantee Facility operational.</li> <li>• The Third Round Table of SMEs/Banks.</li> <li>• Launch 2<sup>nd</sup> Seed Capital Action (CREA).</li> <li>• Concerted actions with Member States on finance for start-ups and SMEs in growth phase.</li> <li>• Study possibilities of an SME Investment Agency in Europe based on US Small Business Investment Corporation.</li> </ul> <p><b><u>Council/European Parliament:</u></b></p> <ul style="list-style-type: none"> <li>• Adopt the Late Payments Directive.</li> </ul>	<p>Dec 98</p> <p>Dec 98</p> <p>Ongoing</p> <p>Oct 98</p> <p>End 98</p> <p>Ongoing</p> <p>Nov 98</p>	<p>July 99</p>



<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>3.1. Access to research and innovation</b>		
<p><b><u>Member States:</u></b></p> <ul style="list-style-type: none"> <li>• Improve technology transfer;</li> <li>• Encourage (individual) mentoring by e.g. mobilising experienced businessmen;</li> <li>• Foster co-operation between SMEs, academics and large enterprises;</li> <li>• Professionalise and improve transparency of RTD and innovation support networks.</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Set up an Innovation Financing Help-Desk (LIFT) to help establish contacts for access to finance and to exploit research results.</li> <li>• Help regions improve innovation support infrastructures within the framework of RIS/RITTS<sup>3</sup> projects.</li> <li>• Study on creation of networks of technology-based clusters and technopoles.</li> <li>• Identify and disseminate best practice through concerted actions: <ul style="list-style-type: none"> <li>- e.g.Seminar in Helsinki on business support measures for innovative enterprises including incubators and technology parks.</li> </ul> </li> <li>• Implement Innovation Action Plan.</li> </ul>	<p>Dec 98</p> <p>Dec 98</p> <p>Dec 98</p> <p>Dec 98</p> <p>Oct 98</p> <p>Ongoing</p> <p>End 98</p> <p>Ongoing Nov 98</p> <p>Ongoing</p>	

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<sup>3</sup> Regional Innovation Strategies (RIS) and Regional Innovation and Technology Transfer Strategies and Infrastructures (RITTS)

<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>3.2. <i>Make EU RTD development programmes more sensitive to SME requirements</i></b>		
<p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• The 5<sup>th</sup> Framework Programme for RTD will include a horizontal programme, “Promotion of innovation and encouragement of participation of SMEs”: <ul style="list-style-type: none"> <li>- Establish network of NCPs (National Contact Points)</li> <li>- Introduction of single entry points for SMEs</li> <li>- Improved dissemination of information via CORDIS<sup>4</sup></li> <li>- Simplification of application forms</li> <li>- Quicker reaction to proposals</li> <li>-Special measures for SMEs - exploratory awards, and CRAFT<sup>5</sup></li> </ul> </li> </ul>	Ongoing	

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<sup>4</sup> Community Research and Development Information Service

<sup>5</sup> Cooperative Research Action For Technology

<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>3.3. Better use of patents by SMEs</b>		
<p><b><u>Member States:</u></b></p> <ul style="list-style-type: none"> <li>• Extend advisory functions of national patent offices and set up initiatives to train staff and to better inform SMEs of the opportunities of patenting.</li> <li>• Support European Patent Office to further reduce patent fees.</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Proposal for uniform Community Patent.</li> <li>• Set up multilingual IPR Helpdesks to enable businesses to obtain information on protection of intellectual property, technology transfer and licensing.</li> <li>• Round Tables with national patent offices to explore how patent information can be made more accessible to SMEs.</li> </ul> <p><b><u>Council/European Parliament:</u></b></p> <ul style="list-style-type: none"> <li>• Further improve the proposal for a Directive on Utility Models by introducing a time limit by which national authorities should grant utility model protection to applicants.</li> </ul>	<p>Dec 98</p> <p>Oct 98</p> <p>Beg. 99</p> <p>Dec 98</p> <p>Dec 98</p> <p>Dec 98</p>	

<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>4. <i>Improve visibility of support services</i></b>		
<p><b><u>Member States:</u></b></p> <ul style="list-style-type: none"> <li>• Strengthen business services and increase their visibility by integrating information and advice services creating One-Stop-Shops. Set up regular monitoring and evaluation systems.</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Improve the visibility of business support services through the identification of best practice (concerted actions).</li> <li>• Establish the first stage of its Dialogue with Business with the opening of a One-stop Internet Shop containing user-friendly access to Single Market rules, European Info Centres (EICs) and national contact points for business. Encourage feedback from business about the difficulties they encounter with a view to identifying ways to improve the functioning of the Single Market.</li> <li>• Project to create a European directory of web information services for small businesses (SCREEN).</li> <li>• The 5<sup>th</sup> Framework Programme for RTD will include a specific programme on information society technologies with a key action entitled "New methods of work and electronic commerce".</li> </ul>	<p>End 98</p> <p>Ongoing</p> <p>End 98</p> <p>Feb 99</p> <p>Ongoing</p>	

<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>5. <i>Improve public administration</i></b>		
<p><b><u>Member States:</u></b></p> <ul style="list-style-type: none"> <li>• Adopt measures proposed in Commission Recommendation on Business Start-ups.</li> <li>• Establish Business Test Panels.</li> <li>• Benchmarking pilot project , “Licensing, Permits and Authorisations for Industry”</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Monitor and evaluate progress on implementation of Business Start-ups Recommendation, share information about best practice through concerted actions with Member States.</li> <li>• Update Commission guidelines on legislative policy.</li> <li>• Strengthen the Commission’s business impact assessment system.</li> <li>• Introduce new Code of Conduct for Commission officials.</li> <li>• Introduce Recommendation on ways to increase SMEs participation and access to Community programmes, including Structural Funds, R &amp; TD, EIB and EIF.</li> <li>• Communication on improving SMEs participation in Public Procurement.</li> </ul>	<p>End 98</p> <p>End 98</p> <p>Oct 98</p> <p>Ongoing</p> <p>End 98</p> <p>Beg 99</p>	<p>Apr 99</p> <p>Dec 99</p> <p>Jun 99</p>

<i>Action</i>	<i>Ongoing/ Immediate Action</i>	<i>Mid-term Action</i>
<b>6. Improve Employment and Working Conditions</b>		
<p><b><u>Member States:</u></b></p> <ul style="list-style-type: none"> <li>• Introduce flexible employment and working conditions into National Action Plans.</li> <li>• Adopt the Commission's proposal for the SAFE Programme.</li> <li>• Implement Entrepreneurship and Adaptability pillars of the Employment Guidelines.</li> </ul> <p><b><u>Commission:</u></b></p> <ul style="list-style-type: none"> <li>• Present Annual Joint Employment Report evaluating implementation of the Employment Guidelines.</li> <li>• Communication on the Modernisation of the Organisation of Work.</li> </ul>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>99</p> <p>99</p>

# FINANCIAL STATEMENT

## **1 TITLE OF OPERATION**

ACTION PLAN TO PROMOTE ENTREPRENEURSHIP AND COMPETITIVENESS

## **2 BUDGET HEADING INVOLVED**

B5-512: STIMULATION OF SMALL AND MEDIUM-SIZED ENTERPRISES  
B3-1021: LEONARDO DA VINCI  
B6-731: DISSEMINATION AND EXPLOITATION OF RESULTS (RTD)  
B6-63: PROMOTION OF INNOVATION AND ENCOURAGEMENT OF  
PARTICIPATION OF SMES

## **3 LEGAL BASIS**

COUNCIL DECISION OF 9 DECEMBER ESTABLISHING THE THIRD MULTIANNUAL PROGRAMME FOR SMES (1997-2000), OJ, L 6/25 OF 10.01.97

## **4 DESCRIPTION OF OPERATION**

ACTION PLAN WITH TIMETABLE FOR APPROPRIATE AUTHORITIES TO INITIATE ACTION TO PROMOTE ENTREPRENEURSHIP AND COMPETITIVENESS EITHER AT A COMMUNITY, NATIONAL OR REGIONAL LEVEL.

### **4.1 General objective.**

To promote entrepreneurship and competitiveness in the European Union.

### **4.2 Period covered and arrangements for renewal.**

THE MEASURES FORESEEN IN THE ACTION PLAN ACCOMPANYING THE COMMUNICATION ARE COVERED BY BUDGETARY SUCH AS B5-512 COVERING THE THIRD MULTINANNUAL PROGRAMME FOR SMES, OR B 6 COVERING THE 4<sup>TH</sup> AND 5<sup>TH</sup> FRAMEWORK PROGRAMME FOR RTD AND B 3-1021 COVERING THE LEONARDO PROGRAMME.

## **5 CLASSIFICATION OF EXPENDITURE OR REVENUE**

### **5.1 Non-compulsory**

### **5.2 Differentiated appropriations**

## 6 TYPE OF EXPENDITURE OR REVENUE

- *Subsidy for joint financing with other sources in the public and/or private sector*
- *Service contract*

## 7 FINANCIAL IMPACT

### 7.1 Method of calculating total cost of operation (relation between individual and total costs).

Call for tenders and call for proposals

### 7.2 Itemised breakdown of cost.

<i>Action</i>	<i>Amount Mecu</i>	<i>Budget Year</i>	<i>Budget line</i>
<ul style="list-style-type: none"><li>• Pilot actions to develop entrepreneurship promotion campaigns including achievement awards such as a European Young Entrepreneurs Prize.</li></ul>	0.200	1998	B5-512
<ul style="list-style-type: none"><li>• Communication on Training for SMEs, "Learning for Growth" with strategy for future training actions in favour of SMEs and their employees.</li></ul>	2.000	1999	B5-512
<ul style="list-style-type: none"><li>• Establish a Business Education Network of Europe (BENE) which will link up training organisations providing specialised training in entrepreneurship and enterprise management issues.</li></ul>	1.500	1998	B5-512
<ul style="list-style-type: none"><li>• Revise Leonardo da Vinci Programme to involve more entrepreneurs and promotion of flexible forms of training.</li></ul>	1000	2000-2005	B3-1021

<i>Action</i>	<i>Amount Mecu</i>	<i>Budget Year</i>	<i>Budget line</i>
<ul style="list-style-type: none"> <li>• The Third Round Table of SMEs/Banks.</li> </ul>	0.330 0.150	1998 1999	B5-512
<ul style="list-style-type: none"> <li>• Launch 2<sup>nd</sup> Seed Capital Action (CREA).</li> </ul>	2.500 2.500	1998 1999	B5-512
<ul style="list-style-type: none"> <li>• Study possibilities of an SME Investment Agency in Europe based on US Small Business Investment Corporation.</li> </ul>	0.100	1999	B5-512
<ul style="list-style-type: none"> <li>• Project to set up networks putting together Business Angels and entrepreneurs wanting to start-up businesses.</li> </ul>	0.070 0.265	1998 1999	B5-512
<ul style="list-style-type: none"> <li>• Self-assessment guide for SMEs to measure their suitability to seek access to the stock market.</li> </ul>	0.100 0.090	1998 1999	B5-512
<ul style="list-style-type: none"> <li>• Implement Action Plan for Innovation This includes: <ul style="list-style-type: none"> <li>- Set up an Innovation Financing Help-Desk (LIFT).</li> <li>- Help regions improve innovation support infrastructures within the framework of RIS/RITTS projects.</li> <li>- Set up multilingual IPR Helpdesks.</li> <li>- Round Tables with national patent offices</li> </ul> </li> </ul>	356	1994-1998	B 6-731
<ul style="list-style-type: none"> <li>• The 5<sup>th</sup> Framework Programme for RTD will include a horizontal programme, "Promotion of innovation and encouragement of participation of SMEs": Actions to improve access to Programme: <ul style="list-style-type: none"> <li>- Establish network of NCPs (National Contact Points)</li> <li>- Introduction of single entry points for SMEs</li> <li>- Improved dissemination of information via CORDIS- Simplification of application forms</li> <li>- Quicker reaction to proposals</li> <li>-Special measures for SMEs –</li> <li>-Exploratory awards, and CRAFT</li> </ul> </li> </ul>	350	1999-2002	B6-631

<i>Action</i>	<i>Amount Mecu</i>	<i>Budget Year</i>	<i>Budget line</i>
<ul style="list-style-type: none"> <li>• Study on creation of networks of technology-based clusters and technopoles.</li> </ul>	0.300	1998	B5-512
<ul style="list-style-type: none"> <li>• Identify and disseminate best practice through concerted actions (training, finance support services): <ul style="list-style-type: none"> <li>- e.g. Seminar in Helsinki on business support measures for innovative enterprises including incubators and technology parks.</li> </ul> </li> </ul>	0.270 0.545	1998 1999	B5-512
<ul style="list-style-type: none"> <li>• Improve the visibility of business support services through the identification of best practice (concerted actions).</li> </ul>	0.300 0.200	1998 1999	B5-512
<ul style="list-style-type: none"> <li>• Establish the first stage of its Dialogue with Business with the opening of a One-stop Internet Shop containing user-friendly access to Single Market rules, European Info Centres (EICs) and national contact points for business.</li> </ul>	0.150 0.725	1998 1999	B5-512
<ul style="list-style-type: none"> <li>• Project to create a European directory of web information services for small businesses (SCREEN).</li> </ul>	0.200	1998	B5-512
<ul style="list-style-type: none"> <li>• Monitor and evaluate progress on implementation of Business Start-ups Recommendation, share information about best practice through concerted actions with Member States.</li> </ul>	0.250	1999	B5-512

## 8 FRAUD PREVENTION MEASURES

The checking before payment of subsidies or of the delivery of services and studies ordered and carried out by Commission services, taking into account the contractual obligations and the principles of economy and sound financial and global management. Anti-fraud mechanisms (controls, delivery of reports, etc....) are mentioned in all the agreements and contracts concluded between the Commission and the beneficiaries of the payments.

## **9 ELEMENTS OF COST-EFFECTIVENESS ANALYSIS**

### **9.1 Specific and quantified objectives; target population.**

To carry out actions to promote entrepreneurship and competitiveness in Europe with particular regard to new approaches in education, training and the workplace; access to finance and helping innovation; and better public administration.

### **9.2 Grounds for the operation.**

The Commission is committed to a policy, which promotes entrepreneurship as an essential part of improving competitiveness, to generate growth and create jobs.

### **9.3 Monitoring and evaluation of the operation.**

Performance indicators will be established after consultation with the Member States through the Article 4 Committee.