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COMMUNICATION FROM THE COMMISSION

Challenges for enterprise policy in the knowledge-driven economy

Proposal for a

COUNCIL DECISION

**on a Multiannual Programme for Enterprise and
Entrepreneurship (2001-2005)**

(presented by the Commission)

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1. INTRODUCTION

The European Union is confronted with a quantum leap stemming from globalisation and the new knowledge-driven economy. This was the key message of the Lisbon European Council, where the Union set itself a new strategic goal for the next decade *to become the most competitive and dynamic knowledge-driven economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.*

This goal can be achieved only by making Europe more entrepreneurial and innovative. Jobs in the new economy will primarily be created by vibrant small and medium-sized enterprises – both in the e-economy proper and in the more traditional sectors of the economy, especially in services. The impact of the internet and electronic business will cut across all sectors.

This calls for a systematic approach to foster entrepreneurship in the new economy. First, we must encourage risk-taking and the spirit of enterprise. Second we need to build a dynamic enterprise environment in which companies can be created, grow and innovate, supported by risk capital and an effective innovation and research policy. Third, we have to ensure that our enterprises have effective access to markets, both internal and global, in which to sell their products and services.

This communication sets out the challenges to be faced by enterprise policy over the next five years. By overcoming them, the EU will achieve what President Prodi, in his contribution to the Lisbon European Council, referred to as Enterprise Europe. Further, it presents the Multiannual Programme for Enterprise and Entrepreneurship 2001-2005, which provides for a framework of actions in support of these objectives.

A successful enterprise policy is essential to achieve sustainable development. The new open method of co-ordination, which was initiated by the Lisbon European Council, implies a co-ordinating role for the European institutions, using benchmarking methodology and an effective monitoring of progress to ensure a more coherent strategic direction. On the basis of the principles outlined in this Communication, the Commission will identify indicators and propose more specific targets and dates in the second semester of 2000, in the context of the forthcoming benchmarking exercise.

These different actions which seek to improve the competitiveness of enterprises and stimulate entrepreneurship must be integrated in the coordination process of structural reforms. In particular, these actions must be coherent with the priorities identified in the broad

economic policy guidelines (BEPG) which play a central role in the coordination of economic policies between the Member States.

The present communication should be seen in the light of the Commission's overall commitment to sustainable development and in the specific context of four other related and forthcoming initiatives of the Commission:

- the comprehensive eEurope Action Plan, by June 2000;
- the benchmarking exercise on entrepreneurship and innovation, to be launched by June 2000, first results presented by December 2000;
- the European Charter for Small Enterprises, to be endorsed by June 2000;
- a review of EU financial instruments to redirect EU funding towards high tech start-ups and other risk capital initiatives.

2. CHALLENGES FOR EUROPEAN ENTERPRISE POLICY

2.1. Entrepreneurship is the key to the new economy

Enterprise Europe requires a revolution in our culture and attitudes towards entrepreneurship.

Europe must re-examine its attitude to risk, reward and failure. Thus, **enterprise policy must encourage policy initiatives that reward those who take risks**. Europe is often reluctant to give another chance to entrepreneurs who failed. Enterprise policy will examine the conditions under which failure could acquire a less negative connotation and it could be acceptable to try again. It will encourage Member States to **review bankruptcy legislation** to encourage risk-taking.

Education for entrepreneurship is another driver towards a more dynamic enterprise culture. General knowledge about business and entrepreneurship needs to be taught, right through primary, secondary and tertiary education. Enterprise policy will aim at making specific enterprise and business-related modules or programmes an essential ingredient of education schemes at secondary level and at colleges and universities. For a scientist or an engineer, being able to draft a business plan should be as natural as doing a scientific experiment or writing a theoretical article. Entrepreneurship education should also include the development of a culture of service towards customers.

Boosting start-ups rates and the chances for new firms to survive and grow is an important goal. To expand the population of entrepreneurs, enterprise policy will aim at improving the start-up rate among women, young people and unemployed, encouraging networks and customer orientation. It will also analyse and promote new forms of entrepreneurship.

Entrepreneurs need finance to translate ambitions into reality. Equity finance for SMEs is still largely underdeveloped in Europe. **Enterprise policy will promote better SME access to finance and encourage innovative approaches**. It will address market failures in the provision of seed and early stage financing and micro-loans. It will focus on weak points in the financing cycle in order to strengthen the whole. **A current review of the Community financial instruments will assess their contribution to growth and employment**. Experience outside the EU, in particular in the US, in seed capital, early stage finance, and going public, will be examined, to establish benchmarks and identify shortcomings in Europe

as to the creation and development of viable innovative businesses and hence the creation of jobs.

2.2. Promoting an innovative business environment

Innovation is a critical process in a modern knowledge-driven economy. **Enterprise policy will study all elements capable of creating a climate favourable to the creation and growth of innovative enterprises**, notably SMEs, which often have problems in applying the latest knowledge. It will seek to facilitate the access of businesses to new technologies and examine the conditions that could encourage public-private partnerships and spin-offs. It will **foster an innovation and research culture in the economy and society**, establishing a framework conducive to innovation and linking research and innovation more effectively. The creation of a European Research Area, with better networking of existing centres of excellence, more coherence between national and European research, greater mobility of researchers, and a European dimension to scientific careers, will help meet these challenges.

The Commission will work to identify and remove barriers to innovation and change. For instance, adequate protection of intellectual property rights is essential to ensure a climate that is conducive to innovation, creativity and investment. Internal Market rules in this field should foster a pro-competitive environment and at the same time achieve a careful balance of all the interests involved. **The adoption of the Community Patent and other instruments**, as agreed at the Lisbon Summit, is essential.

Another barrier to innovation and change is shortage of skilled workers, such as informatics and telecoms engineers. This may hinder the creation or development of new enterprises. **The reform of education and vocational training systems** to correct this situation will meet a goal of enterprise policy.

2.3. Stimulating new business models in the e-economy

Realising Europe's full e-potential was identified by the Lisbon European Council as a key objective. Its achievement depends on providing the conditions for electronic commerce and the internet to flourish, hooking up many more businesses and homes to the internet via fast connections, so that the Union can catch up with its competitors. **The new economy will change everybody's work**, affecting the flow of new ideas into enterprises, their management, organisation and procedures.

E-commerce is very much about **electronic business between companies**, that is **business to business e-commerce (B2B)**. B2B e-commerce currently makes up 85% of all e-commerce in Europe. It will have a profound impact on all sectors of the economy, including the traditional ones.

While e-commerce from business to consumers will be characterised by evolution, **e-commerce from B2B will be marked by revolution**. It will affect the whole supply chain, including subcontracting, procurement, product development, marketing, logistics and distribution. In other words, the impact of e-business is not limited to the "internet companies" but **requires new business models from each and every enterprise**.

Generally in Europe, SMEs are still too hesitant about electronic commerce. It is essential to enable and to encourage European SMEs to exploit e-business. **Enterprise policy can encourage best practice and the widespread take-up of successful business models**.

2.4. Getting still more from the internal market

The Internal Market has been one of the EU's great successes. It has been the main instrument for ensuring that European enterprises have wide access to markets. Its results have spilled over into the global market.

Yet despite the progress in market access in the last fifteen years, there are still far too many obstacles and unnecessary costs put in the way of enterprise in the European internal market. And there is **progress to be made, in areas such as gas, electricity, transport and postal services**. The Lisbon European Council pinpointed such areas.

The Strategy for Europe's Internal Market sets out the actions needed. This Strategy is reviewed each year to ensure continuous progress. The first review will address the issues highlighted by the European Council and address such issues as the development of on-line procurement, which is a necessary condition for European e-commerce to flourish and to enhance job creation.

2.5. Cutting red tape

Another challenge is cutting red tape. This means making both existing and future regulations as light and as simple as possible, consistent with achieving their public policy goals. Essentially, the European Union must "think small first" to avoid undue burdens on business. Thinking small first assumes that **regulation which is right for small firms can be handled by all firms, but the reverse is not true**.

What applies to the EU applies also to the Member States. The Commission, working with the Council and the Parliament, must ensure that EU regulation meets stringent standards. The Commission wants to see the Member States do the same.

The time has come to take a radical approach. **The whole *acquis* needs to be evaluated on the basis of experience in operation**. Five years is a challenging, but broadly achievable time in which to do this.

Where new measures are proposed, they will be subject to **improved business impact assessment**. What has been lacking in the past in the Commission is **not intention but clout**. In the US, the Office of Management and Budget of the White House has the authority to stop legislation and to insist that a cost-benefit analysis be made. The Commission will make a committed effort to let business impact assessment have a concrete impact on legislation by scrutinising it **at the highest political level**.

The Commission will insist that **legislative proposals can only be adopted if business impact has been properly assessed prior to launching the proposal**.

2.6. New methods of coordination: benchmarking, monitoring and concerted actions

The Lisbon European Council identified benchmarking as an essential element of the new open method of co-ordination. It called on **the Council and the Commission to launch, by June 2000, a major benchmarking exercise, whose first results should be presented by December 2000**.

Benchmarking, peer review, seminars and conferences are all methods directed to **identifying and exchanging good practice**. As requested by the Council, the Commission will integrate its work on good practice. In the enterprise field, it will do so under the title "**BEST**

Procedure”. It will co-ordinate this with the benchmarking and other good practice activities in related policy areas, such as research, education, environment, vocational training and economic and employment policy.

The BEST Procedure will:

- identify issues through scoreboards and the Competitiveness Report;
- involve the Member States and other interests. The Charter for small firms, announced at Lisbon, to be endorsed in June 2000, should ensure real commitment where the results will be important for SMEs;
- use benchmarking, peer review, or other concerted actions, as appropriate, to identify and exchange good practice;
- report to the Council and the European Council on the results;
- monitor and follow up recommendations, to ensure real progress.

Benchmarking goes beyond traditional analysis of competitiveness. While traditional analysis can identify performance gaps, benchmarking focuses on why these differences in performance have occurred. It identifies the processes that lead to better performance. It also provides an environment in which changes can be implemented and their success evaluated.

A programme will be launched **to benchmark the performance of Member States’ policies on entrepreneurial activity, innovation and access to markets and so to improve the framework conditions for enterprise**. Further exercises will target the industry-research interface and the skills needed by industry for the information society. A project to **identify and take over best innovation practices** is already in the pipeline, in cooperation with the Member States. It will set up **scoreboards, peer reviews and benchmarking studies**, while establishing **a platform for co-ordination with policy makers in the Member States**. The project will target innovation finance, development of innovative businesses, protection of technology and promotion of technology transfer.

Concerted actions provide a practical, flexible and **effective way for the Commission and Member States to work together in order to improve competitiveness through the exchange of best practice**. This in turn provides a frame of reference for establishing consensual benchmarks. As well as building on past actions to improve the regulatory environment for start-ups and business support services, **concerted actions will develop a new focus on areas such as training for entrepreneurship**.

Benchmarking and concerted actions are two interrelated methods of making serious progress on competitiveness. They will provide pillars for the Commission’s activity in enterprise policy in the coming period.

2.7. Summary

Enterprise policy needs to address the entire business environment to enable enterprises, whatever their size, their legal form, sector or location, to grow and develop in a way that is compatible with the overall EU goal of sustainable development. In Enterprise Europe, anyone with a commercially feasible idea should be able to realise it in the best business conditions, with access to the best research and technology, and then deliver it, by the best possible means, to the appropriate market.

3. THE MULTIANNUAL PROGRAMME FOR ENTERPRISE AND ENTREPRENEURSHIP 2001-2005

3.1. Introduction

The EU must meet the challenges for enterprise policy in the knowledge-driven economy, if it is to achieve Enterprise Europe by 2005. Major goals for enterprise policy have been set out above.

The Multiannual Programme for Enterprise and Entrepreneurship constitutes a major instrument for the pursuit of these goals during the next five years. Activities launched under the programme will pay particular attention to small and medium sized enterprises, which have a central role to play in the achievement of Enterprise Europe.

On the basis of analysis of business needs and discussion with the Member States and the business community, the Commission has identified five objectives for the Multiannual Programme, which translate the general objectives of enterprise policy into a specific programme of activity tailored to the needs of small and medium-sized enterprises.

Policy development, the development of financial instruments and information support services will be the main activities covered by the Multiannual Programme for Enterprise and Entrepreneurship. Policy development will be implemented by the new BEST procedure (benchmarking, concerted actions, peer review, seminars, conferences, exchange of best practice), as outlined in Annex 1. It will be supported by statistical work and analysis (to establish indicators and strengthen policy development), studies and reports (including the European Observatory for SMEs).

The Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) will build on the experience of the 3rd Multiannual Programme for SMEs in the European Union (1997-2000)¹ and the independent evaluation carried out on that Programme. Its overall aim is to contribute to the achievement of Enterprise Europe. Further, it will do so in a way that is compatible with the announced re-orientation of Commission activity, away from small financial interventions, whose management is incompatible with the constraints of Commission resources, towards a focus on larger scale activities and policy development.

3.2. Experience with the 3rd Multiannual Programme for SMEs in the European Union (1997-2000)

The 3rd Multiannual Programme provided for action under 6 main headings. These were:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation services;
4. Enhance SME competitiveness and improve access to research, innovation and training;

¹ Council Decision 97/15/EC of 9 December 1996, OJ L 6 of 10.1.1997, p. 25ff.

5. Promote entrepreneurship and support target groups;
6. Improve SME policy instruments.

These main headings were further subdivided to provide for more detailed headings. An annual work programme and activity report provided a framework for their implementation, where the Commission was assisted by a management committee of the Member States (the 'Article 4 Committee').

An independent evaluation was presented to the Commission in April 1999. It covered actions undertaken in 1997, 1998 and the first part of 1999. It focused on the quality of design and approach of actions, their quantitative and qualitative impact and their cost effectiveness, taking account of results achieved.

The evaluation made a number of recommendations with a view to achieving increased efficiency and cost-effectiveness. The need for actions to be well focused and to provide added value in terms consistent with the available resources was a general theme. In a detailed review of all actions undertaken, it argued in particular that **policy development** was under-resourced and should be integrated with priority themes. Actions in support of the identification of good practice, such as **concerted actions**, the **Round Table of Bankers** and the Business Environment Simplification Task Force (**BEST**) were regarded as successful models which could be further developed. Further, the Programme was supporting too many **small pilot projects and actions**, which made only a limited contribution to policy development. While the large scale support of **Euro Info Centres** was believed to have a strong impact, both qualitatively and quantitatively, their number could be reduced and they could be better integrated into national SME support agencies.

The Commission responded in some detail to this evaluation with its Report of June 1999². Overall, it welcomed the conclusions and provided for them to be taken into account, either in the continued management of the 3rd Multiannual Programme for SMEs, or in subsequent proposals.

3.3. Consultation

The Commission has consulted with the Member States, including the members of the management committee for the implementation of the 3rd Multiannual Programme for SMEs, and with the European business and professional organisations, in preparing the Multiannual Programme for Enterprise and Entrepreneurship.

3.4. Constraints on the Commission's management capacity

In the meantime, there have been important developments in the declared policy of the Commission regarding its financial interventions. In particular, it has repeatedly made clear its determination, in response to criticism expressed by the Court of Auditors and the European Parliament, to limit its interventions strictly to those for which it has adequate management capacity. It has made clear that this implies a determination to withdraw from small actions whose effect, while positive, is too small to justify the use of scarce management resources.

² Report on the evaluation of the 3rd Multiannual Programme for SMEs in the European Union (1997-2000) COM (1999) 319 final, 29.6.1999.

3.5. Objectives of the Multiannual Programme for Enterprise and Entrepreneurship

In the light of the challenges outlined earlier in this Communication, the experience of previous Programmes and discussion with the Member States, five main objectives have been identified. This represents a narrowing of the focus, compared with the 3rd Multiannual Programme for SMEs.

Thus, referring to the headings of the 3rd Multiannual Programme for SMEs, the first has been adapted to take account of the Amsterdam Treaty (sustainable development) and the challenges described in sections 2.1 and 2.2 above (innovation and entrepreneurship). The second is maintained. The third is re-oriented and limited in scope, to focus on the provision of support networks and services and steer away from internationalisation. The fourth is continued, but the particular emphasis on the knowledge-based economy reflects the challenges set out in section 2. The fifth is re-oriented to target the challenges mentioned under 2.1 and to reduce the emphasis on support for specific sectors and groups. The sixth is superfluous, since policy development, which is emphasised under 3.6, will be pursued across all headings. The re-ordering of the headings reflects their logic, but is without impact on their content.

The Programme places particular emphasis on those areas where enterprise policy faces its main challenges in the coming period, although it is somewhat broader in its scope than the issues outlined earlier. This is because that part of the paper focused on what was new. There are, of course, plenty of continuing issues to be examined. The objectives are to:

1. Promote entrepreneurship as a valuable and productive life skill, based on customer orientation and a stronger culture of service;
2. Encourage a regulatory and business environment that takes account of sustainable development, and in which research, innovation and entrepreneurship can flourish;
3. Improve the financial environment for SMEs;
4. Enhance the competitiveness of SMEs in the knowledge-based economy;
5. Ensure that business support networks and services to enterprises are provided and co-ordinated.

3.6. Instruments of the Multiannual Programme for Enterprise and Entrepreneurship

For the reasons outlined above, the Commission has decided to restrict its interventions under the Programme. Of existing instruments, only those that were positively evaluated under the 3rd Multiannual Programme for SMEs and whose continuation is compatible with its declared policy on limiting its financial interventions, are included. In particular, it has had regard to their scale and the breadth of their impact.

The Commission will focus its activities under the Multiannual Programme for Enterprise and Entrepreneurship under a small number of headings. These will be used to:

1. Support policy development through identification, exchange and implementation of good practice;
2. Ensure that the needs of SMEs are fully taken into account;

3. Develop statistical and technical understanding of the needs of business, especially SMEs, in support of policy;
4. Distribute and diffuse studies and other information in support of the above;
5. Ensure the information support of SMEs.

This implies that a number of actions which, in themselves, can be considered as having been successful, will be discontinued. The Commission considers that a number of such actions, which were favourably evaluated in 1999, have shown their worth. It invites those who benefit from them, including the Member States, to explore ways in which they could be developed and continued. To cite but one example, *Interprise* was favourably evaluated, as meeting a real need and achieving good results in a cost-effective way. However, the average participation at *Interprise* events was 100 firms in 1999. Despite its benefits for those involved, the Commission cannot justify the continued allocation of its scarce resources to benefit such a small number of SMEs. It is time for others to carry this good work forward.

3.6.1. Support of policy development through identification, exchange and implementation of good practice

The exchange of good practice has become a focal area for the contribution of the EU in enterprise policy. It offers a means by which the EU can add value to the work of the Member States without raising issues of subsidiarity. Developments of methods such as benchmarking and programmes of activities such as the concerted actions, using seminars, peer group assessment, conferences and other means have been well received. It is in the light of their success that the European Council reacted favourably to the Commission's suggestion, and called for a much wider benchmarking activity than had previously been undertaken.

The Commission intends to re-organise and integrate its activities in the field of good practice in the field of enterprise policy, under the title BEST Procedure³. In doing so, it will provide a coherent framework within which to manage a growing range of projects, using different methodologies.

The stages of the procedure are outlined in the chart and diagram at Annex 1.

3.6.2. Ensure that the needs of SMEs are fully taken into account

Business Impact Assessment has a major role to play in ensuring that the needs of SMEs are given explicit consideration in regulation and other aspects of the business environment.

There is a need to develop better sources of finance for SMEs, addressing gaps in the market and focusing on the reasons which have contributed to the failure of the market to meet particular needs. Measures will be developed to address the problem of gaps in the market.

³ The existing BEST Action Programme monitors and reports on the implementation of measures which were identified by the Business Environment Simplification Taskforce. The Commission is proposing to extend and re-orient this work. The acronym will no longer be relevant.

3.6.3. Develop statistical and technical understanding of the needs of business, especially SMEs, in support of policy

With reference to the European Statistical System, the Commission will procure statistical surveys and analyses to provide a clear picture of the business environment and the problems which business faces. Continued development, starting from existing instruments, is necessary as a support to the policy debate in all the fields covered by the Multiannual Programme for Enterprise and Entrepreneurship. At present, the development of scoreboards to highlight scope for exchange of good practice and the use of benchmarking is inhibited by lack of adequate data.

3.6.4. Distribute and diffuse studies and other information

The development of policy and the identification of good practice sets a premium on efficient distribution of information to potential beneficiaries. Reports, studies, analyses and recommendations will be given the widest possible diffusion.

3.6.5. Ensure the information support of SMEs

Information and business support services are of increasing importance to enterprises wishing to compete in the Internal Market and beyond. Existing arrangements, which give a special role to Euro Info Centres, will be developed and improved. The Multiannual Programme for Enterprise and Entrepreneurship will be used to provide an added value not available from services offered by the private sector or the Member States. Complementary links with other tools operated by Commission services, Member States and the private sector will be strengthened.

3.7. Co-ordination with other Programmes

The programme will be co-ordinated with existing programmes such as the 5th Framework Programme for Research, Technological Development and Demonstration Activities⁴, actions supported by the programme for the promotion of innovation and encouragement of SME participation⁵, and actions targeted at SMEs under the structural funds. It will also take account of the establishment of the European Research Area.

3.8. Increasing internationalisation

Participation in the activities of the Multiannual Programme will help prepare enterprises and entrepreneurs in the candidate countries for membership of the European Union. The Multiannual Programme will operate in more than 30 countries⁶, meeting the needs of the Member States, the European Economic Area and the candidate countries.

3.9. Specification of actions

The needs of enterprise and entrepreneurship are constantly changing. Therefore, although the objectives to be achieved will remain valid for the duration of the Programme, specific

⁴ Decision no. 182/1999/EC of the European Parliament and of the Council of 22 December 1998, OJ L 26 of 1.2.1999, p. 1.

⁵ Council Decision 1999/172/EC of 25 January 1999, OJ L 64 of 12.3.1999, p. 91.

⁶ The 18 Member States of the European Economic Area (the 15 European Union Member States, Iceland, Liechtenstein and Norway); plus the candidate countries for membership of the European Union.

actions in connection with these objectives will need to be decided periodically. For example, while the use of benchmarking in support of the entrepreneurship objective will be continuous, the more precise specification of funding for projects should be decided in the light of developments. This will be done through measures adopted by the Commission after obtaining the opinion of the management committee of the Programme. The adoption of a detailed annual programme, in this way, is envisaged. However, this need not exclude measures that would, for example, provide for a specific action to be undertaken over a number of years.

In view of the decision on comitology⁷, laying down procedures for the exercise of implementation powers conferred on the Commission, it is appropriate for these measures to be adopted following the management committee procedure.

Nevertheless, such measures are not necessary for preparatory work on statistics and analysis, or for the diffusion of the results of actions. The Commission would, of course, keep the committee informed about the general nature of its activities in these fields.

The actions would also have to be carried out within the limits of appropriations included for this purpose in the budget.

3.10. Reporting and evaluation

This programme focuses on a small number of priority objectives, targeted on actions that must be cost-effective and have clear added value at European level. Evaluation of actions undertaken will take place as a matter of course. Performance indicators will be established, so that an objective evaluation of actions can be carried out throughout the duration of the programme.

The Programme foresees a report by the Commission by the end of June 2003. This could draw attention to any necessary adjustments for the remainder of the Programme. If necessary, the Commission could make appropriate proposals.

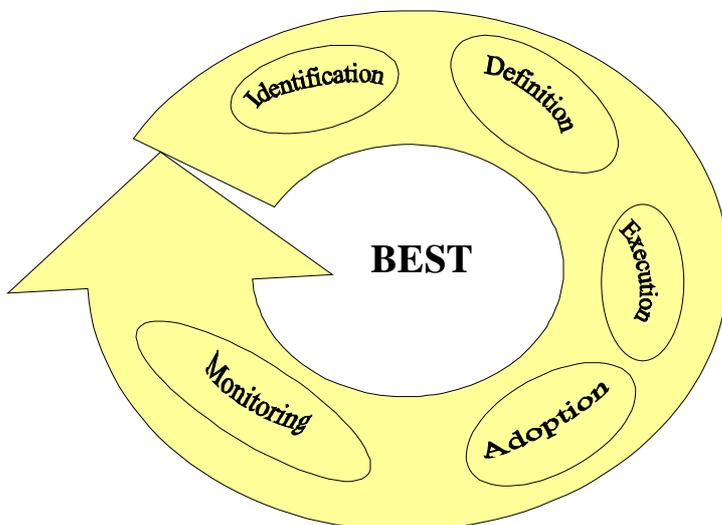
⁷ Council Decision of 28 January 1999, OJ L 184 of 17.7.1999, p. 23ff.

Annex 1

BEST PROCEDURE

1	Identify new policy issues					
	Identify issues where there is need for better performance, using a Scoreboard and the Competitiveness Report					
2	Define and adopt projects					
	Discussion with business and Member States, leading to detailed mandates to <i>ad hoc</i> groups to carry out analysis using benchmarking, concerted action, or other appropriate means.					
3	Execution of projects					
	<table border="1"> <tr> <td>Project 1</td> <td>Project 2</td> <td>...</td> <td>...</td> <td>Project n</td> </tr> </table>	Project 1	Project 2	Project n
Project 1	Project 2	Project n		
4	Adopt conclusions and recommendations					
	Conclusions and recommendations of the individual project groups should be adopted and reported by appropriate means. These could include Recommendations of the Commission, or reports to the Council. An annual report should be prepared for the European Council.					
5	Monitor implementation					
	The Scoreboard and the bilateral meetings with Member States currently used under the BEST Action Plan offer the means to follow-up on commitments. Remarkable success or failure could lead to new policy issues for a later round (the return loop).					

The BEST Cycle



Proposal for a

COUNCIL DECISION

on a Multiannual Programme for Enterprise and Entrepreneurship (2001-2005)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 157, paragraph 3 thereof,

Having regard to the proposal from the Commission⁸,

Having regard to the opinion of the European Parliament⁹,

Having regard to the opinion of the Economic and Social Committee¹⁰,

Having regard to the opinion of the Committee of the Regions¹¹,

Whereas:

- (1) The importance of enterprise and entrepreneurship for the achievement of Community objectives and the difficulties faced by enterprises and entrepreneurs have been the subject of a number of Communications, Decisions and reports¹², and most recently of the Communication "*Challenges for enterprise policy in the knowledge-driven economy*"¹³. These have identified major areas for action at Community level.

⁸ OJ C ..., ..., p. ...

⁹ OJ C ..., ..., p. ...

¹⁰ OJ C ..., ..., p. ...

¹¹ OJ C ..., ..., p. ...

¹² For example, Communication on an Integrated Programme for Small and Medium-sized Enterprises (SMEs) and the craft sector (COM (1996) 329); Report of the Business Environment Simplification Task Force (BEST), vols. I and II, 1998; Communication on Fostering Entrepreneurship and Competitiveness (COM (1998) 550 final); Recommendation on improving and simplifying the business environment for business start-ups (OJ L 145, 5.6.1997, p. 29); Communication to the Council on Fostering Entrepreneurship in Europe: Priorities for the Future (COM (1998) 222 final); Report on the co-ordination of activities in favour of SMEs and the craft sector (COM (1997) 610 final); Decision on measures of financial assistance for innovative and job-creating small and medium-sized enterprises (OJ L 155, 29.5.1999); Communication on the transfer of small and medium-sized enterprises (OJ C 93, 28.3.1998, p. 2); Communication on European capital markets for small and medium-sized enterprises (COM (1997) 187); Communication on risk capital: a key to job creation in the European Union (SEC (1998) 552 final); Report on concerted action with the Member States in the field of enterprise policy (COM (1999) 569 final); Communication on the competitiveness of European enterprises in the face of globalisation (COM (1998) 718 final); Report of the Industry Council of 9.11.1999 on the integration of sustainable development and enterprise policy.

¹³ Commission Communication of [5 April 2000]

- (2) Small and Medium-sized enterprises (SMEs) make a significant contribution in terms of competitiveness, research, innovation and employment and face particular problems;
- (3) Action is required to help overcome these difficulties. A series of Programmes, particularly the 3rd Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997-2000)¹⁴, which expires on 31 December 2000, have provided a framework for such action;
- (4) On 29 June 1999, the Commission reported in its Communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions¹⁵ on the external evaluation of the 3rd Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997-2000);
- (5) On 9 November 1999, the Council approved a report on the integration of sustainable development and enterprise policy in the European Union;
- (6) It is necessary to adopt a further programme for the period beginning 1 January 2001 and to ensure that enterprise policy is endowed with sufficient resources to attain its objectives. The new programme should be targeted to meet a limited number of objectives;
- (7) The possibility for the Commission to undertake actions in related areas under other measures which constitute a legal base should not be prejudiced by this Decision;
- (8) Measures providing for specific activities should be adopted by the Commission. Statistical work and analysis in preparation for such measures and the diffusion of the results of activities should be undertaken by the Commission under its own responsibility;
- (9) Since the measures necessary for the implementation of this Decision are management measures within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999¹⁶ laying down the procedures for the exercise of implementing powers conferred on the Commission, they should be adopted by use of the management procedure provided for in Article 4 of that Decision.
- (10) This Decision constitutes the legal basis for specific complementary measures which are not part of other Community policies and which cannot be better carried out at Member State level;
- (11) The Commission has adopted a Communication entitled "Towards a European Research Area"¹⁷;
- (12) The additional protocols to the Association Agreements concluded with the countries of Central and Eastern Europe provide for participation of those countries in Community programmes;

¹⁴ Council Decision 97/15/EC of 9 December 1996, OJ L 6 of 10.1.1997, p. 25ff.

¹⁵ COM (1999) 319 final.

¹⁶ OJ L 184, 17.7.1999, p. 23.

¹⁷ COM (2000) 6 final.

- (13) Provision should also be made for participation by Cyprus, Malta and Turkey in the framework of the Association Agreements concluded with those countries;
- (14) It is recognised that the European business support networks are important to the implementation of Community policy and that their management and daily activities require that the Commission services be supported by external professional and specialised expertise housed in an appropriate infrastructure.

DECIDES:

Article 1

A programme for Community policy for enterprise and entrepreneurship, in particular for small and medium-sized enterprises (SMEs), is adopted for a period of five years from 1 January 2001.

Article 2

1. The programme shall have the following objectives:
 - a) To promote entrepreneurship as a valuable and productive life skill, based on customer orientation and a stronger culture of service;
 - b) To encourage a favourable climate that takes account of sustainable development, and in which research, innovation and entrepreneurship can flourish;
 - c) To improve the financial environment for SMEs;
 - d) To enhance the competitiveness of SMEs in the knowledge-based economy.
 - e) To ensure that business support networks and services to enterprises are provided and co-ordinated;
2. Concerted actions and benchmarking will be used in support of the objectives listed in Article 2(1).

Article 3

1. Measures for the implementation, under this programme, of the objectives listed in Article 2 will be adopted in accordance with the provisions set out in Article 4.
2. With reference to the European Statistical System, statistical work and analysis for the implementation of the programme and the dissemination of the results of activities will be undertaken by the Commission, under its own responsibility.

Article 4

1. The Commission will be assisted by a committee composed of representatives of the Member States and chaired by a representative of the Commission.

2. Where reference is made to this paragraph, the management procedure laid down in Article 4 of Decision 1999/468/EC shall apply, in compliance with Article 7(3) thereof.
3. The period provided for in Article 4(3) of Decision 1999/468/EC shall be three months.
4. Representatives of the candidate countries that participate in the Multiannual Programme, in accordance with the agreed procedures, will be observers to the committee.

Article 5

1. The Commission will evaluate the implementation of the programme and make a report to the European Parliament and the Council before the end of June 2003.
2. The Commission will submit to the European Parliament and the Council, no later than the end of December 2004, an evaluation report on the implementation of the programme. This report will consider whether the objectives of the programme have been achieved. It will include an evaluation of cost-effectiveness and an assessment, based on performance indicators, of whether objectives have been reached.

Article 6

This programme shall be open to the participation of:

- the EFTA/EEA countries in accordance with the conditions established in the EEA agreement,
- the associated central and eastern European countries (CEEC) in accordance with the conditions established in the Europe agreements, in their additional protocols and in the decisions of the respective Association Councils,
- Cyprus, under the same conditions as those applied to the EFTA/EEA countries, funded by the additional appropriations in accordance with the procedures to be agreed with that country,
- Malta and Turkey, funded by additional appropriations, in accordance with the provisions of the Treaty.

Article 7

This Decision shall enter into force on 1 January 2001 and shall cover the period to 31 December 2005.

The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspective.

Done at Brussels,

For the Council
The President

ANNEX 1

ACTIONS FORESEEN UNDER THE MULTIANNUAL PROGRAMME FOR ENTERPRISE AND ENTREPRENEURSHIP (2001-2005)

It is recognised that enterprises, and in particular small and medium-sized enterprises (SMEs), represent key elements in efforts to stimulate economic growth, competitiveness and job creation in the European Union. Within the context of the European Union's economic and enterprise policies, the Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) provides the framework for a series of actions designed to maximise the performance of enterprises and stimulate productive entrepreneurial activity.

The actions carried out under the Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) will provide added value at European level to the corresponding policies operated at Member State level, respecting the principle of subsidiarity. Actions of a transnational nature will provide advantages not available from similar actions pursued at purely national level.

A number of existing Community initiatives tackle some of the problems identified in the Communication. These include the 5th Framework Programme for Research, Technological Development and Demonstration Activities¹⁸ and the Programme for the promotion of innovation and encouragement of SME participation¹⁹; the Strategy for Europe's Internal Market²⁰; and actions targeted at SMEs under the structural funds. The Multiannual Programme for Enterprise and Entrepreneurship will complement these activities. The Cardiff Procedure and the Broad Economic Policy Guidelines²¹ integrate the different initiatives.

In order to fulfil objectives, measures will be undertaken as follows:

1. TO PROMOTE ENTREPRENEURSHIP AS A VALUABLE AND PRODUCTIVE LIFE SKILL, BASED ON CUSTOMER ORIENTATION AND A STRONGER CULTURE OF SERVICE

Much work will concentrate on the identification of best practices through peer review and concerted actions, the use of benchmarking methodology and an effective monitoring of progress (new BEST procedures). Studies and statistical analysis will be used in support.

2. TO ENCOURAGE A REGULATORY AND BUSINESS ENVIRONMENT THAT TAKES ACCOUNT OF SUSTAINABLE DEVELOPMENT, AND IN WHICH RESEARCH, INNOVATION AND ENTREPRENEURSHIP CAN FLOURISH

The Business Impact Assessment system for proposed Community legislation will be further developed. Activities to foster better regulation in general will be undertaken in close co-operation with the Member States and the business community. Best practices will be identified through peer review and concerted actions, the use of benchmarking methodology

¹⁸ Decision no. 182/1999/EC of the European Parliament and of the Council of 22 December 1998, OJ L 26 of 1.2.1999, p. 1

¹⁹ Council Decision 1999/172/EC of 25 January 1999, OJ L 64 of 12.3.1999, p. 91.

²⁰ COM (1999) 624 final.

²¹ COM (2000) 214 final.

and an effective monitoring of progress (new BEST procedures). Studies and statistical analysis will be used in support.

3. TO IMPROVE THE FINANCIAL ENVIRONMENT FOR SMEs

Obtaining guarantees is still the biggest obstacle for SMEs when seeking finance. In response to the conclusions of the Lisbon Summit, future guarantee policy will focus on venture capital, micro-credits and SME loans (ICT). These actions will be managed by the EIF and implemented through the different guarantee schemes existing in each country.

Risk capital will be further developed through participation in risk capital funds (ETF Start-up) and financing the operating costs of funds. These actions will be managed by the EIF.

The SME guarantee facility and the ETF Start-up are actions initially carried out under the Growth and Employment Initiative²². They will be continued in 2001. Any decision regarding further continuation will be subject, inter alia, to the results of an assessment of their effectiveness.

Business Angels networks will be developed.

Best practices will be identified through peer review and concerted actions, the use of benchmarking methodology and an effective monitoring of progress (new BEST procedures). This includes the organisation of Round Tables of Bankers and SMEs. Studies and statistical analysis will be used in support.

4. TO ENHANCE THE COMPETITIVENESS OF SMEs IN THE KNOWLEDGE-BASED ECONOMY

Best practices will be identified through peer review and concerted actions, the use of benchmarking methodology and an effective monitoring of progress (new BEST procedures). Studies and statistical analysis will be used in support.

5. TO ENSURE THAT BUSINESS SUPPORT NETWORKS AND SERVICES TO ENTERPRISES ARE PROVIDED AND CO-ORDINATED

This is to ensure the effective operation of the Euro Info Centre and Euro Info Correspondence Centres network and the organisation of Europartenariat business cooperation events. In carrying out these activities, the Commission may have recourse to technical assistance organisations or experts the financing of which may be provided for within the overall financial framework of the programme.

Information on enterprise policy will be provided by printed and electronic means.

²² Council Decision 98/347/EC of 19 May 1998, OJ L 155 of 29.5.1998

6. OTHER

The European Observatory for SMEs will be developed. Evaluations of the Multiannual Programme are foreseen.

ANNEX 2

COMMUNITY FINANCIAL INSTRUMENTS

1. INDICATIVE OUTLINE OF THE IMPLEMENTATION OF THE ETF START-UP SCHEME

1.1. Introduction

The ETF Start-up will be operated by the EIF on a trust basis. The EIF will invest the Community funds allocated for the scheme in relevant specialised venture capital funds, particularly in smaller or newly established funds, funds operating regionally or funds focused on specific industries or technologies, or venture capital funds financing the exploitation of R&D results, e.g. funds linked to research centres and science parks which in turn provide risk capital for SMEs. The ETF Start-up scheme will reinforce the European Technology Facility established by the EIB in co-operation with the EIF by adopting an investment policy involving a higher risk-profile, both as regards intermediary funds and their investment policies.

1.2. Intermediaries

The EIF shall use its best efforts to target investments into smaller or newly established funds, funds covering specific regions, whether assisted or not, or focusing on specific industries or technologies, or venture capital funds linked to research centres and science parks. The intermediaries will be selected in conformity with best business and market practice in a fair and transparent manner in order to avoid any distortion of competition, having regard to the aim of working through a wide range of specialised funds.

1.3. Maximum Investment

The maximum aggregate investment in an intermediary venture capital fund shall be 25% of the total equity capital held by the relevant fund, or 35% in exceptional cases such as new funds which are likely to have a particularly strong catalytic role in the development of venture capital markets for a specific technology or in a specific region. No commitment in a single venture capital fund shall exceed EUR 10 million. The intermediary venture capital funds shall comply with established market practices with regard to portfolio diversification.

1.4. Life of the Facility

The ETF Start-up scheme is established as a long-term facility that will usually take 5 to 12 year positions in venture capital funds. The EIF shall use its best efforts to fully commit the funds allocated to the facility not later than during the calendar year following the year in which the relevant budgetary payments are made. In any case, investments will not exceed 16 years from the time of signature of the co-operation agreement.

1.5. Realisation of investments

As most of the investments to be made under the ETF Start-up scheme will be in unquoted, illiquid venture capital funds, the realisation of those investments will be based on the distribution of the proceeds received by the intermediary funds from the sale of their investments in SMEs.

1.6. Reinvestment of proceeds from realised investments

Proceeds from realised investments may be reinvested during the first four years of the operations of the scheme. The reinvestment period can be extended by up to three years, subject to a satisfactory evaluation of the facility 48 months after its adoption.

1.7. Trust Account

A separate trust account shall be set up within the EIF to hold budgetary funds underpinning the scheme. This account shall be interest bearing; interest earned shall be added to the resources of the facility. The investments made by the EIF under the ETF Start-up scheme and the EIF's management fees and other eligible expenses shall be debited from, and the proceeds from realised investments shall be credited to the Trust Account. After the fourth anniversary of the scheme or, provided that the reinvestment period of the scheme is extended, after the end of the extended reinvestment period, any balances on the Trust Account, other than funds committed and not yet drawn down/invested and funds reasonably required to cover eligible costs and expenses, such as the EIF's management fee, shall be returned to the Community budget.

1.8. Court of Auditors

Appropriate arrangements shall be made to allow the Court of Auditors of the European Union to exercise its mission in order to verify the regularity of payments made.

2. INDICATIVE OUTLINE OF THE IMPLEMENTATION OF THE SME GUARANTEE FACILITY

2.1. Introduction

The SME Guarantee Facility will be operated by the EIF on a trust basis. Whilst the EIF will provide counter-guarantees or, where appropriate, co-guarantees for guarantee schemes operating in Member States, and direct guarantees in the case of the EIB or any other appropriate financial intermediary, its losses from the relevant guarantees shall be covered by Community funds. This will permit the targeting of the scheme to SMEs with growth potential experiencing particular difficulty in raising finance because of the perceived high risk inherent in lending to them, such as small or newly established companies.

2.2. Intermediaries

Guarantee schemes operating in the Member States within the public or private sector, including mutual guarantee schemes, the EIB or any other appropriate financial institution in connection with any risk-taking SME facilities they may make available. Intermediaries will be selected in conformity with best business and market practice in a fair and transparent manner, having regard to: (a) the effect on the volume of debt finance made available to SMEs, and/or (b) the effect on the access to debt finance by SMEs, and/or (c) the effect on risk-taking in SME lending by the intermediary concerned.

2.3. Eligible SME lending

The financial criteria governing the eligibility of SME lending for guarantees under the SME Guarantee Facility shall be determined individually for each intermediary in the framework of the guarantee schemes they are already operating, with the aim of reaching as many SMEs as possible. These rules shall reflect market conditions and practices in the relevant territory. The guarantees and counter-guarantees will mainly be available to cover lending to SMEs with less than 100 employees. Particular attention shall be given to lending to finance intangible assets.

2.4. EIF guarantees

The guarantees given by the EIF shall relate to individual loans in a specific loan portfolio, which may be an existing loan portfolio, where that leads to the expansion of lending to SMEs, or a loan portfolio to be created within a specific period of time. The guarantees issued by the EIF shall cover a part of the credit risk inherent in the underlying loan portfolio with the risk shared with the relevant financial intermediary.

2.5. EIF's capped maximum cumulative losses

The EIF's obligation to pay its share of loan losses to the intermediary will continue until the cumulative amount of payments made to cover losses from a specific loan portfolio, reduced by the cumulative amount of corresponding loss recoveries, reaches a pre-agreed amount, after which the EIF's guarantee is automatically cancelled.

2.6. EIF pari passu with Intermediary

The guarantees given by the EIF shall usually rank pari passu with the guarantees or where appropriate with the loans given by the intermediary.

2.7. Trust Account

A trust account shall be set up within the EIF to hold the budgetary funds underpinning the scheme. This account shall be interest bearing; interest earned shall be added to the resources of the facility.

2.8. EIF's right to withdraw funds from the Trust Account

The EIF shall have the right to debit the Trust Account for payments to meet its obligations for the maximum cumulative losses under the guarantee facility, and, subject to agreement by the Commission, any other eligible costs, for example its management fees, eligible legal fees and promotional expenses of the scheme.

2.9. Loss recoveries payable to the Trust Account

Any moneys recovered from loan losses for which payment has been made under guarantees called shall be credited to the Trust Account.

2.10. Duration of the Scheme

It is envisaged that the individual SME guarantees will have a maturity of 5-10 years. Provided that adequate funds are held in the Trust Account, the EIF will enter into new guarantee commitments up to the fourth anniversary of the adoption of the facility. Any amount outstanding on the Trust Account at the time of expiry of the outstanding guarantees shall be repaid to the Community budget.

2.11. Court of Auditors

Appropriate arrangements shall be made to allow the Court of Auditors of the European Union to exercise its mission in order to verify the regularity of payments made.

3. INDICATIVE OUTLINE OF THE IMPLEMENTATION OF THE SEED CAPITAL ACTION

The Seed Capital action aims at:

- Stimulating the supply of equity or quasi-equity finance for the creation and transfer of innovative small businesses with growth and job creation potential through support for seed funds or similar organisations in their early years,
- Creating a Community-wide network for seed capital funds and their managers and stimulating an exchange of best practices and training.

The new action will specifically include equity investment for the transfer of small companies and skilled craft businesses to new owners.

Therefore, the Seed Capital action will support new or recently created seed capital funds through the granting of reimbursable advances, covering a maximum of 50 % of the operating costs of the fund.

The reimbursable advances, over a maximum of three years, will be paid in 3 tranches: 30% after the signature of the contract, another 30% on the condition that at least 30 % of the fund capital was invested in at least 5 small companies. The final payment, up to 40%, will be made on the condition that 60% of which at least half in seed investments the fund capital was invested in at least 15 small companies. The second and third payments will be made on the basis of annual reports certified by accountancy firms.

Seed capital investment should stay in the investee company for a longer period (5 years or more) in order to assist newly created small companies through their difficult initial phase, facilitating their subsequent growth and the creation of lasting jobs. In addition, the funds should be able to increase their investments in the business and accompany their growth. However, if a fund wishes to withdraw from its investment sooner, the Commission should receive 10% of the capital gain made for each exit. Reimbursements would never be greater than the advances received.

At the end of a period of 10 years after the signature of the contract, the Commission will transform the reimbursable advance into a grant, with a deduction for the provisions made for capital gains from early exits which have to be reimbursed to the Commission. By this

provision, the Commission favours long-term investments in small companies in order to increase their life span and support the creation of viable and lasting jobs.

The seed capital action will be managed by the EIF.

4. INDICATIVE OUTLINE OF THE IMPLEMENTATION OF THE LOAN GUARANTEE FACILITY FOR ICT INVESTMENTS BY SMALL ENTERPRISES

4.1. Introduction

The Loan Guarantee Facility for ICT Investments by small enterprises will be operated by the EIF on a trust basis. Whilst the EIF will provide counter-guarantees or, where appropriate, co-guarantees for guarantee schemes operating in Member States, and direct guarantees in the case of the EIB or any other appropriate financial intermediary, its losses from the relevant guarantees shall be covered by Community funds. This will permit the targeting of the scheme on small enterprises with growth potential wishing to modernise their business and exploit the potential of the Internet and e-commerce through the acquisition of ICT and investment in training and who are experiencing particular difficulty in raising finance because of the perceived high risk inherent in lending to them, such as small or newly established companies.

4.2. Intermediaries

Guarantee schemes operating in the Member States within the public or private sector, including mutual guarantee schemes, the EIB or any other appropriate financial institution in connection with any risk-taking SME facilities they may make available. Intermediaries will be selected in conformity with best business and market practice in a fair and transparent manner, having regard to: (a) the effect on the volume of debt finance made available to small enterprises, and/or (b) the effect on the access to debt finance by small enterprises, and/or (c) the effect on risk-taking in small enterprises lending by the intermediary concerned.

4.3. Eligible small enterprises lending

The financial criteria governing the eligibility of small enterprises lending for guarantees under the SME Guarantee Facility shall be determined individually for each intermediary in the framework of the guarantee schemes they are already operating, with the aim of reaching as many small enterprises as possible. These rules shall reflect market conditions and practices in the relevant territory. The guarantees and counter-guarantees will mainly be available to cover lending to SMEs with fewer than 50 employees. Particular attention shall be given to lending to finance intangible assets.

4.4. EIF guarantees

The guarantees given by the EIF shall relate to individual loans in a specific loan portfolio, which may be an existing loan portfolio, where that leads to the expansion of lending to small enterprises for investments in ICT, or a loan portfolio to be created within a specific period of time. The guarantees issued by the EIF shall cover a part of the credit risk inherent in the underlying loan portfolio with the risk shared with the relevant financial intermediary.

4.5. EIF's capped maximum cumulative losses

The EIF's obligation to pay its share of loan losses to the intermediary will continue until the cumulative amount of payments made to cover losses from a specific loan portfolio, reduced by the cumulative amount of corresponding loss recoveries, reaches a pre-agreed amount, after which the EIF's guarantee is automatically cancelled.

4.6. EIF pari passu with Intermediary

The guarantees given by the EIF shall usually rank pari passu with the guarantees or where appropriate with the loans given by the intermediary.

4.7. Trust Account

A trust account shall be set up within the EIF to hold the budgetary funds underpinning the scheme. This account shall be interest bearing; interest earned shall be added to the resources of the facility.

4.8. EIF's right to withdraw funds from the Trust Account

The EIF shall have the right to debit the Trust Account for payments to meet its obligations for the maximum cumulative losses under the guarantee facility, and, subject to agreement by the Commission, any other eligible costs, for example its management fees, eligible legal fees and promotional expenses of the scheme.

4.9. Loss recoveries payable to the Trust Account

Any moneys recovered from loan losses for which payment has been made under guarantees called shall be credited to the Trust Account.

4.10. Duration of the Scheme

It is envisaged that the individual guarantees for small enterprises will have a maturity of 5-10 years. Provided that adequate funds are held in the Trust Account, the EIF will enter into new guarantee commitments up to the fourth anniversary of the adoption of the facility. Any amount outstanding on the Trust Account at the time of expiry of the outstanding guarantees shall be repaid to the Community budget.

4.11. Court of Auditors

Appropriate arrangements shall be made to allow the Court of Auditors of the European Union to exercise its mission in order to verify the regularity of payments made.

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Multiannual Programme for Enterprise and Entrepreneurship (2001-2005)

2. BUDGET HEADING(S) INVOLVED

B5-512
B5-512A

3. LEGAL BASIS

Article 157(3) of the EC Treaty

4. DESCRIPTION OF OPERATION

4.1 General objectives

1. To promote entrepreneurship as a valuable and productive life skill, based on customer orientation and a stronger culture of service;
2. To encourage a regulatory and business environment that takes account of sustainable development, and in which research, innovation and entrepreneurship can flourish;
3. To improve the financial environment for SMEs;
4. To enhance the competitiveness of SMEs in the knowledge-based economy.
5. To ensure that business support networks and services to enterprises are provided and co-ordinated;

4.2 Period covered and arrangements for renewal

1 January 2001 – 31 December 2005

The Commission will evaluate the implementation of the programme and make a report to the European Parliament and the Council before the end of June 2003. An evaluation of the programme will be completed before 31 December 2004.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 Non-compulsory expenditure

5.2 Differentiated appropriations

6. TYPE OF EXPENDITURE OR REVENUE

- Subsidies for joint financing with other sources in the public and/or private sector (over 60% of total credit requested)
- Studies, seminars, benchmarking, concerted action events, training sessions, running costs of instruments, information, documents.

7. FINANCIAL IMPACT

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

The amounts indicated in the itemised breakdown of costs (point 7.2) provide global figures for expenditure to meet the objectives listed in Article 2.

The Commission will adopt measures to transpose the overall objectives into concrete actions. These measures will contain precise budget requirements, following the procedures laid down in Article 4.

The candidate countries that take part in the programme make a financial contribution to cover the cost of their participation. The amount for each country will be determined in the specific legal instruments opening the programme.

The calculation of costs is made on the basis of expenses in previous years.

7.2 Itemised breakdown of cost

7.2.1 Breakdown of expenditure

EXPENDITURE ON BUDGET LINE B5-512						
OBJECTIVE	2001	2002	2003	2004	2005	TOTAL
1. TO PROMOTE ENTREPRENEURSHIP AS A VALUABLE AND PRODUCTIVE LIFE SKILL, BASED ON CUSTOMER ORIENTATION AND A STRONGER CULTURE OF SERVICE						
Strategy to promote entrepreneurship	700.000	700.000	700.000	700.000	700.000	3.500.000
Identification, exchange and implementation of good practice through benchmarking, concerted actions, seminars and conferences, use of working groups and databases	800.000	800.000	800.000	800.000	800.000	4.000.000
Statistical development and analysis	700.000	700.000	700.000	700.000	700.000	3.500.000
Studies	500.000	500.000	500.000	500.000	500.000	2.500.000
SUBTOTAL	2.700.000	2.700.000	2.700.000	2.700.000	2.700.000	13.500.000
2. TO ENCOURAGE A REGULATORY AND BUSINESS ENVIRONMENT THAT TAKES ACCOUNT OF SUSTAINABLE DEVELOPMENT, AND IN WHICH RESEARCH, INNOVATION AND ENTREPRENEURSHIP CAN FLOURISH						
Identification, exchange and implementation of good practice through benchmarking, concerted actions, seminars and conferences, use of working groups and databases	600.000	600.000	600.000	600.000	600.000	3.000.000
Statistical development and analysis for the development of the Business Impact Assessment system for Community legislation	600.000	600.000	600.000	600.000	600.000	3.000.000
Studies for the development of the Business Impact Assessment system for Community legislation	300.000	300.000	300.000	300.000	300.000	1.500.000
SUBTOTAL	1.500.000	1.500.000	1.500.000	1.500.000	1.500.000	7.500.000
3. TO IMPROVE THE FINANCIAL ENVIRONMENT FOR SMES						
Organisation of Round Table of Bankers and SMEs in the candidate countries	p.m.	400.000	p.m.	350.000	p.m.	750.000
Identification, exchange and implementation of good practice through benchmarking, concerted action, business angels, seminars, workshops and conferences, use of working groups and databases	600.000	600.000	600.000	600.000	600.000	3.000.000
Monitoring of the use of the euro by enterprises and, where necessary, facilitation of the adjustment process	500.000	500.000	p.m.	p.m.	p.m.	1.000.000
Loan guarantees for ICT investment by smaller and microenterprises	10.000.000	10.000.000	10.000.000	10.000.000	10.000.000	50.000.000
SME guarantee facility	5.000.000	p.m.	p.m.	p.m.	p.m.	5.000.000
Operation of the "ETF start-up" risk capital	5.000.000	p.m.	p.m.	p.m.	p.m.	5.000.000
Seed capital	4.200.000	5.000.000	5.000.000	5.000.000	5.000.000	24.200.000
Statistical development and analysis	300.000	300.000	300.000	300.000	300.000	1.500.000
Studies	400.000	400.000	400.000	400.000	400.000	2.000.000
SUBTOTAL	26.000.000	17.200.000	16.300.000	16.650.000	16.300.000	92.450.000
4. TO ENHANCE THE COMPETITIVENESS OF SMES IN THE KNOWLEDGE-BASED ECONOMY						
Identification of dissemination of good practice in the incorporation of enterprises into the digital economy, including development of indicators	300.000	300.000	300.000	300.000	300.000	1.500.000
Actions to promote adoption of standardisation by SMEs	350.000	350.000	350.000	350.000	350.000	1.750.000
Benchmarking of other issues affecting the competitiveness of enterprises	500.000	500.000	500.000	500.000	500.000	2.500.000
Improve access of crafts and small businesses to ICT by improved support services; electronic networking between support organisations, authorities and small businesses; further development of the SCREEN project	550.000	550.000	550.000	550.000	550.000	2.750.000
Statistical development and analysis	1.000.000	1.000.000	1.000.000	1.000.000	1.000.000	5.000.000
Studies	200.000	200.000	200.000	200.000	200.000	1.000.000
SUBTOTAL	2.900.000	2.900.000	2.900.000	2.900.000	2.900.000	14.500.000

5. TO ENSURE THAT BUSINESS SUPPORT NETWORKS AND SERVICES TO ENTERPRISES ARE PROVIDED AND COORDINATED						
Ensure effective operation of the Euro Info Centres and Euro Info Correspondence Centres network	15.000.000	15.000.000	15.000.000	15.000.000	15.000.000	75.000.000
Organisation of Europartenariat business cooperation events	2.500.000	2.500.000	2.500.000	2.500.000	2.500.000	12.500.000
Identification, exchange and implementation of good practice through benchmarking of support services	1.000.000	400.000	600.000	400.000	600.000	3.000.000
Promotion of enterprise policy, information, EURO-info bulletin	1.000.000	600.000	600.000	600.000	600.000	3.400.000
SUBTOTAL	19.500.000	18.500.000	18.700.000	18.500.000	18.700.000	93.900.000
6. OTHER						
European Observatory for SMEs; publication, dissemination	2.400.000	0	2.400.000	0	2.400.000	7.200.000
mid-term review of the Multiannual Programme	0	0	200.000	0	0	200.000
Evaluation of the Multiannual Programme	0	0	0	400.000	100.000	500.000
SUBTOTAL	2.400.000	0	2.600.000	400.000	2.500.000	7.900.000
TOTAL	55.000.000	42.800.000	44.700.000	42.650.000	44.600.000	229750000

7.2.2 Breakdown of support expenditure (included in 7.2.1)

EXPENDITURE ON BUDGET LINE B5-512 A						
	2001	2002	2003	2004	2005	Total
Technical Assistance Office (BAT) for operation of the Euro Info Centres and Euro Info Correspondence Centres network	6.000.000	6.000.000	6.000.000	6.000.000	6.000.000	30.000.000
Meetings, studies, information	700.000	700.000	700.000	700.000	700.000	3.500.000
TOTAL	6.700.000	6.700.000	6.700.000	6.700.000	6.700.000	33.500.000

7.3 Schedule of commitment and payment appropriations

B5 – 512 EUR million

Commitment appropriations	2001	2002	2003	2004	2005	Total
		55.0	42.8	44.7	42.65	44.6
Payment appropriations						
2001	27.1					27.1
2002	18.6	21.4				40.0
2003	9.3	14.3	22.4			46.0
2004		7.1	14.9	21.35		43.35
2005			7.4	14.2	22.3	43.9
2006				7.1	14.9	22.0
2007					7.4	7.4
Total	55.8	42.8	44.7	42.65	44.6	229.75

B5-512 A – EUR million

Commitment appropriations	2001	2002	2003	2004	2005	Total
		6.7	6.7	6.7	6.7	6.7
Payment appropriations						
2001	4.46					4.46
2002	2.24	4.46				6.7
2003		2.24	4.46			6.7
2004			2.24	4.46		6.7
2005				2.24	4.46	6.7
2006					2.24	2.24
Total	6.7	6.7	6.7	6.7	6.7	33.5

8. FRAUD PREVENTION MEASURES

Verification before payment of subsidies or the delivery of services and studies ordered and carried out by Commission services will take place, taking into account the contractual obligations and the principles of economy and sound financial and global management. Anti-fraud mechanisms, such as the provision of evidence of sound financial status and the delivery of reports, 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

1. To promote entrepreneurship as a valuable and productive life skill, based on customer orientation and a stronger culture of service;
2. To encourage a regulatory and business environment that takes account of sustainable development, and in which research, innovation and entrepreneurship can flourish;
3. To improve the financial environment for SMEs;
4. To enhance the competitiveness of SMEs in the knowledge-based economy.
5. To ensure that business support networks and services to enterprises are provided and co-ordinated;

The Commission will submit annual draft work programmes for the implementation of the programme to the Committee mentioned in Article 4. These work programmes will transpose the overall objectives into concrete actions and will contain precise budget requirements.

The target population consists of all enterprises in the European Economic Area and the candidate countries, in particular small and medium-sized enterprises (SMEs), and existing and potential entrepreneurs throughout the European Economic Area and the candidate countries. Some actions are aimed at specific target groups and/or economic sectors. Business representative organisations and associations, including Chambers of Commerce, are additional target groups.

9.2 Grounds for the operation

It is recognised that enterprises, and in particular small and medium-sized enterprises (SMEs), represent key elements in efforts to stimulate economic growth, competitiveness and job creation in the European Union. Within the context of the European Union's economic and enterprise policies, the Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) provides the framework for a series of actions designed to maximise the performance of enterprises and stimulate productive entrepreneurial activity.

The actions carried out under the Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) will provide added value at European level to the corresponding policies operated at Member State level, respecting the principle of subsidiarity. Actions of a transnational nature will provide advantages not available from similar actions pursued at purely national level.

A number of existing Community initiatives tackle some of the problems identified in the Communication. These include the 5th Framework Programme for Research, Technological Development and Demonstration Activities²³ and the Programme for the promotion of innovation and encouragement of SME participation²⁴; the Strategy for Europe's Internal Market²⁵; and actions targeted at SMEs under the structural funds. The Multiannual Programme for Enterprise and Entrepreneurship will complement these activities. The Cardiff Procedure and the Broad Economic Policy Guidelines²⁶ integrate the different initiatives.

9.3 Monitoring and evaluation of the operation

Indicators and objectives will be established in the light of the specific measure concerned. They will be specified in the decision on the annual work programme. In the exchange of good practice, which will be a major instrument for policy improvement, it would make no sense to lay these down *a priori*. However, a good practice project on, for example, the procedures for establishing a new business could focus on time taken and cost. For actions to improve the financial environment of SMEs, such as the development of Business Angels networks, the number of networks, the participation and the number of firms directly helped by networks could be targeted. For the Euro Info Centres network, the number of enquiries met and the quality of information distributed, as well as qualitative measures of customer satisfaction, could be used.

The Commission will evaluate the implementation of the programme and make a report to the European Parliament and the Council before the end of June 2003.

The Commission will submit to the European Parliament and the Council, no later than the end of December 2004, a report on an evaluation of the implementation of this programme. This report will consider whether the objectives of the programme have been achieved. It will include an evaluation of cost-effectiveness and an assessment, based on performance indicators, of whether objectives have been reached.

10. ADMINISTRATIVE EXPENDITURE (SECTION III, PART A OF THE BUDGET)

The mobilisation of required administrative and human resources have to be covered by the existing resources of the managing service²⁷.

²³ Decision no. 182/1999/EC of the European Parliament and of the Council of 22 December 1998, OJ L 26 of 1.2.1999, p. 1

²⁴ Council Decision 1999/172/EC of 25 January 1999, OJ L 64 of 12.3.1999, p. 91.

²⁵ COM (1999) 624 final.

²⁶ COM (2000) 214 final.

²⁷ The Commission will review by the end of 2000 the functioning of the existing networks supporting enterprises, for example the Euro Info Centres (EICs), BC-Net, BRE, Business and Innovation Centres (BICs), Innovation Relay Centres (IRCs), with a view to their better integration and streamlining. In this context, the Commission will also review its recourse to technical assistance offices (TAOs) to support the networks. The outcome of the review may lead to a downward revision of the indicative amounts, especially for studies, contained in the Multiannual Programme 2001-2005. Furthermore, the human resources foreseen for the Multiannual Programme will also be carefully scrutinised in the 'peer group' exercise.

10.1 Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Type of involvement		Total Staff	Duration
		Permanent posts	Temporary posts	Existing resources in the DG fully deployed	Existing resources in the DG partially deployed		5 year programme
Officials or temporary staff	A	27	4	10	21	31	
	B	6	1	3	4	7	
	C	10	4	4	10	14	
Other resources							
Total		43	9	17	35	52	

10.2 Overall financial impact of additional human resources

EUR

	Amounts	Method of calculation
Officials		
Temporary staff		
Other resources (indicate budget heading)		
Total		

10.3 Increase in other administrative expenditure as a result of the operation

EUR

Budget heading	Amounts	Method of calculation ²⁸
A0 7010 Missions	2.500.000	500.000/year x 5
A0 7030 Meetings	2.000.000	400.000/year x 5
A0 7031 Meetings of obligatory Committees (Art. 4 Committee)	500.000	100.000/ year x 5
A0 7032 Meetings of non-obligatory Committees	2.000.000	400.000/year x 5
AO 7040 Conferences	1.750.000	350.000/year x 5
Total	8.750.000	

²⁸

These calculations are based on the commitments for the budget of 1999.