

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 1 - Fostering entrepreneurial mindsets through school education

#### Project Leader

Christian WEINBERGER (DG ENTR Unit B.1)

#### Motivation

Public contributions received following the publication of the **Green Paper** stressed entrepreneurship education to be of paramount importance to stimulating entrepreneurial mindsets among young people.

In most European countries there is a **policy commitment** to promote learning about entrepreneurship - although in varying degrees. However, this has not yet resulted in making it a widespread subject in our education systems. This is a relatively new policy area in Europe and therefore exchanging information and learning from each other's experiences is crucial at this stage. **Although most of the necessary action has to be taken at a national, regional or even local level, the European Commission can give valuable support to policy development.** The Commission facilitates this process by means of disseminating good practice in Europe, identifying success factors, benchmarking and assisting national policies. **Long-term policy objectives include:**

- Introducing entrepreneurship into the national (or regional) curriculum at all levels of formal education (from primary school to university), either as a horizontal aspect or as a specific topic. Formal introduction needs to be followed-up by supporting initiatives.
- Training and motivating the teachers.
- Promoting the application of programmes based on "learning by doing", for instance by means of project work, virtual firms and mini-companies, etc.
- Involving entrepreneurs and local companies in the design and running of entrepreneurship courses and activities. Links between schools and enterprises need to be further promoted.
- Increasing the teaching of entrepreneurship within higher education outside economic and business courses, notably at scientific and technical faculties and universities and putting emphasis on creating enterprises and managing the growth phase in the curricula of business-type studies at universities

#### Action Plan Text

*Under the open method of co-ordination, the Commission and outside experts reviewed the policy approaches to entrepreneurship education in the EU. Promising results showed that entrepreneurship is gaining importance in education programmes and that many policy initiatives are underway. Work will now concentrate on exchanging experience on valuable policy tools and on ensuring high quality entrepreneurship education for all pupils throughout the EU.*

*In 2004 the Commission will organise a benchmarking exercise under the open method of co-ordination around the use of mini-companies (student enterprises producing and selling real products or services in a protected environment). In 2005 the Commission, together with a group of experts and based on case studies and evaluations, will present success and risk factors, policy targets, recommendations and promotion material (success stories, examples of good practice).*

*To ensure that all pupils leaving the education system have had access to entrepreneurship courses, the Commission calls upon the Member States to integrate entrepreneurship education into all schools' curricula and provide schools with proper support to allow them to put in place effective and high quality education schemes. National and regional authorities can arrange awareness campaigns, offer training material, organise training modules for teachers and, together with business organisations, involve entrepreneurs in teaching programmes.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
Best Procedure project "Education and Training for Entrepreneurship"	Gather information on existing activities and programmes, provide an overall picture of entrepreneurship education in Europe, identify best practice cases, propose a first set of conclusions and recommendations.	2001 to 2002
MAP project "Education for Entrepreneurship" (follow-up to the Best project)	Analyse policy measures that will make it possible to move forward; propose a methodology for achieving - and for monitoring - progress; propose further action to be implemented at all levels.	2002 to 2004

## Objectives

- State of play of progress accomplished in this area; keep this subject high on the political agenda; get further commitment on entrepreneurship education from policy at European and national level;
- Analyse in detail different programmes based on students of secondary school running a mini-company; contribute to the promotion of this methodology, produce recommendations for further action.
- Further promote entrepreneurship education by targeting the Ministries of Education, in the framework of activities on "Education and Training 2010" coordinated by DG EAC;
- Disseminate best practice, raise awareness, promote specific methodologies of particular interest through promotional/communication tools;
- Further develop quantitative indicators; integrate the results of entrepreneurship education projects into the Charter reporting procedure; create a mechanism for monitoring progress through the Charter process;
- Ensure that current and future education and training programmes run by DG EAC (i.e. Socrates, Leonardo da Vinci and the new generation of programmes that will replace them from 2006) take into account issues related to entrepreneurship and SMEs.

## Impact

- Further commitment to entrepreneurship education from the national Ministries of Education, also as a consequence of concrete recommendations to be included in the next policy document on "Education and Training 2010" produced by DG EAC.
- Greater public awareness of specific methodologies and programmes for the teaching of entrepreneurship, through the dissemination of reports, publications and media tools produced under this Key Action
- A bigger number of schools and students participating to programmes based on mini-companies, thanks to increased support from the public administrations.
- Creation of a permanent monitoring process at European level, by using the Charter reporting procedure and through the introduction of appropriate indicators, targets and recommendations on entrepreneurship education.
- An increased cooperation between different departments in the public administrations dealing with enterprise and education policies, both at European and at national level.

## Sub-Actions

- A. A Commission Communication that - following technical reports previously published - will present a state of play of progress accomplished, and ask for further commitment at all levels of entrepreneurship education; as well as a publication with Good Practice examples in entrepreneurship education for wide dissemination;
- B. Best Procedure project on "Mini-companies in secondary education", focusing on a pedagogical tool that has been identified as a best practice within the 2001 Best procedure project. Producing media material/communication tools on programmes based on student companies that will contribute to raising awareness, promotion and dissemination of this methodology;
- C. Establishing together with EAC a joint group of national experts whose main task will be to produce recommendations on entrepreneurship in the framework of the "Education and Training 2010" process, coordinated by EAC. This type of cooperation may also include organising a joint seminar targeting the Ministries of Economy/Industry and Education;
- D. Integrating the results of previous Commission activities (Best and MAP projects) on entrepreneurship education into the yearly reporting procedure for the Charter of Small Enterprises, thus creating a permanent monitoring process;
- E. Cooperating with DG EAC in order to ensure that current and future education and training programmes (i.e. Socrates, Leonardo da Vinci and the new generation of programmes that will replace them from 2006) take into account issues related to entrepreneurship and SMEs.

## Contributors

Although the **Commission** will play an important role of coordination and support, as regards the concrete application of policies most of the necessary action needs to be taken at a **national, regional or even local level**.

**Regional and local authorities** can promote entrepreneurship education in the local community, by developing a strategy that will target schools, local businesses and all relevant organisations, including adapting the curriculum (where this is a viable option for regional/local authorities) and supporting the development of programmes.

**Business associations** can take the initiative and act as policy makers in entrepreneurship and business education, being partners of governments in developing policy at national and local levels. Private partners can also be directly involved in education programmes, both by sponsoring specific initiatives, and by participating directly in the teaching (e.g. as tutors or mentors).

Activities under this Key Action will require **contributions** from the following actors:

Sub-Action	DG ENTR (Unit B.1)	DG ENTR Units associated	DG EAC	MS/ Regions	Business Organisations
A	L	A.6	P (L)	A / P	A/U
B	L	R.4	P	P/ A/U	A/U
C	L		L	A	
D	L	A.5	P	P/A	
E	P	Sectoral units	L		P/U

L = Lead P = Participate / Contribute A = Act / Implement U = Use / Disseminate

### Sub-action Contacts :

**A, B, C, D** Mr. Simone Baldassarri (DG ENTR, Unit B.1)

**E** Ms. Florence Lemmel (DG ENTR, Unit B.1)

## ANNEX: Good Practice Examples

**France** - An observatory of teaching practices for entrepreneurship in secondary and higher education has been created by the government. The Observatory intends to run an inventory of educational institutions that are involved in these activities. The main objectives are to identify actions, collect data on programmes and courses, disseminate good practice and information on entrepreneurship teaching. The Observatory works under the supervision of a steering committee composed of three Ministries, and several agencies and associations.

**Netherlands** - The creation of a special Commission on 'Entrepreneurship and Education' (from primary to university level) aimed to promote pilot projects and to collect good examples that can be easily adopted by other educational institutions. Financial support is provided by the Ministry of Economic Affairs for the development of learning methods and materials, and for other activities (such as seminars, teachers' training, etc.). The idea is that central government should not impose, but facilitate. In the period 2000-2002 more than 100 entrepreneurship projects have been subsidised, at all education levels (from primary school to university). The current strategy is focussed on how to spread these pilot projects over other schools in the country.

**Norway** - The government's strategy is to implement entrepreneurship in education at all levels. This became the foundation for the strategy plan developed by the Ministry of Education and Research in 1997, which currently guides education in entrepreneurship at the primary, secondary and tertiary level. Coordinated financial support from three different ministries to Young Enterprise activities is an example of a concrete initiative. The project by the Ministry of Education and Research "Entrepreneurship on the timetable" has also developed material and strategies for student enterprises in primary and secondary school. The Government has recently adopted an action plan for Innovation, education for entrepreneurship being one of the priority areas.

**Slovenia** - Entrepreneurship in primary schools takes place through the "Programme for development of entrepreneurial culture and creativity among young people", carried out by the Small Business Development Center and supported by different Ministries. In total, 123 primary schools (out of 450 in Slovenia) are involved in "**entrepreneurial circles**". Training for teachers and mentors is included.

**Estonia** - About one half of all primary school have a Junior Achievement activity, and approximately 10% of higher secondary schools use mini-companies. The Junior Achievement programme K-6 is taught in approximately half of primary schools. Students learn by playing and their attitudes are shaped into more entrepreneurial ones. These lessons are popular among kids and raise their motivation to learn at school. Moreover, some elements of this programme have been moving slightly into the main curriculum, and are also taught in different programmes at primary school. This way most of the students get some entrepreneurial insight.

**Spain** - The Organic Act 10/2002 on Quality in Education has the objective of promoting entrepreneurial skills and self-employment in comprehensive non-university education. On that basis, a revision of the national curriculum for the primary and secondary levels has been undertaken, whose application will rely upon the 17 autonomous communities.

**Ireland** - Activities based on "learning by doing", for instance by means of students running mini-companies, are embedded in three state-prescribed programmes at secondary school (Transition Year Programme, Leaving Certificate Vocational Programme, Leaving Certificate Applied). Overall, some 43 000 second-level students engage in work experience each year as part of these programmes. Moreover, other non statutory programmes exist - developed by a number of different actors - that may receive support from the public sector and be integrated into the existing structure.

**UK** - The aim of the Science Enterprise Challenge is to establish a network of centres in UK universities - supported by funding from the government - specialising in the teaching and practice of commercialisation and entrepreneurialism in the field of science and technology. The aims are: to foster the commercialisation of research and new ideas; to stimulate scientific entrepreneurialism; to incorporate the teaching of enterprise into the science and engineering curricula; to act as centres of excellence for the transfer and exploitation of scientific knowledge and expertise. Science Enterprise Challenge intends to raise awareness of the importance of business and entrepreneurship at all levels within universities, and to legitimise commercial activity as a valid aspect of academic life.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 2 - Reducing the stigma of business failure

#### Project Leader

Mechthild WÖRSDÖRFER (DG ENTR Unit B.1)

#### Motivation

The public debate triggered by the **Green Paper on Entrepreneurship** stirred a great deal of interest in a **fairer balance** of the risks and rewards linked to entrepreneurship, as a means to encourage more people to become entrepreneurs. The Flash Eurobarometer highlights that prevailing attitudes towards entrepreneurship and the current balance of the **risks and rewards** appear to make many Europeans less inclined to become entrepreneurs. **The European Charter for Small Enterprises** considers that "some failure is concomitant with responsible initiative and risk-taking and must be mainly envisaged as a learning opportunity". "Better regulation, in particular bankruptcy law" is one of the three priority areas of the 2004 Charter reporting. Failed entrepreneurs are confronted with stigmatising behaviour by investors, consumers and business partners. This not only makes a **fresh start** more difficult, but also deters entrepreneurs from disclosing financial difficulties instead of solving them and even discourages prospective entrepreneurs from starting at all. Yet failed entrepreneurs **learn from their mistakes** and evidence shows that they do better than the first time in terms of income, employment and productivity.

#### Action Plan Text

*Failed entrepreneurs are confronted with the stigma of failure, for example through a reluctance to place orders or requests for extra financial guarantees. Better understanding of business failure, including distinguishing between honest and dishonest bankruptcies, is needed in order to tackle the stigma of failure. A benchmarking exercise in 2003, involving the Commission and external experts, provided targets, indicators and recommendations to limit the severe legal and social consequences of failure.*

*In the progress reports on the Action Plan, the Commission will ask Member States to report on action taken or planned to comply with the recommendations. The Commission then will revisit this work if needed.*

*To promote a better understanding of failure and dissociate the concept of 'bankruptcy' from that of 'bad' behaviour, the Commission will, together with Member States' experts, draw up in 2004 information on the principles of bankruptcy, early warning signs of financial difficulties, reasons for failure, barriers to starting afresh and portraits of failed and restarted entrepreneurs. This information, to be used in promotional campaigns or teaching courses, should result in wider acceptance of failure and help reduce reluctance to deal with failed entrepreneurs.*

*To help entrepreneurs in financial problems overcome their fear of disclosing problems and seek help in time, the Commission will, together with the Member States under the open method of co-ordination, focus on facilitating exchange of experience on awareness and use of preventive measures. By 2005, the Commission will have drawn up, together with an expert group, self-evaluation tests for entrepreneurs to assess their financial condition, including information on existing support and procedures aimed at rescue from failure.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
Seminar on business failure, Noordwijk, the Netherlands, and booklet "Helping businesses overcome financial difficulties"	Gathered experts to identify issues and exchange good practice concerning regulatory measures, support to firms in distress and a fresh start after failure.  The booklet contains good practices identified in the Seminar on business failure	2001 - 2002
Study "Bankruptcy and a Fresh Start"	Presented an insight in the legal and social consequences of failure in the 15 EU Member States and the US, as a means to better understand the effects of business failure and bankruptcy on entrepreneurship	2002
Best Procedure project "Restructuring, Bankruptcy and a Fresh Start"	Assessed to what extent national bankruptcy laws act as a deterrent to business survival and a fresh start and what is the influence of stigma on the potential of failed entrepreneurs to start again and on entrepreneurship in general. Recommendations were issued.	2002 - 2003

## Objectives

- Spur the Member States to implement the recommendations of the Best Expert Group Report "Restructuring, bankruptcy and a fresh start".
- Kit of information aimed at promoting a better understanding of failure and dissociating the automatic connotation of the concept "bankruptcy" with "bad" behaviour;
- Show the benefits of starting afresh on economy, employment and growth.
- Further public discussions on action in favour of fresh start of previously failed entrepreneurs, as well as spreading good practices on the four axes of the Best procedure project on Restructuring, Bankruptcy and a Fresh start.
- Encourage prevention among entrepreneurs "in the danger zone" by means of self-assessment tools;

## Impact

- further steps by Member States in implementing the guidelines identified in the Best project "Restructuring, bankruptcy and a fresh start" and take up good practice in prevention of failure.
- A wider acceptance of failure as an integral part of entrepreneurship both by the general public and other relevant stakeholders.
- More tolerance amongst young people towards business failure via entrepreneurship education.
- Understanding by general public that there are also honest bankruptcies.
- Better guidance of entrepreneurs who are not doing well in business by means of country/sector-specific material (on national laws and existing support services)

## Sub-Actions

- A. The Commission will ask Member States to **report** (e.g. via the Charter reporting procedure) actions taken to comply with the recommendations of the Best expert group report (on the basis of the indicators set) or planned for 2005 and beyond. It will also clarify what next steps will be taken in case insufficient progress is made after 2005 (Communication, Recommendation, etc.).
- B. The Commission will prepare and make available **information** to promote better understanding of failure. This information can be complemented with country-specific material (on national laws and existing support services) and used:
1. By **business support providers** to raise awareness among entrepreneurs about the consequences of failure, prevention and rescue (business failures are generally predictable up to 12 months in advance).
  2. For **entrepreneurship campaigns** addressing society at large or specific groups (investors, business organisations, etc) to promote more positive attitudes towards risk and failure and to eliminate barriers to starting afresh.
  3. For **entrepreneurship education** in order to promote tolerance amongst young people towards business failure. The information could deal with common reasons of failure and present portraits of failed entrepreneurs.
- C. A **European conference** on insolvency matters organised by the Commission should address the psychological aspects of failure and stigma, the general societal attitudes and mindsets and cover the regulatory issues.
- D. The Commission will elaborate together with Member States' experts **self-evaluation tools** (tests) for entrepreneurs for risk-assessment. Nationally adapted, they would indicate where advice can be sought and should be distributed through information packages, the Internet and business advisors. Building on the good practices that the Commission already collected, the expert group can exchange experiences on the awareness for prevention of failure and the use of support services for entrepreneurs 'in the danger zone'. They can provide recommendations about the need for intervention by accountants, tax consultants, banks and other supporters.

## Contributors

Although the **Commission** will play an important role of coordination and support, concrete actions have to be taken at a **national, regional or even local level**.

**National, regional and local authorities** have to be involved in entrepreneurship campaigns addressing society at large or specific groups to promote more positive attitudes towards risk and failure, as well as in entrepreneurship education.

**Business associations, business support providers and accountants** should play an important role in raising awareness among entrepreneurs about the consequences of failure, including prevention and rescue. Private partners can also be directly involved (e.g. as tutors or mentors, giving financial support).

Activities under this key action will require **contributions** from the following actors:

Sub-Action	DG ENTR	DG JAI	DG MARKT	MS/ Regions	Business Organisations	Euro Info Centres	Accountants
A	L		P	P/U	U	U	U
B	L	P		P	U	U	U
C	L	P	P	P	P	P	P
D	L			P	U	U	U

L = Lead P = Participate / Contribute A = Act / Implement U = Use / Disseminate

### Sub-action Contacts :

**A, B, C, D:** Ms Sonia HERRERO RADA (DG ENTR, Unit B.1)

## ANNEX: Good Practice Examples

**Spain** - 1) The audit standard on the application of the principle of the going concern of the *Instituto de Contabilidad y Auditoría de Cuentas (ICAC)* is relevant as an early-warning system since it lays down the auditor's duty to 'pay attention to those situations or circumstances which may give rise to doubts about the continuity of the business's activity and if, once all the facts have been analysed, significant doubts persist, to mention this uncertainty in its report'. 2) Recent Spanish bankruptcy reforms reflect great sensitivity about worker-related issues, considering employees as essential for the continuation of a business in trouble. A series of social measures is included in the new framework legislation for companies in difficulties.

**Poland** - The National SME Network (*KSU*) includes 150 not-for-profit business counselling centres (regional and local development agencies, business support centres, industrial and commercial chambers, and local foundations and associations) all over the country. Besides other services, the *KSU* centres supply with a wide range of services: financial analysis, business plans, restructuring plans, marketing strategies, etc. Having access to all financial data of the client, these centres can warn against the threat of bankruptcy. Positive endorsement from National SME Service Network is regarded as a sign of good financial condition.

**United Kingdom** - ACCA (the Association of Chartered Certified Accountants) is an international accounting body, with an extensive network of 70 staffed offices and other centres around the world. ACCA has produced two high quality booklets: 'Keeping Afloat. Your guide to avoiding business failure'. and 'Warning signs for small businesses'. These publications, containing self-assessment tools, launch a clear message to directors: to be effective, assistance must be sought out before the alarm bells start to ring, not after.

**France** - The postgraduate programme 'HEC Entrepreneurs' in France dedicates the entire first module to rescue and restructuring of businesses in trouble.

**Norway** - The Norwegian Advisory Council on Bankruptcy has recommended ways to change the country's insolvency and bankruptcy legislation and practices. Its internet site ([www.konkursradet.no](http://www.konkursradet.no)) provides information about insolvency for both professional and non-professional users.

**Germany** - In January 2003 Germany launched the initiative "pro mittelstand" which includes an important issue: the "culture of the second chance". Social security of self-employed will be improved by having better protection against seizure in the case of insolvency. Public measures are aimed at raising awareness among banks, business partners, venture capitalists, business consultants and other actors.

**Austria** - 1) A substantial second chance measure came in the form of the abolition of bankruptcy as grounds for exclusion from business activities under the 2002 Trades Law Amendment. Only in cases in which insufficient assets preclude proceedings and criminal bankruptcy will continue to constitute grounds for exclusion. Honest bankrupts will therefore not longer be prevented from engaging in business. 2) As to restructuring, keys to its success in Austria are the low number of preferential claims, the role of associations protecting creditors' rights and administration of the company, which is closed down only if continuation would clearly disadvantage creditors.

**United Kingdom** - The UK reform on personal insolvency seeks to facilitate a fresh start for entrepreneurs who failed due to factors outside their control. The Enterprise Act 2002 gives the power to amend or remove statutory disqualifications on bankrupts and reduces the discharge period for remaining debts.

**Belgium** - The Law of 4 September 2002 links excusability to good faith bankrupts who failed due to misfortune (if the court considers that a fresh start does not endanger the general community). In addition, Belgium has included in the scope of excusability those persons who stood surety free of charge, as well as the spouse of the bankrupt. The legislator regards discharge of all of them as a means to boost start-ups and economic growth.

**Romania** - Similar to the US Bankruptcy Code, the Romanian law provides for a complete discharge of debt, subject to limited exceptions confined primarily to criminal liability issues. The discharge also represents a permanent statutory injunction barring the creditors from taking further actions to collect any part of the discharged debt.

**Portugal** - The objective of *SIRME - Sistema de Incentivos à Revitalização e Modernização Empresarial* (incentive system for business revitalisation and modernisation) is to link the existing financial and fiscal instruments suitable to the revitalisation and modernisation of companies. The aim is the acquisition or merger of companies in financial difficulties, by other companies, as well as by company workers (*MBI and MBO*). *SIRME* offers direct capital participation (funds) of buyer enterprises, loans and warrants to buyer enterprises, as well as fiscal incentives.

**The Netherlands** - The ING Bank supports a fresh start for those who have failed once but nevertheless are still promising entrepreneurs. Frequent reasons for failure are a lack of experience among starting entrepreneurs on issues such as competitors, credit risk assessment, and assessment of business partners and buyers. The insufficient preparation is probably caused by underestimating the requirements for starting and running a business. A potential re-starter might have a better chance of success thanks to his/her previous real-life business experience.

**France** - la Fondation de la 2ème Chance (the foundation for the second opportunity)- 130 big companies, 40 centres and more than 1200 volunteers, in partnership with some big social institutions, work at promoting more positive attitudes towards failure in France. This is a private initiative which backs starting afresh via, for instance, guidance, training courses or financial support.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 3 - Facilitating the transfer of businesses

#### Project Leader

Mechthild WÖRSDÖRFER (DG ENTR Unit B.1)

#### Motivation

An estimated **one third** of EU entrepreneurs, mainly those running family enterprises, will **withdraw** within the next ten years, which affects some **610 000 firms and 2.4 million jobs every year**. As less and less transfers are taking place within the family, more family enterprises will need to **be transferred to employees or third parties**. Yet many Europeans **prefer starting a firm rather than taking over one**, despite the obvious advantages of taking over an established firm, such as an existing production structure, a customer network and an established name. At the same time, **the chances of survival for transfers are higher than for start-ups**. Research showed that in Austria 96% of **business transfers** survive the first five years after the transfer in comparison with 75% of start-ups.

In the responses to the **Green Paper**, "**facilitating transfer of business**" was mentioned by the respondents as a **policy area where continuous efforts are needed**.

**After its efforts to urge Member States to implement the 1994 Recommendation on facilitating business transfers of SMEs**, the Commission will increasingly focus on promoting awareness of the possibility of becoming an entrepreneur by taking over established firms (Equal attention should be given to start-ups and transfers) and will continue monitoring progress in the adoption of appropriate measures that facilitate transfer of business.

#### Action Plan Text

*The radical increase in expected business transfers in the coming years will particularly affect the numerous family businesses, which form a key part of the EU business community. The EU should avoid a situation where such enterprises close not because of a lack of competitiveness, but merely because of obstacles in the tax and legal environment or the lack of a successor.*

*The Commission will continue to help national and regional policy-makers to facilitate business transfers, mainly with a view to ensuring the continuity of the many viable family enterprises in the EU. The Commission will keep spurring the Member States to implement the Recommendation on Business Transfers and will step up efforts to raise awareness among prospective entrepreneurs for business transfers. This may include, for example, providing assistance to national and regional policy-makers in promoting marketplaces for buyers and sellers of businesses. More specific actions will be announced in the forthcoming Communication on Business Transfers in 2004.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
2001 Best Project on the transfer of Business	To monitor the implementation of the 1994 Commission Recommendation on the transfer of business by assessing legal, tax and support measures for business transfer and making proposals for further action	2000-2002
European Seminar on the transfer of businesses (Vienna)	Presenting the results of the Best project and examples of good practice in the different Member States	2002
MAP 2002 Project	Follow-up of the Best Project: To help the participating countries make further progress in implementing measures in the selected key areas of the Commission recommendation and to act on the Best project's recommendations	2002 - 2003

## Objectives

- spur the Member States to speed up the implementation of the Recommendation issued in 1994 and of the subsequent Best project recommendations, and to monitor progress
- foster the development of marketplaces that match supply and demand in the Member States and that assist withdrawing and prospective entrepreneurs/potential successors in the take-over phase by providing support services
- obtain statistical data and supportive evidence on the magnitude of the phenomenon in order to help Member States to design and justify appropriate policies
- keep the subject high on the political agenda

## Impact

- Adoption by Member States of additional appropriate fiscal, legal, financial and support measures that facilitate transfer of business.
- Transfers of businesses get equal attention as start-ups by public authorities, business organisations and other stakeholders.
- More transparent market places at the national and trans-national levels.

## Sub-Actions

- A. **A new Commission Communication:** The aim of the Communication is to step up Member States' efforts in implementing the 1994 Commission Recommendation on transfer of SMEs and to give a strong political message about the importance of the topic (610,000 SMEs and 2.4 million jobs at stake every year in the EU).
- B. **Providing an appropriate framework for "business transfer markets " in the Member States.** Through this project the Commission would provide a framework for Member States to agree on a common format and common criteria for providing information in the market places that match supply and demand (- "business transfer markets"-).
- C. **Analysing the reasons for success and failure of SME transfers in Europe:** The objective is to identify the key-determinants for transfer failure (successful transfers) and to identify the characteristics of existing viable SMEs that are most vulnerable to transfer failure groups or categories of SMEs according to parameters such as: ownership structure, size, sectors, location, occupation and other relevant features. The past Best and MAP project emphasized the need for tailor made training and management tools and public initiated support programmes. The results of the project should help national authorities to better target their support programmes and training tools: What are the most effective policy measures/support programmes and to whom they should be addressed? It would be of particular interest to investigate the role of a mediator as a policy strategy. A mediator is appointed by the authorities to "mentor" all phases of the transfer process. He would be an ex-entrepreneur of an SME of such vulnerable category and has experienced himself all aspects of a successful transfer.
- D. **Making funding available to finance transfer of businesses through Commission financing instruments:** to explicitly include transfer of businesses in the financial instruments of the new Competitiveness Programme and to actively promote the relevant community instruments (managed by the EIF) in support of transfer of businesses via the financial networks.

## Contributors

Although the **Commission** will play an important role of coordination and support, as regards the concrete application of policies, most of the necessary action needs to be taken at **national level**.

**Business associations** can take the initiative and act as policy makers in encouraging Member States to adopt appropriate measures that facilitate business transfers.

Sub-Action	DG ENTR (Unit B.1)	DG ENTR Units associated	DG EMPL	DG TAXUD	Member States	Business organisations
A	L	B4	P	P	A	U/A
B	L				P/A	U/A
C	L			P	P	U
D	L	B4			P/A	U

L = Lead P = Participate / Contribute A = Act / Implement U = Use / Disseminate

### Sub-action Contacts :

A,B,C, Mr. Wim Vandenbroucke (DG ENTR, Unit B.1)

D Mr. Vesa Vanhanen (DG ENTR, Unit B.4)

## ANNEX: Good Practice Examples

**Germany** - [www.nexxt.org](http://www.nexxt.org) - the "nexxt" initiative on transfer of business is a project of the Federal Ministry of Economics and Technology in co-operation with 26 private partners (banks, businesses, liberal professions). The platform groups all kinds of information related to transfer of businesses.

**Denmark** - [www.match-online.dk](http://www.match-online.dk) is an internet-based market-place for buying and selling small and medium-sized enterprises. The enterprises can also seek (equity) finance and investors might offer (equity) capital through it. The initiative has been established through cooperation between the most important banks, accountants, lawyers, consultants, etc. All the companies are described anonymously but with reference to the intermediary that made the registration. Only approved intermediaries can register companies into the marketplace and all initial contacts go through intermediaries. Matching of buyers and sellers is done automatically and the intermediaries are informed of any new entries to the market-place by e-mail. The criteria for searching prospective buyers and sellers are trade (NACE codes), location, sales, number of employees and amount of capital. The internet site was launched in September 1999. Since April 2001 it has been extended to cover southern Sweden and northern Germany.

**Finland** - Finnvera plc offers a special financial instrument called 'entrepreneur loan' for business transfers. It is designed for setting up a business, buying a holding or partnership in an existing enterprise in a change of generation or share transaction or raising the share capital of an existing business. The enterprise involved has to comply with the SME definition. Applicants must work full-time for the enterprise and must gain their livelihood through the enterprise. The loan is a personal loan to the entrepreneur and can also be granted to several founders of the same company. The maximum amount of the loan is EUR 85 000.

**France** - With the support of the European Social Fund, the French Chambers of Trade have created a national virtual marketplace for buyers and sellers of enterprises in the craft industry. First, the advisers of the chambers of trade network make an evaluation (check-up) of the companies of the sellers. The offers are then disseminated on the national enterprise exchange for craft enterprises BNOA ([www.bnoa.net](http://www.bnoa.net)). The advisers of the network organise the first meeting between buyers and sellers, provide support, and accompany the transition phase and follow-up through the transfer process

**Luxembourg** - [www.chambre-des-metiers.lu](http://www.chambre-des-metiers.lu). Since 2000, the exchange platform of the "Chambre des Métiers" tries to facilitate business transfers by sensitising potential buyers and sellers and by guiding them actively along the whole transfer process.

**Belgium** - In the context of transfer of businesses, the region of Flanders has further reduced its inheritance tax to 0 % - The Walloon region of Belgium has developed a number of training programmes which have a specific focus on business transfers. For example, within the action plan "4x4 pour entreprendre" several initiatives were taken aiming at professionalizing the management of companies, including the timely preparation of the transfer of companies.

**United Kingdom** - [www.chrismartinassoc.co.uk](http://www.chrismartinassoc.co.uk) Chris Martin and associates have developed a mentoring process which aims to help the entrepreneur recognise the business's core competencies and intellectual capital. This process is especially suited to small owner-managed niche businesses and takes the entrepreneur through a number of specific steps which lead to a deep understanding of the fundamental succession situation.

**Latvia** - As Commercial Law came into force in Latvia on January 1, 2002, many activities were launched in order to ensure a smooth transition period and an improvement in the business environment. Measures include information campaigns and consultations on business transfer issues. A large-scale information and consultation campaign (seminars, on-line discussions, consultations, printed materials, etc.) on business transfer issues is planned in during 2003 - 2004 to provide people with in-depth information on transfer of businesses.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 4 - Improving social security of new small business owners

#### Project Leader

Albrecht MULFINGER (DG ENTR Unit B.3)

#### Motivation

A recurrent topic in the consultation process following the release of the Green Paper on Entrepreneurship in 2003 was the problem of social security coverage for self-employed and small business owners. Although social security systems in Europe are highly developed, small entrepreneurs often do not enjoy a good coverage against important personal risks ( sickness, business failure, unemployment). As a result, entrepreneurship may often be the less attractive career path. This is especially true for dependant employees who change to self-employment (as a "second career") and for small business owners and their co-helping partners.

While entrepreneurship is always linked to some risks, fair minimum social security coverage could reduce the barrier for would-be entrepreneurs and could also concern their co-helping partners.

#### Action Plan Text

*The Commission will present by 2005 an overview of social security schemes for the self-employed and business owners, including their spouses and other dependants, and the effects of transition from one statute to another. This will include health insurance, income guarantees in case of inability to work or ceased activities, pension rights (compared to employees' schemes), take-up of voluntary schemes, undue losses for new entrepreneurs of rights acquired in another career and specific schemes for starting entrepreneurs. This will allow it to quantify the overall downside risk associated with entrepreneurship and determine more precisely the influence of social security on preferences for entrepreneurship. Based on this, the Commission will ask the Member States in 2005 to define the areas in which they intend to take action. The Commission will then organise an exchange of experience involving external experts about how best to make progress. This work will result in identification of good practice cases to help the Member States in adapting their schemes to the extent needed.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
Report: "Financial services action plan: progress and prospects", Expert group on insurance and pensions, DG MARKT,	Improving the functioning of the single market in insurance and in pensions	May 2004

## Objectives

- Reviewing the current state of social security coverage for small business owners and their co-helping partners.
- Comparing public and private sector schemes with the aim of limiting the losses of acquired rights when switching between the statutes of employee and self-employed (in both directions).
- To assess the positive/negative influence of the social security systems for entrepreneurship among small business owners and their co-helping partners.

## Impact

- Better understanding regarding possible ways to provide at least basic social rights to self-employed/small business owners and their co-helping partners in order to make entrepreneurship more attractive.
- Greater awareness of the issue among governments and SME organisations.
- Ultimately: more entrepreneurs as a result of a diminished gap in social security between employees and self-employed/business owners.

## Sub-Actions

- A. Seminar "Social protection of women entrepreneurs, independents and co-working partners" in Brussels in June 2004.
- B. Study on access to social insurance coverage for self-employed and their co-helping partners will be undertaken in order to get a comprehensive overview of the present situation in the countries participating in the multiannual programme for enterprises and entrepreneurship. A Group of national experts on social security is foreseen to be put into place.
- C. Identifying elements of social security systems that constitute obstacles for employees to become entrepreneurs as a second career.

## Contributors

Sub-Action	DG ENTR B.3.	DG ENTR Units associated	DG EMPL	MS	BO
A	L	D.1.	P	P	
B	L	D.1.	P	P / A	U
C		B.1. (L)	P	P	U

L = Lead   P = Participate / Contribute   A = Act / Implement   U = Use / Disseminate

### Sub-action contacts :

A, B, François BECQUART (DG ENTR Unit B3)  
 C Thomas JAEGER (DG ENTR Unit B1)

## ANNEX: Good Practice Examples

**Finland** - Entrepreneurs are entitled to the same basic unemployment allowance as employees. The entrepreneur can also join a fund and become entitled to earnings-related benefits. In general an entrepreneur has to be a member of the fund for 24 months before being entitled to benefits in case of business failure, compared to 10 months for an employee. However, for a former employee the period can be reduced to 18 months. There is also the possibility of some basic social security coverage for the first 18 months.

**Germany** - For a period of five years after becoming self-employed a former employee is entitled to receive unemployment benefits and use all other services of the local labour office although no contributions have to be paid. So there is certain minimum social security coverage in case of a failure of the new business within its first five years.

**France** - Payment of social contributions: more favourable calculation for "occasional entrepreneurs"; a postponed payment of social contributions of the first year that can be spread over five years. Facilitation of the transition between the employee statute and the entrepreneur statute with a bi-activity period during which the entrepreneur remains employee. Exoneration of the social insurance taxes for the employee with the dual statute during the first year of activity.

**Denmark** - Existence of an unemployment fund for self-employed, functioning on membership and acting as a spokesman for the self-employed ethos of its members. The self-employed have the same rights to benefit as the employed, but with a waiting period of four weeks.

**Belgium** - Social insurance in case of bankruptcy allows the self-employed retailer (in case of bankruptcy) or the self-employed non-retailer (in case of receipt of a debt settlement plan), to receive financial aid for two months and the right to social welfare coverage for four quarters as long as various conditions are fulfilled.

**Greece** - Craftsmen, retailers, motorists are required to be members of the new funds "Insurance organisation for self-employed". The following fields are covered : health care, maternity (benefits in cash and in kind), long-term care, as well as invalidity, old age and survivors and employment injuries

**Luxembourg** - The self-employed who had to cease their occupation owing to economic or financial difficulties or to a third party, may obtain unemployment benefits when they sign-up as job seekers at a job placement agency, on condition that they justify at least five years of compulsory pension insurance and that they reside on the territory of Luxembourg at the time that they cease professional activities. The measures on unemployment do not apply to persons admitted to benefit the measures of economic recovery in agriculture, commerce or crafts.

**Sweden** - Social protection does exist for the self-employed. Self-employed persons have the option of joining the unemployment insurance fund responsible for their occupation branch and consequently acquire entitlement to insurance benefits. In addition, if they fulfil the necessary requirements, they may have claim to unemployment assistance benefits.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 5 - Tailor-made support for women and ethnic minorities

#### Project Leader

Barbara NOEL (DG ENTR Unit B.3)

#### Motivation

Women entrepreneurs and entrepreneurs from ethnic minorities have been identified as having untapped business and job creation potential. Those groups also have specific support needs in order to create and expand their businesses. The EU, national and local authorities have adopted various support measures addressing some of those needs. Identification and exchange of good practice should, therefore, be encouraged, but must be combined with efforts to address areas which are not yet adequately covered by existing national measures. The research approach used for the Best project 'Promoting Entrepreneurship amongst Women' seems adequate for the purpose of identifying and examining existing national measures supporting target groups' entrepreneurship.

The European Forum 'Female Entrepreneurship' organised in March 2003, in the framework of the Best project, concluded that future work on female entrepreneurship should focus on the issues of information/exchange of good practice, networking and access to finance.

Also the European Conference on Ethnic Minority entrepreneurs, which took place in June 2003, showed that identification of good practice and networking are the main issues that need to be addressed by the Commission, the Member States and the business organisations.

#### Action Plan Text

*The specific needs of women entrepreneurs and ethnic minorities are currently not being satisfied by support providers. Building on the work underway to promote female entrepreneurship, as from 2004 the Commission will assist the national and regional authorities to address those areas where the needs of female entrepreneurs are still insufficiently met, notably access to finance and entrepreneurial networks.*

*On the basis of experience with exchanging good practice through studies and networks among policy-makers, the Commission will apply a similar methodology for addressing the needs of ethnic minority entrepreneurs. In 2004 and 2005, the Commission will identify and evaluate policy measures with a view to identifying good practices to assist ethnic minority entrepreneurs. Simultaneously, the Commission will encourage networks among policy-makers and seek the active involvement of representative bodies of ethnic minorities for building a better dialogue at EU, national and regional level.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
MAP project: "Young Entrepreneurs, Women Entrepreneurs, Co-Entrepreneurs and Ethnic Minority Entrepreneurs in the European Union and Central and Eastern Europe" (Middlesex Study)	To identify the key issues and problems facing young, women, ethnic minority and co-entrepreneurs in order to inform policy development at European level and facilitate effective support for these target groups.  The study covered all 15 EU Member States + Poland, Hungary, the Czech Republic, Slovakia, Estonia and Bulgaria.	1998-2000
Best Procedure project: "Promoting Entrepreneurship Amongst Women"	<ul style="list-style-type: none"> <li>To collect information on specific actions and support measures promoting female entrepreneurship in the EU and EFTA- EEA countries</li> <li>To identify good practices in the promotion of female entrepreneurship in the EU, EFTA- EEA and other selected OECD countries</li> <li>To develop a methodology for assessing member states' actions and support measures for promoting female entrepreneurship over time.</li> </ul>	2001 to 2003
MAP project "European Conference on Ethnic Minority Entrepreneurs"	<ul style="list-style-type: none"> <li>To raise awareness and initiate a European debate on the importance of ethnic minority entrepreneurs for European economic growth and society as a whole by presenting success stories;</li> <li>To point out the most specific problems faced by ethnic minority entrepreneurs and provide and exchange information on good practices for addressing them;</li> <li>Facilitate contacts between actors and administrations active in this field.</li> </ul>	2003

## Objectives

- establish an overview of national measures and support schemes promoting ethnic minority entrepreneurs;
- provide an overview of specific professional organisations representing ethnic minority entrepreneurs in order to facilitate networking between such organisations;
- identify specific measures to ease access to finance in particular in the start up phase;
- exchange good practices between Member States and generate policy change where necessary;
- facilitate the establishment and development of European networks of government officials working in the area of promoting women and ethnic minority entrepreneurs and to promote networking;
- further co-operation and exchange of experiences between the Commission and international organisations/public authorities outside the EU working on the issues concerned.

## Impact

- Political recognition of the potential of and specific challenges faced by women entrepreneurs and entrepreneurs from ethnic minorities;
- Further commitment to the promotion of entrepreneurship among women and ethnic minorities by the national administrations;
- Greater awareness among women and ethnic minority entrepreneurs of specific measures and programmes for their support through the dissemination of reports and publications;
- Facilitation of networking between organisations, administrations, entrepreneurs and researchers;
- An increased co-operation between different departments in the public administrations dealing with issues related to promoting women and ethnic minority entrepreneurs, both at European and at national level.

## Sub-Actions

### Ethnic minority entrepreneurs

- A. Study to identify and examine the various national measures and support schemes for promoting ethnic minority entrepreneurs in order to identify good practices. Conference to disseminate results of the study and to exchange good practices.
- B. Meetings with experts from national public authorities working on the issue of ethnic minority entrepreneurs in the context of the best procedure.

### Women entrepreneurs

- C. Actions (seminars, workshops, electronic platforms, etc) aiming to bring together public administrations, professional organisations and finance providers in order to explore innovative approaches facilitating the access to finance for female entrepreneurs.
- D. Actions (meetings, electronic platforms) promoting networking between on one hand public administrations and on the other hand organisations, networks, project or event organisers dealing with female entrepreneurship.

## Contributors

Although the **Commission** will play an important role of coordination and support, as regards the concrete application of policies some of the necessary action needs to be taken at a **national, regional or even local level**.

Activities under this Key Action will require **contributions** from the following actors:

Sub-Action	DG ENTR (Unit B.3)	DG ENTR Units associated	DG EMPL	DG REGIO	MS/ Regions	Business Organisations
A	L		P/ A/U	P/ A/U	P/A/U	P/A/U
B	L/A/U		U	U	P	A/U
C	L	B.4	A/U	U	P/A/U	P/A/U
D	L/A/U		U	U	P/U	P/U

L = Lead   P = Participate / Contribute   A = Act / Implement   U = Use / Disseminate

### Sub-action Contacts:

A, B, Ms Birthe Lise Landsted (DG ENTR Unit B.3)

C, D Ms Elena Nielsen (DG ENTR Unit B.3)

## ANNEX: Good Practice Examples

*The below case studies have been identified as good practices according to the methodology and criteria set up in the Best project "Promoting Entrepreneurship Amongst Women":*

**UK** "Women Into the Network" (WIN): WIN is a networking initiative in the North East of England that offers easy, accessible and suitable information and support through a well established and customised internet portal. WIN has a primary sign-posting role in that it directs women to appropriate information and assistance points. The initiative runs a number of activities classified into four key areas: communication and publications, research, events, and training and development. Collectively, these four key areas create an integrated whole that allows members to select and to participate in those areas of networking which suit them at any given time.

**Spain** - the "Empresarias-Net" programme: "Empresarias-Net" is a network for would-be female entrepreneurs aimed at providing advice and consultancy, exchanging experiences and finding new business partners. Empresarias-Net offers up-to-date information by e-mail on topics such as public support and trade fairs on a weekly basis. Flexible and prompt on-line advice is given on subsidies, support measures and business creation as well as sectorial and institutional information.

**France** - the "Fonds de garantie pour la création, la reprise ou le développement d'entreprises à l'initiative des femmes" (FGIF): The FGIF initiative addresses all women who want to start-up, take-over or further develop an enterprise that is under their control, or who have taken this step not longer than 5 years ago. The FGIF is administered by the private organisation "Institut de Développement de l'Economie Sociale" (IDES). IDES was created in 1983, when the institutions of the social economy decided to invest part of their reserves to benefit enterprises in the social sector. The FGIF initiative was created in 1989 following an agreement between the State Secretary in charge of Women's Rights and IDES. The guarantee by the state is intended to help improve this situation in two ways: by offering financial security to banks and through an ex ante evaluation of the viability of the project. The initiative is also complemented by management counselling during the preliminary stage of the establishment of the enterprise.

*The following practices were among those presented during the "European Conference on Ethnic Minority Entrepreneurs" on 26 June 2003 in Brussels:*

**Sweden** - the Swedish Association of Ethnic Entrepreneurs - IFS. IFS was started in 1996 and is an independent not-for-profit association working with and for ethnic minority businesses. One of the most important goals for IFS is to encourage entrepreneurship among ethnic minorities and to represent its member companies in dealing with public authorities, organisations banks, customers, the media etc. IFS has 15 advisory centres in Sweden with 32 ethnic business advisors and works in 23 languages. IFS has over 4000 clients a year.

**France** - the "Business creation through immigration" initiative has been developed by IRFED (Institut International de recherche et de formation, éducation, cultures développement). In 1988, IRFED carried out a research action on business creation amongst ethnic minority entrepreneurs. Since then IRFED has developed "business creation through immigration" as a specific field of work by establishing training and support programmes. In particular, the programme assisting ethnic minority women without any education or preparation to create their own business or start an independent activity, has helped create hundreds of small enterprises.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 6-A - Facilitating SME's business co-operation in the internal market

#### Project Leader

Jean - Luc ABRIVARD (DG ENTR Unit B.2)

#### Motivation

The fundamental purpose of Enterprise policy is to create an appropriate and favorable environment in which European SMEs can increase their competitiveness and innovation within a global market. Taking advantage of the internal market often implies finding business partners in other EU countries. Due to globalization of markets and improved communication technology many start ups are from the start international. Various studies have shown that business cooperation is a motor of competitiveness. However, SMEs often have difficulties in finding partners and doing business abroad.

The consultation on the Green Paper on Entrepreneurship showed that internationalization of European companies is one of the key elements to be developed. According to SMEs, internationalization and business co-operation go hand in hand.

Economic and industrial co-operation - whatever its form and making optimal use of networks and IT tools are integrating factors and very effective ways of boosting the competitiveness of SMEs.

The challenge is to put together added-value approaches, methodologies, and actions, in the framework of the Enterprise Community policy to respond to the needs of SMEs through business services networks.

#### Action Plan Text

*The Commission will support matchmaking events in EU regions, allowing entrepreneurs to meet strategic partners (entrepreneurs, researchers, financiers, advisors, mentors, business partners and policy-makers) who can help boost their performance. The Commission can rely on a wide network of potential partners, through the business organisations, in several Commission databases and the EIC, IRC and BIC networks. By mid 2004, the EIC, IRC and BIC networks will have the administrative, support and IT tools in place for supporting the events, in which they take part in a co-ordinated way. This experience will be evaluated during 2005 with a view to defining a strategy for the next years.*

*After participating in matchmaking events, SMEs can rely on the European business support networks, through their widespread network of offices, for further information and advice about doing business in the Internal Market, a specific country or a particular region.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
Building on Partnership past experiences	Commission's initiatives to encourage partnerships between industries and/or services, promoting contacts across European companies.	Finalised
A common approach and methodology; an International Business Co-operation Guide and other tools; Calendar and Programme of business Co-operation meetings/ events; Business co-operation Database	Enhance quality of business co-operation services by providing and updating common tools for the EIC Network to support the SMEs in their internationalization process. Promote the delivery of value-added business co-operation services by EICs.	2002 - 2004. Update ongoing.

## Objectives

- Offer a company-driven programme of matchmaking events enhancing the business co-operation of SMEs and serving their interests.
- Raise awareness of SMEs about benefits of business cooperation as a way to improve their position in the international markets.
- Deliver added-value support services by networks speaking the same language, using common tools - including IT and databases -, and common framework/actions.

## Impact

- Enhanced utilisation of the Internal Market's potential and opening up more business opportunities to SMEs.
- Better access of SMEs to global markets.
- Increased competitiveness and innovation processes through business co-operation.
- More high-quality and accessible support services to SMEs, more and better co-operation agreements between companies whatever their type: subcontracting, franchising, joint-venture, commercial or production license etc.

## Sub-Actions

### A. Setting up the programme

Designing a "Business Co-operation Programme of Matchmaking events in EU Regions" for Community networks to develop pre-arranged matchmaking meetings between participating companies. Implementation and monitoring of the management model and looking for synergies with the selected fairs organisers, the sector-based representatives associations, and other initiatives dealing with partnering. Monitoring and evaluating this pilot action to test the approach and tools, including benchmarking and best practices as described in the PACE proposal.

## Contributors

Activities under this Key Action will require **contributions** from the following actors:

Sub-Action	DG ENTR (Unit B.2)	Community networks	Regions	Business Organisations
A	L	P/A/U	A/U	A/U

L = Lead P = Participate / Contribute A = Act / Implement U = Use / Disseminate

### Sub-Action Contacts

Contact: Mr. G. Canet (DG ENTR, Unit B.2)

## ANNEX: Good Practice Examples

### France - " A potential market identified thanks to "Futurallia" (Poitiers)

A Euro Info Centre in Belgium (BE001) was contacted by a Belgian SME working in the development of computerized information and data management tools (geographical information system). This company was searching for industrial and trading partners involved in activities that could complement the company. activities so as to be able to offer its customers comprehensive solutions. In practice, the EIC helped the company to carry out an in-house inventory of activities that justified an international partnership, to define the targets and the ways to establish a profile of the partners to follow up the event. The EIC played the part of turnkey house in the partnership and a much value intermediary for the company in all the steps it took at this level. Quoting the company's representative "thanks to Futurallia my company has been able to pinpoint a new potential market where the company has not yet got a foothold: oyster farming. This new sector is important for its potential development all around the world".

### Italy - Decide VI - La Spezia

Decide VI was intended to contribute to the process of restructuring and civil diversification of European Defense industries. A large number of countries were involved in the organization of the event, Italy, the Netherlands, France, UK, Norway, Germany, Switzerland, Belgium, Malta and Czech Republic.

Company M is a small company which manufactures small tracked vehicles for civil protection (e.g. Firemen). It employs 12 people and exports account for a meager 5%. In opinion of company M. this type of partnering event is an excellent instrument for identifying potential partners, particularly in very specific sectors. In fact, Company M. participated in all previous "Decide" events with positive results. Specifically, Company M. met a Swiss company at the event and further contacts have been made geared towards the development of a prototype vehicle. This vehicle had been developed by the Swiss company who lacked the capacity to undertake manufacturing. Meetings took place with the idea that Company M. could be involved in further developments and manufacturing of the aforementioned prototype.

Company M is in favour of such events as they make the internationalization of small companies easy by reducing the cost of contacting companies with similar sector-based interests.

### Germany - Electronik

Electronik was a partnering event focused on electronics organized by the Bavarian Association of Trade and Industry) in collaboration with other institutions from Austria, Italy, Denmark, France and Sweden.

Company X is a French company specializing in the development of all activities related to telematics transport (GPS technology). It is involved in R&D activities, namely the development of prototypes. It is a very small company with 8 employees, but is very active in international markets. In fact, exports account for 80% of annual turnover.

Company X has had further contacts with two companies met at the event. One is a Swedish enterprise with whom an agreement was reached combining the experience of Company X in outdoor localization with the Swedish knowledge in the development of infrared navigation systems. The agreement took less than a month to be concluded. The other company with whom further contacts were held came from the Czech Republic. It took around ten month to reach an agreement with the value of such agreement amounting to 50,000 euros. Now the Czech company provides company X with electronic systems.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 6-B - Fostering innovative clusters

#### Project Leader

Renate WEISSEHORN (DG ENTR Unit B.5)

#### Motivation

"Promoting regional networks or clusters" was recommended by respondents to the Green Paper on Entrepreneurship as a key measure to promote business and entrepreneurship.

Clusters constitute favourable environments for fostering the competitiveness, innovation capacities and growth of SMEs. They can help SMEs create critical mass, pool resources and find business partners as well as access to technology, knowledge and common services. More and more, national and regional clusters are linked to and form part of international value chains and are bound to co-operate with one another.

In Europe, as well as in other parts of the world, a number of countries are currently using the clustering approach to support economic development by designing specific policies to support their creation and development. In EU Member States, these policies are either part of a national strategy to improve competitiveness or part of regional programmes to sustain regional development. In the new Member States and Candidate Countries, the clustering approach is mainly used to speed up change and to stimulate businesses to innovate.

At the European level, actions have been taken to support the creation and the development of clusters through various policies, such as Enterprise policy, Regional Policy or Research and Innovation policy. The continuation, reinforcement and further development of these actions will contribute to the development of clusters. The Action Plan creates a framework for promoting and coordinating these actions as well as discussing and preparing future actions.

#### Action Plan Text

*Clusters can help SMEs create critical mass, pool resources, allow them to find business partners or provide access to strategic information. Building on its work reviewing Member States' cluster policies and facilitating exchange of experience on clustering at regional level under the 'Innovating Regions in Europe' programme, the Commission will in 2005, with a group of cluster managers, define and test a model for forging strategic links among clusters within the EU.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
Support the development of clusters in less favoured regions	This action, initiated by DG Regio has allowed the support to 16 pilot projects for the development of regional clusters.	2001 - 2003
Cooperation between IRC network and clusters	IRCs interested in the same industrial sectors have grouped them-selves into Thematic Groups, which are platforms for IRCs to identify and to satisfy the technology needs of the sectors concerned	Ongoing
2002 MAP Project on Enterprise clusters and networks	To analyse to what extent clusters and networks do really offer a favourable framework for SMEs.  To identify examples of good practices related to clusters and to identify future possible actions.	2002 - 2003
European Seminar on Cluster Policy (Copenhagen)	To present the results of the MAP project and examples of good practice.	2003
Thematic network ACENET (Accelerating the establishment of clusters)	This network brings together regional organisations interested in the development of processes and methodologies to set up and manage clusters and company networks.	2001 - 2003
IRE working group on clusters	The IRE network has been supporting regional authorities in developing innovation strategies, in which the development of clusters have been an important part. A working group has been set up to work on cluster policies.	2000 - 2004
IRE workshop on clusters	Exchange of experiences and know-how on how clusters can be developed and managed.	2004

## Objectives

The overall objective is to contribute through transnational cooperation and networking of clusters to the understanding of the needs of clusters, the development of more efficient policies to support the creation, the development and the management of clusters, as well as the networking of clusters. The specific objectives are:

- Identify, analyse and classify existing business clusters in Europe per and across sectors and collect appropriate statistical data;
- Analyse successful cluster strategies in European regions and provide recommendations for policy making at regional, national and European levels;
- Develop cooperation between IRC network and sectoral clusters to promote innovation, technology transfer and trans-national technological co-operations among business organisations;
- Help regional authorities and other relevant stakeholders to better understand the needs of clusters and to improve their support to the development of clusters by identifying pitfalls and barriers to cluster development and by identifying measures and/or methodologies to overcome them;
- Reinforce cooperation between business clusters in Europe through the establishment of networks between clusters operating in the same or different sectors.

## Impact

- Increased awareness of the benefits of cluster organisations as well as of existing clusters and networks among the business community and EU policy-makers.
- Improved support to clusters through more efficient regional policies

## Sub-Actions

- A. An action will be launched to identify, analyse and classify business clusters in the EU 25 in a pre-selected number of sectors or across them. The work will be based on the analysis of recent similar initiatives undertaken at national level, the development of a classification methodology and relevant statistics;
- B. A study is to be carried out to identify the principal components of clusters with relevance to Research, Technological Development and Innovation in an enlarged Europe, and provide policy recommendations to policymakers at different levels (regional, national, European) on how to create an environment where Research, Technological Development and Innovation is a key factor in establishing/maintaining clusters. A symposium will be organised with the participation of policy makers, EU research programme managers, cluster managers and representatives of national and regional actors involved in clusters analysed;
- C. The IRC network will establish a working group with the aim to analyse existing co-operations between IRC network and sectoral clusters and to elaborate strategies to further develop transnational cooperation between clusters. The working group will be composed of representatives of IRCs and IRC thematic groups having working relations with clusters, as well as representatives of sectoral clusters. The results of the working group will be presented at a seminar open to organisations interested in working with clusters for technology transfer. This will help disseminate the results and to complement the work of the group. The IRC network will implement the recommendations of the working group to enhance co-operation with clusters in order to promote innovation, technology transfer and technological co-operation among business organisations;
- D. The IRE Network will establish a subgroup of regions which will look at establishing and developing industrial clusters and networks at regional level. The members of the subgroup will undergo a learning process which is broken down into learning modules, which in a condensed and efficient way enable them to learn about the key elements of cluster processes. The modules will focus on the role of the regional authority as regards financing, internal cluster communication and external relations of clusters. The latter will also look at the linking of clusters to the regional knowledge base (in this area co-operation with the IRC activities will be sought). Study visits for the subgroup members will support the learning process. At the beginning of 2006 the IRE network secretariat will organise an open workshop which will present the findings of the subgroup to interested European regional stakeholders. The activities of the subgroup will continue until May 2006 and may be extended until May 2008. The subgroup will also serve as a learning model for a future project line under FP7;
- E. A call for proposals will be launched to support transnational networking of sectoral clusters. The action will assist existing clusters to adopt "outward looking" approaches by establishing learning platforms between them for exchanging experiences, information, good practices and knowledge. These networks will facilitate the exploitation of synergies, the joint development of collaborative projects and assist clusters from different domains to move towards to megaclusters through partnership schemes. The projects will be encouraged to involve regional agencies aspiring to undertake policies fostering the development of clusters, in particular in the new Member States. Outcomes should include specific proposals for policy actions. Synergies with existing projects and networks already developed in the framework of the PAXIS initiative will be strongly encouraged. This is also the case with activities launched to develop the cooperation between the IRC network and sectoral clusters as well as activities aiming at developing clusters at regional level.

## Contributors

Regarding the development of clusters, the Commission will play the role of a catalyser, coordination and support. Member States, in particular regional and local authorities will be the main actors regarding policy making and actions to be taken at national or regional level. Business associations should also take initiatives to facilitate exchanges between clusters.

Concerning the actions described under this Action Plan, the role of each actor is defined as below:

Sub-Action	DG ENTR (Unit B5)	DG ENTR (Unit A6)	DG RTD	DG REGIO	Regional authorities	Business organisations
A	P	L	P		U	U
B	P	P	L		U	U
C	L	P	P		U	P/U
D	L	P	P	P	P/A/U	P/U
E	P	L	P		U	P/U

**L** = Lead    **P** = Participate / Contribute    **A** = Act / Implement    **U** = Use / Disseminate

**Subaction coordinators:**

**A, E:** Mr Nikos Pantalos (DG ENTR, Unit A.6)

**B:** Mr Dimitri Corpakis (DG RTD, Unit M.3)

**C:** Ms Alice Wu (DG ENTR, Unit B.5)

**D:** Mr Michael Busch (DG ENTR, Unit B.5)

## ANNEX: Good Practice Examples

**Ireland** - The Irish Software Cluster: Government department and development agencies initiated measures that improved the framework conditions for companies in the sector. Specifically, they created through private/public partnerships a number of venture capital funds and encouraged research-university-industry linkages.

**Finland** - The Finnish Forest Cluster Programme Wood Wisdom, carried out in 1998-2001, succeeded in promoting co-operation and networking between industry and research institutions. Its focus was research that promotes the competitiveness of SMEs in the mechanical sector.

**France** - The Jura Spectacle Manufacturers: This SPL (Système Productif Local) achieved to maintain the local enterprises and preserve jobs through actions supported by the EU, the State, the Regional Council and the local authorities. Typical actions were promoting technological innovation to improve the quality of the products, fostering inter-enterprises alliances as well as industry-research and education linkages, developing common marketing and design services, providing support for exports, mainly through partnerships with countries of Central and Eastern Europe.

**Slovenia** - The Slovenian Toolmakers Cluster: This cluster benefited from the Cluster Pilot Project Programme launched by the Ministry of Economic Affairs in order to increase production volume, competitiveness on foreign markets and foster technology transfer between companies and R&D institutes. The programme contributed to the development of 70 joint projects in the fields of marketing, supply chain management, R&D and organisation and IT infrastructure, as well as the creation of a common identity and communication tools.

**United Kingdom** - Yorkshire Forward regional cluster policy: The Regional Innovation Strategy project of Yorkshire and the Humber, launched in the mid-1990s, laid the ground for the region's cluster strategy. The regional development agency Yorkshire Forward focuses on the five key clusters: advanced engineering and metals, bioscience, chemicals, digital industries, and food and drinks. The clustering approach aims to provide advantages to companies such as an infrastructure that meets their needs, greater access to specialised information and R&D, better access to qualified staff and suppliers, and increased motivation and innovation due to the competition created within the cluster. Yorkshire Forward's specialised support measures for each cluster include the establishment of specialised science parks and links with research and development.

**Belgium** - The Flemish cluster policies: Over the last ten years Flanders has been creating technology clusters in order to exploit company synergies. From the initial focus on traditional and new industrial sectors, Flanders has moved to high-tech sectors. Clusters have been established in a diversity of technological domains, including e-security, multimedia, biotechnology and digital signal processing. The clusters have been supported by the creation of centres of excellence such as the Flemish Institute of Biotechnology (VIB) and the Inter-University Micro-Electronics Centre (IMEC). The centres of excellence are set up to attract new companies and foreign inventors to the region as well as to stimulate indigenous companies.

**European network** - ACENET (Accelerating the establishment of clusters): This network brings together eleven regional organisations interested in the development of processes and methodologies to set up and manage clusters and company networks. It also provides business opportunities for SMEs within clusters. They have analysed issues related to the network set up and business networking, benefice to members, hot topics for cluster facilitating organisations and methodologies for handling them.

**Czech Republic** - The Association for the Reconstruction and Development of Moravia and Silesia in cooperation with the government-run agency established a Moravian-Bohemian mechanical engineering cluster in June 2003. Databases of companies were created, containing ranges of products and services, a professional association of companies was founded, the introductory marketing operations in the Czech Republic and abroad were launched, and a labour market survey was conducted for the requirements of companies in the cluster.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 7 - More Equity and Stronger Balance Sheets

#### Project Leader

Mr Jean-Noel DURVY (DG ENTR Unit B.4)

#### Motivation

European SMEs tend to have a relatively low share of own capital in their balance sheets. This view was repeatedly echoed in the replies to the public consultation of the Green Paper for Entrepreneurship. Stronger balance sheets are also becoming an increasingly important factor for banks to determine creditworthiness. Changes in the banking sector, particularly an increasing focus on loan risk factors and with a view to the forthcoming Basle II accord (on new capital adequacy rules) in preparation, imply that the relationship between banks and SMEs will be increasingly more based on risk ratings and transparency in information.

The main sources for additional equity for SMEs are retained earnings, informal risk capital investors, venture capital funds and institutions providing quasi-equity instruments like subordinated loans and other mezzanine financial instruments.

For mainstream SMEs, retained earnings are a very important form of financing for growth and investment. In this context, the Member States could consider reviewing their fiscal arrangements concerning the relative taxation of retained and distributed profits taking into account the need to promote growth with internal means. Only companies with exceptional growth potential are likely to receive equity investments from business angels or venture capital funds. However, other remaining obstacles that hinder the development of a truly European risk capital market should be removed.

The public sector should continue to work with the private sector to remedy market deficiencies and in particular to reduce the persistent gap in early stage finance. To provide conditions for a broad-based growth and to foster R&D and innovation, both mainstream SMEs and young, innovative companies should benefit from more risk sharing and co-investments between private and public sector finance providers.

#### Action Plan Text

*The Commission will use its financial instruments for SMEs to facilitate entrepreneurial growth by stimulating the supply of both debt and equity finance from 2004. Subject to the evaluation of the financial instruments, revised and streamlined financial instruments will be launched in 2006. Besides offering guarantees and promoting securitisation, they plan also focus on equity for research-based and innovative SMEs.*

*In view of the expiry of the Communication on State aid and Risk Capital in 2006, the Commission will also re-examine in 2004 and 2005 the role of state aid in remedying possible market failures in the provision of funding for SMEs, particularly the young and growth-oriented ones.*

*The Commission will analyse elements in national tax structures that favour debt finance as opposed to equity finance (notably retained earnings, informal investors). The Commission will start this analysis and set up a working group involving Member States' experts in 2004. Based on the outcome, the Commission will call upon Member States that apply relatively disadvantageous tax treatment of equity to take action to ensure fiscal neutrality. Recommendations and existing good practices will be presented in 2005.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
MAP project "Best practices in microlending"	To improve start-ups' access to microloans through increased awareness of problems and solutions in the Member States.	2002-2003
MAP project "Benchmarking business angels"	To improve SMEs' access to seed and early stage capital by increasing awareness in the Member States of the potential of business angels to provide such capital, which banks are reluctant to do.	2002-2003
Study on company taxation in the internal market.	To assess existing differences in the effective levels of corporate tax in the Member States.	1999-2001

## Objectives

- **Strengthen the balance sheets of SMEs through increasing equity**, which makes firms more resilient and improves the availability of loans. Because retained profits are a very important way of self-financing for many established firms, the tax codes of many of the Member States need to be reviewed in order to identify potential disincentives to equity financing.
- **Improve access to risk capital financing**. Firms with strong growth potential need sufficient amounts of outside risk capital. For this reason, the available volume of risk capital for innovative SMEs with high growth potential should be increased. The generally recognised early-stage finance gap means that provision of risk capital from business angels, seed capital funds and other early-stage risk finance providers is particularly important. Investors should be encouraged to invest in risk capital, including through tax rules concerning private individuals of the Member States. Cooperation - also across EU Member States' borders - between providers of risk capital should be encouraged.
- **Simplification of state aid rules**. Public sector co-investment in reducing the early-stage finance gap should be facilitated. To this end, the Commission is currently re-examining the role of state aid in remedying possible market failures in the provision of funding for SMEs, particularly the young and growth-oriented ones.

## Impact

- Raised awareness by Member States about effects of fiscal measures on SME finances.
- Increased volume of equity finance for innovative SMEs.
- Improved awareness about the availability of equity finance for SMEs.
- Increased cooperation between providers of risk capital.
- Streamlining of state aid rules.

## Sub-Actions

- A. Development of **risk capital markets**:
- Commission evaluation of the state of the business angel financing in Europe.
  - Commission review of best practices in public sector encouragement for early-stage equity finance through a "Best" procedure project.
- B. The Commission will analyse the possibilities to **reshape the funds for Community risk capital instruments** that are managed by the European Investment Fund, EIF, in designing the new programme for entrepreneurship (2006-2010).
- C. The Commission will **study ways to leverage stronger balance sheets in SME financing**
- The Commission will publish a guide and locally organise information conferences around Europe in the framework of the introduction of the new Basel Capital Accord (BASEL II).
  - It will study the use of asset-backed securities in increasing the availability of SME lending.
- D. The Commission will **study obstacles to stronger balance sheets** posed by tax rules, especially the impact on increase of equity and on earnings retention.
- E. The Commission reviews **state aid rules** concerning risk capital, R&D and innovation aid.

## Contributors

Activities under this Key Action will require contributions from the following actors:

Sub-Action	DG ENTR (Unit B.4)	DG ENTR Units Associated	DG Taxation & Customs Union	DG Competition	Member States	Business organisations
A	L				P/A	P/U
B	L				A	
C	L				U	P/U
D	L	B.1	P		P/A	P/U
E	P	A.4		L	A	

L = Lead P = Participate / Contribute A = Act / Implement U = Use / Disseminate

### Sub-Action Contacts:

**A-C:** Mr. Vesa VANHANEN (DG ENTR, Unit B.4)

**D:** Mr. Gernot DINSE (DG ENTR, Unit B.1)

**E:** Mr. Lluís NAVARRO (DG ENTR, Unit A.4)

## ANNEX: Good Practice Examples

**Austria** - Reduced tax rate for retained earnings. Sole traders and partners of partnerships can opt to be taxed with half of the average tax rate on profits up to a ceiling of € 100.000. The scheme applies to all business activities with the exception of independent professions (e.g. lawyer, architects, etc).

This preferential tax treatment will be definitive, if the retained earnings are not withdrawn within a period of seven years; otherwise the ordinary tax rate will apply. The new regime encourages sole traders and partnerships to retain earnings resulting in an increase of equity.

**Finland** - Integrated financing model for innovative companies. A model of seamless integration has been developed for the funding of innovative start-up firms. First, entrepreneurs are given aid to prepare and present their project with grant financing. Second, a marketplace brings together the best entrepreneurs, business angels and other investors including the public sector, if needed. To bring in marketing experience to commercialise the product, experienced marketing people that are willing to work for a start-up are brought in to the company.

**France** - Regional community investment funds. The creation of the "fonds d'investissement de proximité" is aimed at providing regional development through investments in SMEs. These funds target medium-sized regionally active SMEs that have difficulties finding suitable investors. The funds combine profit and development objectives. Private investors in these funds benefit from a tax incentive. These funds can also finance guarantee funds and mutual guarantee societies.

**France** - School of business angels. The French national business angel network France Angels has a training initiative called "l'Ecole des business angels", which aims to increase awareness among investors, and to recruit new investors giving them high quality training sessions. The successful programme contains issues like profiling typical business angels and their investment horizons, expectations concerning reward and exit, the place of business angels in the financing of an enterprise, the complementarities and conflicts between different financiers, and the steps in angel investments (including legal and taxation aspects). There is information on how to become a business angel and on the aspects of entrepreneur-angel relationship. The relationship is looked at through the expected contribution of the angel in financing and in decision-making, the contractual relationship, the organisation of information-sharing, the access to the angels' network of contacts, and the different exit routes of the angel.

**Germany** - In 2000, KfW (Kreditanstalt für Wiederaufbau) launched its securitisation programme "Promise" (Promotional Mittelstand Loan Securitisation) to tackle increasing problems of SMEs access to bank loans, especially due to the lending risks. Banks can place risks from SME loans via "Promise" in the capital market in a standardised way using innovative financing instruments. The programme enables banks to reduce their risk and the amount of equity retained on loan portfolios. Banks thus gain more scope to grant new SME loans. Since KfW launched the programme in 2000, the SME securitised loan volume amounts to €17.4 billion (concerning approximately 44 000 SME loans).

**Slovakia** - Simplified tax rate system. The use of a flat tax rate for personal income, VAT, capital gains, and corporate income is simple, does not distort economic incentives and can efficiently promote entrepreneurship. The abolishment of exemptions provides for a simple and understandable tax code. However, the fact that dividends will not be subject to either withholding tax or income tax provides for an incentive to distribute profits instead of reinvesting them in the company.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 8 - Listening to SMEs

#### Project Leader

Mr. Emmanuel BERCK (DG ENTR, Unit B.2)

#### Motivation

The responses received during the public debate following the publication of the Green Paper as well as opinions expressed on many other occasions, clearly highlighted the need for administrative simplification and systematic consultation with SMEs and their representative organisations before introducing new regulations and policies. Many stakeholders underlined the principle 'think small first' to ensure sound **impact assessment** and **better regulation** at both national and European level.

It has been strongly emphasised that listening to SMEs is crucial at all levels of policymaking and that policymakers should hold systematic and active dialogue with SMEs and their representatives in order to properly assess the impact of their proposals **and ensure better policies**. Also the relevance of existing legislation and policies needs to be scrutinised. To this end, the stakeholders also expressed the need for strengthening the role of the **SME Envoy** within the Commission.

The voice of SMEs should also be listened to when **the new programmes and support schemes for SMEs** are shaped at all levels of policymaking so they can better address the needs of the SME community and facilitate their access to the different types of assistance that are available (finance, research, new technologies). Therefore strengthening the exchange of opinions and expertise between policymakers and business stakeholders is of key importance in creating efficient support instruments for SMEs.

#### Action Plan Text

*To give SMEs a stronger voice in EU policy-making, the Commission will expand its assessment of the impact of EU activities on SMEs, particularly through the recently introduced impact assessment. Through the SME Envoy, it will directly consult SMEs and intensify the dialogue between all Commission services and business organisations through more regular meetings.*

*The Commission will also improve mechanisms to take account of SMEs' experiences with existing legislation, policy and programmes. Under the Commission's 'Interactive Policy Making' initiative, the EIC network records feedback on internal market obstacles experienced by SMEs. More intense promotion, a systematic follow-up on the reported problems and a wider range of areas on which feedback can be given will increase consideration of SMEs' views.*

*Apart from organising a more effective dialogue with SMEs, this work needs to show evidence that the issues raised by SMEs are really taken on board. Progress will be measured by tracking the follow-up of SME opinions. At the end of 2004, the Commission will have operational structures for organising the dialogue and assessing progress; by 2005 the Commission will report on the involvement of SMEs and their representatives in the consultation process and the extent to which their views are taken into account.*

*The Commission has started, together with Member States' experts, a benchmarking project on the involvement of SMEs in national policy-making. This action will examine successful methodologies already applied in the Member States to organise consultation of SMEs, embracing all services whose work affects SMEs. On this basis, best practices and policy recommendations will be presented in 2005.*

## Previous Activities

This project includes a set of integrated actions which follow coherently previous activities, in particular:

Activity	Objectives	Duration
Interactive policy Making (IPM)	Better understand how EU policies are perceived by EU businesses and citizens, through on-line consultations and the feedback mechanism in which EICs participate	2000 - ongoing
"European Charter for SMEs"	Improve the environment for small enterprises, bringing together all aspects of policy affecting small businesses at European and national level.	2000 - ongoing
"Business Impact Assessment Pilot Project" (Best project 2001)	Gather information and data on the various impact assessment procedures in the Member States and present the comprehensive picture of current efforts in this area and identify best practices.	2000 to 2002
SME Envoy	Better integrate the SME dimension in EU policies through regular contacts with European and national SME business organisations and highlight their concerns to the different Commission services.	2001 - ongoing
Impact Assessment - Communication	Improve the quality and coherence of the policy development process and contribute to an effective and efficient regulatory environment and further, to a more coherent implementation of the European strategy for Sustainable Development.	2002
'Towards a reinforced culture of consultation and dialogue - General principles and minimum standards for consultation of interested parties by the Commission - Communication	Provide general principles and minimum standards for consultation that should govern the Commission's relations with all interested parties; to build a coherent and flexible framework for consultation	2002
European representation of SMEs - report by EIM for the DG Enterprise, SME Envoy	Provide the necessary information and data to achieve a better insight and understanding of who represents small and medium sized enterprises at European level and how these interests are represented.	2003

## Objectives

- Improve **consultation mechanisms at national and regional level**, through:
  - the benchmarking of existing consultation mechanisms;
  - the dissemination and promotion of best practices;
  - the implementation of policy recommendations;
 Thus contribute to better regulation, more competitive SMEs, and a flourishing entrepreneurial society.
- Promote **dialogue between policy makers and stakeholders in the policymaking at EU level** through more regular and systematic exchange of views, follow-up of SME opinions, more focused impact assessments and more efficient mechanisms of involving stakeholders in policy-making and in the assessment of existing EU legislation.
- Contribute to **more SME friendly policies and initiatives** and reinforcing the consideration given to SME-related issues in the implementation of the **Commission Work programme**.

## Impact

- Better quality legislation and policies towards SMEs and effective reduction of red tape, both at national and EU level, taking into account the SMEs experiences with existing legislation, policy and programmes and their opinions on forthcoming initiatives (at an early stage).
- Improved consultation mechanisms at national and regional level through interested parties learning from each other and using good practices.
- More effective dialogue with SMEs at EU level: better understanding of EU policies by SME organisations, and at the same time better awareness of the situation and challenges faced by SMEs, both in the Member States and within the various Commission services.
- Systematic monitoring of developments in the area of representation of small business' interests at Community and national level through the Charter reporting procedure and through the introduction of appropriate indicators and recommendations on consultation procedures.

## Sub-Actions

- A. Identifying good practices that can help to improve/benchmark the consultation process in EU countries and formulate recommendations for policy measures (Best project on "**Consultation of stakeholders in the shaping of small business policy at national/regional level**").
- B. Ensuring **better consideration of the SME dimension in EU policy making processes** through reinforced coordination mechanisms inside the Commission: development of the **interservice SME Network** which could encompass experts from the main European business organisations on specific topics.
- C. Creating of a mechanism of consultation of SMEs via the EIC network (**SME test panel**), making it quick and easy to consult SMEs and get their opinion on policy options considered at EU level, thus enabling the **direct involvement of SMEs in specific areas of policy making**.
- D. Ensuring efficient instruments for obtaining and exploiting **regular feedback** from SMEs on various EU subjects, through the improvement of the IPM Exploitation Mechanism and the follow-up of cases registered, with the aim of assessing and reviewing the existing regulations and programmes, and identifying possible contradictions or weaknesses.

## Contributors

The **Commission** will continue its actions to better integrate the SME dimension in EU policies and make sure that SME concerns and opinions are well known to the different Commission services. The Commission will also offer the platform for discussions and will facilitate the process by identifying and disseminating good practices, providing tools for benchmarking and better coordination of policies that affect entrepreneurship.

**National and regional authorities** can improve their dialogue with stakeholders by putting in place the relevant framework providing for successful consultation. This framework needs to take into account their national traditions and cultures of consulting business and allow businesses to have a say in policy making early enough to make a difference, as this seems to be the best way to ensure that new policies are taking care of SMEs.

**Business associations and individual businesses** can bring their needs, opinions, views and problems to the attention of policy makers via different methods of consultation including the online consultation instruments and encourage SMEs to make use of these instruments. They can help governments in developing the new legislative/policy proposals and in the application of current rules by better identifying their business, economic and social impact.

**Euro Info Centres (EICs)** being the intermediaries for SME related matters should participate in collecting the concrete knowledge of existing problems and difficulties that stakeholders experience when acting on the Internal Market. They can deliver a quick feedback on particular proposals, i.e. affecting a certain sector of industry in various countries. Collaboration between the EICs, their host structures, the Member States and the Commission can improve the position of small enterprises across Europe.

Activities under this Key Action will require **contributions** from the following actors:

Sub-Action	DG ENTR	DG ENTR Units Associated	DG MARKT	Sec Gen	MS/ Regions	BO	EIC
A	L	B.1	P	-	P/A/U	P/A/U	U
B	L		P/A	P	-	P	U
C	L	G.6	P/A	P	U	P/A	P/A
D	L		P/A	P	U	U	P/A

L = Lead P = Participate / Contribute A = Act / Implement U = Use / Disseminate

### Sub-action Contacts :

**A:** Ms Lucyna Kaminska (DG ENTR Unit B1)  
**B:** Mr Emmanuel Berck (DG ENTR Unit B2)  
**C, D:** Mr Gerardo Canet (DGENTR Unit B2)

## ANNEX: Good Practice Examples

**UK** - Small Business Council (SBC), an independent body of 24 entrepreneurs (nine new members appointed in July 2003), has a direct access to the Prime Minister and attends ministerial committees where small business issues are discussed. The government accepted most of 23 recommendations in the SBC's 2002 annual report and is now considering the 9 new recommendations from the report 2003.

**The Netherlands and the UK** - Exchange programmes between officials and SMEs

The Dutch Ministry of Economic Affairs started, in January 2003, together with two business organisations and two employers' organisations a *traineeship programme* in which the policy advisors of the Ministry spend one or two weeks in an enterprise. The aims of the programme are to raise the policy advisors' awareness of the impact of policy initiatives to the business reality, to give the companies a better idea of how the government works and to provide the companies an opportunity to provide input at an early stage of policymaking.

**UK** - In the UK, all senior officials in the Department of Trade and Industry are, since 2003, required to spend at least one week each year in a business. Middle ranking officials are also encouraged to spend at least one week in a business during each posting. Most officials have chosen to spend time with an SME.

**Greece** - Greece created the *National Competitiveness Council*, an advisory body on enterprise policy and competitiveness to the Ministry of Development where the Greek business community and other stakeholders are represented.

Additionally the Greek *"e-Business Forum"* is a permanent mechanism for the state to consult the business and academic community on e-business issues. The forum has now established a website at [www.ebusinessforum.gr](http://www.ebusinessforum.gr). The website provides information on the forum's work and on trends and developments in e-business in Greece and in other countries.

**Luxemburg** - there is a legal obligation to carry out consultation with the business stakeholders, including small businesses, prior to the adoption of legislation. Each legislative proposal must be accompanied by the SME Impact Assessment. State Council makes sure that this document is attached to each new legislative dossier presented to the Parliament, so it becomes public.

**Sweden** - the Swedish Government regularly appoints Committees of Inquiry to investigate complicated issues, on the basis of specific terms of reference. The Committees are under obligation to perform an impact assessment if their proposals have a significant effect on small business that has to be included in the report. The legal/policy proposal from the Committee is sent out by the Government for consultation to all parties concerned who can send their written answers. All the answers are summarised into one document, which is public although not published on the Internet. The written answers from organisations, public bodies and private persons are also public.

On the basis of the results of the consultation and the report, the Government prepares its legal proposal, which is submitted to the Parliament. The proposal is accompanied by all preparatory texts to the proposal. The result of consultation is published in this text, presenting all parties' views together with a reasoning of why some views have been taken into account and others have not.

**Hungary** - Hungary established the National Reconciliation Council with the aim to improve the involvement of business representatives in the policy and law making. Representatives of all main organisations representing interests of Hungarian SMEs are members of this Council. The government consults with the Council all current issues important for business and affecting its functioning, including changes in the taxation system and annual public budget.

**Czech Republic** - In the Czech Republic the conclusions of an annual National Conference of Small and Medium-sized enterprises concerning all important issues between government and SME community are sent to all Ministers concerned with the request to state how these recommendations can be implemented within the competence of the Ministry addressed.

# Entrepreneurship Action Plan

## Key Action Sheets

[http://europa.eu.int/comm/enterprise/entrepreneurship/action\\_plan.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/action_plan.htm)

### Key Action 9 - Simplification of tax compliance

#### Project Leader

Christian WEINBERGER (DG ENTR Unit B.1)

#### Motivation

Many public contributions received following the publication of the Green Paper indicate that the administrative and regulatory obligations for tax matters represent a heavy time and cost consuming burden, especially for SMEs. Tax compliance procedures are recognised to be too complicated for SMEs. This problem becomes even more serious in those cases where SMEs expand their activities cross-border and are confronted not only with their national tax laws, but have to comply also with obligations under national tax codes in different Member States.

#### Action Plan Text

*Complying with different national tax laws and regulations is an obstacle to cross-border activities, particularly for SMEs. If such firms were able to apply the familiar rules and regulations of their 'home' state when calculating their taxable profits or when complying with value added tax (VAT) obligations, expanding across borders would be easier. To simplify and reduce tax compliance procedures related to direct taxation, the Commission intends to launch a pilot scheme whereby SMEs can apply 'Home State Taxation'. Under this scheme participating Member States would agree to mutually recognise the different national methods of calculating taxable profits. In 2004, the Commission will address, together with interested parties and Member States, the remaining technical issues and develop the detailed arrangements of a pilot scheme. This should lead to considerable savings and efficiency gains for qualifying SMEs. Based on the outcome of the discussions on the technical issues, the Commission will present its conclusions on future '**Home State Taxation**' schemes later in 2004. Based on these, the Commission will periodically monitor progress of the implementation of such schemes, which is the Member States' competence.*

*For several categories of business to consumer transactions, application of VAT at the place of consumption currently means traders have to be identified and make returns and payments in every Member State where they carry out taxable transactions. This is burdensome for traders within the Internal Market. Based on the outcome of a European study on VAT obligations and a public consultation in 2003, the Commission intends to propose in 2004 a 'one-stop-shop' system whereby companies registered in more than one Member State could fulfil all their EU-wide VAT obligations in their country of establishment. Such a system would, building on the experience already gained in the single EU VAT portal for third country e-commerce traders, substantially reduce the administrative burden of VAT as it would enable firms to deal with one single tax authority, in their own language, and to benefit from a single set of compliance obligations.*

## Previous Activities

This fiche includes a set of integrated actions, which follow coherently previous activities. In particular:

Activity	Objectives	Duration
Workshop and public consultation on the experimental application of " <b>Home State Taxation</b> " to small and medium sized enterprises in the EU	Gathering information concerning the acceptance of the Home State Taxation by the tax experts from business, accountancy and tax consulting associations. Further development of the design of a potential pilot scheme. Improving the practicability of the scheme.	2002-2003
Company Tax Conference in Rome	Exchange of views on the Home State Taxation concept.	2003
Study and public consultation on "Simplification and modernisation of VAT obligations"	Gather overview of existing VAT compliance obligations (registration, declarations, payment and refunds in the Member States, to analyse difficulties, which economic operators face in complying with these obligations, identify best practices and to make concrete recommendations on the means of simplifying and modernisation VAT obligations.	2001 - 2003

## Objectives

### Pilot Scheme of Home State Taxation (HST) for SMEs

- Simplify and reduce tax compliance procedures for SMEs by applying the tax rules of their residence country (esp. for corporation tax) also to their activities in other Member States.
- Greater legal certainty regarding tax questions since SMEs will continue to work within their known tax system even if they operate abroad.
- Encourage SMEs to carry out business in other Member States than their country of residence by reducing consulting and administrative costs.
- Further completion of the Single Market by eliminating tax-obstacles to cross-border activities.

### One - Stop - Shop mechanism for VAT-

- Simplify the VAT compliance for SMEs' by permitting them to fulfil their EU wide VAT obligations only in their country of registration. -
- Encourage SMEs to supply private customers in other Member States by reducing consulting and administrative costs.
- Greater legal certainty and further completion of the Single Market.

### Highlight examples for simplified tax compliance procedures for SMEs

- Reduce of documentation requirements for SMEs and create simplified and understandable tax forms
- Simplify calculation of tax basis for SMEs
- Electronic filing of tax declarations

## Impact

- Gain in efficiency for SMEs through administrative simplification
- Encouragement of SMEs to start or to expand business activities in other Member States.
- Reduced administrative complexity for export VAT administration through the One Stop Shop System.
- Savings of tax compliance costs and reduction in administrative burden for branches and subsidiaries abroad by applying the Home State Taxation concept.

## Sub-Actions

- A. Further development of the Home State Taxation concept in cooperation with Member States
- B. Analysis of the contributions to a Consultation Paper "Simplifying VAT obligations -the one stop system" launched by DG TAXUD
- C. Collecting and analysing examples of simplified tax procedures for SMEs and identifying best practice through a working group of national experts

## Contributors

Sub-Action	DG Enterprise	DG Taxation and Customs Union	Member States	Business organisations
A	P	L	A	U
B	P	L	A	U
C	L	P	A/P	U

L = Lead P = Participate / Contribute A = Act / Implement U = Use / Disseminate

### Sub-action contacts :

- A: Rolf DIEMER (DG TAXUD C1)
- B: Werner BLOCKMANS (DG TAXUD C3)
- C: Gernot DINSE (DG ENTR B 1)

## ANNEX: Good Practice Examples

### **Germany / Netherlands** - *Supplementary protocol to the double tax treaty signed to reduce administrative obligations for entrepreneurs in cross-border industrial areas*

Netherlands and Germany signed a third supplementary protocol to the double taxation treaty. Under this protocol a permanent establishment situated in the cross border zone would be liable to tax only in the "home state" of the company's head office. So the Netherlands would have the right to tax a permanent establishment situated in Germany and vice versa.

**Europe** - *VAT on certain electronically supplied services (Council Directive 2002/38/EC)* A simplified registration may apply for operators, not established in the Community, providing electronically supplied services to (non-taxable) private consumers in the EU. Those operators, supplying customers in several Member States, may opt to be registered in only one Member State of their choice and submit for each quarter by electronic means one VAT return to this Member State of registration (identification). The VAT return shall set out for each Member State of consumption the appropriate data. The payment of the VAT, however, has to be made to only one bank account designated by the Member State of registration.

### **Spain** - *simplified tax procedures*

Several initiatives have been launched to facilitate and simplify tax procedures for SMEs. The Tax Office's Internet page has a special section for SMEs, including options for sending returns and settlements electronically. A specific tax account was created, enabling those carrying out economic activities to settle credits and tax debts in connection with VAT, personal income tax and corporation tax on a quarterly basis, thus improving their financial situation. Finally, a new framework for relations with taxpayers has been created by the setting up of the "Consejo para la Defensa del Contribuyente" (Taxpayer Protection Council) and the passing of a law on the rights and guarantees of taxpayers (Ley de Derechos y Garantías de los Contribuyentes).

### **Austria** - *Half tax rate instead of fictitious interest expense*

Austria had introduced an option for enterprises to deduct a fictitious interest expense from their taxable profits. This expense is calculated on the basis of the increase of equity. Due to the complexity the scheme was not often applied by SMEs. In 2004 this scheme was replaced for sole traders and partners of partnerships by the option to be taxed with half of the average tax rate on profits up to a ceiling of € 100.000. The new scheme is obviously more simple and understandable for the business owners.

### **Germany** - *Increase of thresholds for preparing balance sheets*

Small enterprises, not forced by commercial law to prepare annual accounts, may be obliged to prepare balance sheets for tax purposes, if certain thresholds for turnover, profit, etc. are exceeded. The preparation of the balance sheet represents a burdensome administrative work for the business owner and the costs incurred often do not justify the result. By increasing the above mentioned thresholds more enterprises are now entitled to use a simplified calculation of the taxable profits: This cash basis accounting represents a simplification for the business owners and results in less consulting services required by SMEs.

### **Hungary** - *Simplified company tax*

SMEs not exceeding a certain gross annual income may opt for a simplified company tax (EVA), which replaces most tax types that were payable until now by individual entrepreneurs. There is a flat tax on gross annual income resulting in reduced requirements for the book-keeping of the entrepreneur. This new type of tax is simple and significantly reduces the administrative burden.