

Brussels, 14 July 2003

OPINION

of the
Committee of the Regions
of 2 July 2003

on the

**Green Paper on Entrepreneurship in Europe
and the
Communication on a better environment for companies**

COM(2003) 27 final

COM (2002) 610 final

THE COMMITTEE OF THE REGIONS,

Having regard to the European Commission Green Paper on *Entrepreneurship in Europe* (COM(2003) 27 final) and the Communication on *A better environment for companies* (COM(2002) 610 final),

Having regard to the decisions of the European Commission of 2 October 2002 and 8 January 2003 to consult it on these subjects, under the first paragraph of Article 265 of the Treaty establishing the European Community,

Having regard to the decisions of its President of 5 August 2002 and of 21 January 2003 to instruct its Commission for Economic and Social Policy to draw up an opinion on these subjects,

Having regard to its opinion on the Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on *Creating an entrepreneurial Europe - The activities of the European Union for small and medium-sized enterprises (SMEs)* (CdR 199/2001 fin)¹,

Having regard to its opinion on the Communication from the Commission - *Challenges for enterprise policy in the knowledge-driven economy and the proposal for a Council Decision on a multi-annual programme for enterprise and entrepreneurship (2001-2005)* (CdR 185/2000 fin)²,

Having regard to its opinion on a *Report of the Business Environment Simplification Task Force (BEST) and the Commission Communication promoting entrepreneurship and competitiveness - The Commission's response to the BEST Task Force report* (CdR 387/98 fin)³

Having regard to its draft opinion (CdR 82/2003 rev. 1) adopted unanimously on 29 April 2003 by its Commission for Economic and Social Policy (rapporteur: **Ms Constance Hanniffy**, Member of Offaly County Council (IRL-EPP)),

adopted the following opinion unanimously at its 50th plenary session, held on 2 and 3 July 2003 (meeting of 2 July).

1. The Committee of the Regions' views

The Publication of the Green Paper

The Committee of the Regions

1. **welcomes** the publication of the Green Paper on Entrepreneurship in Europe as a good initiative, as it provides a new focus to the development of an integrated policy on entrepreneurship;

1.2 **considers** that the Green Paper synthesises clearly the key issues and challenges regarding the importance of the EU developing entrepreneurship and in this regard the Committee considers that the value of the Green Paper will be in initiating debate and broad-based consultation amongst policy-makers;

1.3 **recognises** that entrepreneurship is nurtured by many policies including cultural development, employment and social cohesion policies and that support for SMEs is channelled through various funding streams including the Structural Funds, European Charter for Small Enterprises and the multi-annual Programme for Enterprise and Entrepreneurship.

Points of Emphasis in the Green Paper

The Committee of the Regions

1.4 **is disappointed** that the Green Paper has not outlined sufficiently the value of the local and regional dimension to contributing to the development of entrepreneurship in the EU. The Committee feels that account should be taken of the support that local and regional authorities provide and also of the regional variations that exist, especially within the Member States, on the level of entrepreneurship and the need to address certain weaknesses at the sub-national level;

1.5 **is of the view** that the Green Paper could place greater emphasis on addressing causes of, and lessons from, new business failure. In regions of the EU, upwards of 50% of new businesses fail within four years of establishment;

1.6 **considers** that a certain distinction should be made in the Green Paper and during the on-going consultation process between on the one hand the Lisbon Council objectives, which act as the main point of reference for the Green Paper and require more immediate and short-term policy options in order to create the "some 15 million new jobs by 2010" and on the other hand the more aspirational aspects of the Green Paper such as the need to change attitudes to entrepreneurship and the provision of education programmes, which will take a generation or more to take effect and have an impact on entrepreneurial development. The Committee therefore considers that this distinction should have a bearing on the prioritisation of actions that have to be taken at the EU and other levels;

1.7 **feels** that policy considerations need to make a distinction between entrepreneurs who may be growth and innovation oriented and people who own or manage small businesses, who maybe more conservative and reluctant to grow their business and between enterprises that have limited growth potential. The Committee points out that it made a similar point previously, when making its opinion on the Multi-annual Programme for Enterprise and Entrepreneurship (2001-2005);

1.8 **notes** with interest the comparisons made with the US experience but would emphasise that it imports a very large proportion of key sector entrepreneurs, such as Indian nationals in the ICT sectors. The Committee feels therefore that an additional element which the Commission may need to address in the context of the Green Paper is the employment and immigration policies in the EU.

Implementing Policy for Entrepreneurship

The Committee of the Regions

1.9 **agrees** with the Commission's view that policy can contribute to boosting levels of entrepreneurship but would underline that coordinated action by the Member States, with the

active involvement of their local and regional authorities will have a greater impact than just purely national initiatives;

1.10 **believes** that the implementation of policy to encourage entrepreneurship is enhanced by the development of benchmarking and the exchange of good practice. However, the Committee is cautious of an over-reliance on the setting of targets for the achievement of objectives so that performance gaps can be made more transparent, as they may become a process in themselves, with the result that the key objectives may be lost sight of;

1.11 **welcomes** the development of an action plan for entrepreneurship. However, the Committee would emphasise the need to ensure proper coordination between such National Action Plans and the National Action Plans for employment, which will continue to have an entrepreneurship element;

1.12 **notes** that there are merits to the exchange of best/good practice through inter-regional and trans-national initiatives but that in many cases "exchange" is often not enough; it is rather the way in which this practice is applied and tailored to different circumstances which provides the real benefits.

Providing a Support Environment

The Committee of the Regions

1.13 **acknowledges** that local and regional authorities have a role to play in contributing to the supportive environment for entrepreneurs, in terms of the reduction of bureaucracy, the establishment of easy payment and e-administration schemes, in providing incentives through local taxation - such as rates and charge reductions - and in ensuring equal access for SMEs to public procurement processes and public contracts;

1.14 **feels** that education and training must develop creativity, flexibility and imagination in students of all disciplines as these are crucial to developing entrepreneurs; in particular the Committee considers that there should be familiarisation at the primary level and that enterprise training should be included in the teaching of non-business disciplines, such as arts, sciences and the trades;

1.15 **also feels** that the provision of training for entrepreneurs must be of a high quality and be flexible and relevant to their needs. In this context the issue of the qualifications, experience and training of training providers is vital and needs to be addressed in all Member States;

1.16 **underlines**, as it has in previous opinions, the role that local and regional authorities play in providing a supportive environment for enterprises by nurturing networks of existing SMEs, by providing coordinated information through "one-stop-shops", by providing facilities and services for entrepreneurs, by actively developing innovative ICT use to overcome barriers to entrepreneurial development, by promoting local champions as best practice and stimulants to developing an entrepreneurial culture and in promoting and actively participating in corporate social responsibility and social economy activities;

1.17 **recognises** that local and regional financial instruments and responses are effective in meeting business needs. The role of regional banks, local venture capital schemes, risk seed capital provision and other local initiatives are of particular importance, which need to be

emphasised. In this regard the support from ERDF Article 4 and ESF Article 6 could be enhanced to improve the assistance to SMEs;

1.18 **suggests** that the local and regional authorities' role in promoting social cohesion is central to the creation of entrepreneurs. Local targeted actions catering for long-term unemployed, older people, youth, women and ethnic minorities can allow entrepreneurs to develop capacity and reach their potential. The use of the social economy to deliver local services by local and regional authorities should be strengthened as a means of developing entrepreneurship;

1.19 **urges** the Commission and local, regional and national authorities to use self-employment as a way of achieving social and labour market inclusion of groups that face particular inclusion difficulties. It would be helpful in this context to introduce a specific programme to promote the launching of awareness-raising campaigns designed to foster entrepreneurship in these groups.

2. The Committee of the Regions' Recommendations

The Committee of the Regions

2.1 **encourages** the Commission to launch an information campaign at the local and regional level across the European Union and Accession countries in order to promote interest among young people in creating enterprises, to showcase local/regional best practice and to highlight the range of supports available. The Committee considers that local and regional authorities would be suitable and willing partners in such a campaign;

2.2 **suggests** that a key component of the action plan for entrepreneurship must develop the cross-functional approach, by forging collaboration between business, the education sector and other players, including local and regional authorities, and by linking capital with ideas and innovators with enterprises, using imaginative and flexible support mechanisms;

2.3 **recommends** that particular attention be paid to the difficulties encountered by women, ethnic minorities and older members of society in establishing enterprises;

2.4 **proposes** that entrepreneurship and the supporting policies of R&D, innovation and competitiveness should be central to the debate on the future of EU Regional Policy and the Structural Funds, as the Structural Funds have been successful in their application. However, the Committee regrets that the Structural Funds do not make up a significant part of the support structure for SMEs, especially given that SMEs in many peripheral regions of the EU continue to face difficulties in terms of access to markets, to communications technology, to business expertise and to specialist support services;

2.5 **considers** that the BEST Reports and the European Charter for Small Enterprises and the pledges it contains will be useful tools for the Accession Countries in their efforts to build a pro-enterprise environment. It would therefore call on the Commission to undertake a local and regional benchmarking study to highlight best practice and also provide potential models that could be tailored for the Accession Countries;

2.6 **urges** the Commission to draw up a Communication setting out the local and regional authorities' role and challenges in the sphere of enterprise policy and hence underlining the importance of a local and regional dimension in enterprise and entrepreneurial policy;

2.7 **encourages** the Commission to promote the establishment of Entrepreneurs' Support Panels and other structural networks at the regional level to provide entrepreneurs at start-up phases with access to specific and customised forms of business expertise. The Committee would welcome further support initiatives in the areas of top quality training for training providers, awards schemes at regional levels, linkages between local schools and enterprises and partnerships between regional enterprise clusters and universities and research institutes;

2.8 **highlights** the importance of external support in turning innovative ideas into commercial businesses, with the provision of coordinated and easily accessible information on available services and support for entrepreneurs, with access to independent advice, mentoring, networking and partnering in order to minimise potential for failure and unnecessary delays and frustrations. While at present much of this assistance may be provided by a number of agencies, which should receive more support, there is considerable scope for local and regional authorities to coordinate these services. The Committee would therefore stress that it would be worthwhile stepping up and providing financial support for initiatives such as business incubators, and assistance and mentoring for young entrepreneurs;

2.9 **would welcome** the development of a dedicated support programme to local and regional authorities to encourage linkages and networking among and between enterprises, local universities and research institutes, businesses and business-support advisors. In this regard it would further advocate support measures to facilitate exchanges/placements for entrepreneurs/potential entrepreneurs to get first hand experience of best practice, studying potential new markets, source materials, develop foreign language and other business skills;

2.10 **welcomes** the speedier implementation of measures to encourage entrepreneurial activity and action to close performance gaps between Member States and regions but would caution against the setting of too many quantitative targets which would result in the inevitable extra bureaucracy which such processes involve;

2.11 **advises** that a better and a more comprehensive set of statistics be developed to allow better analysis of trends in the SME sector, as most benchmarking studies focus on the national level and on broad trends such as company births and deaths. The Committee feels that such statistics should provide for a better comparison at the regional level, including gender and ethnic minority-involvement comparisons;

2.12 **calls** on the Commission to maximise the synergies between the European Employment Strategy and the action plan on entrepreneurship. It would further encourage the Commission to learn from the EES and its guidelines and in particular from the increasing emphasis that these guidelines place on the local and regional dimension⁴;

2.13 **underlines** the need to differentiate between company type and size and between new entrepreneurs and existing enterprises in drawing up an action plan for entrepreneurship. In this regard it calls for the improvement in the regulatory framework for SMEs, especially in drawing a distinction of company type and size under company law and in the need to encourage entrepreneurship using fiscal and taxation policy;

2.14 **would support** a re-examination of existing sources of funding for new business start-ups, in particular the availability of high-risk capital to identify funding gaps and identify best practice and also calls on the Commission to ensure a coordinated approach across the relevant funding streams and policies at the EU level.

Brussels, 2 July 2003.

The President
of the
Committee of the Regions

The Secretary-General
of the
Committee of the Regions

Albert Bore

Vincenzo Falcone

¹ OJ C 107, 3.5.2002, p. 64

² OJ C 22, 24.1.2001, p. 10

³ OJ C 293, 13.10.1999, p. 48

⁴ Commission's Communication on "Acting Locally for Employment – A Local Dimension for the European Employment Strategy" (COM(2000)196 final)

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