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**REPORT FROM THE COMMISSION**

**European Charter for Small Enterprises - Annual Implementation Report**

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### 1. INTRODUCTION

The European Charter for Small Enterprises, adopted by the General Affairs Council on 13 June 2000 and welcomed by the Feira European Council on 19-20 June 2000, called upon Member States and the Commission to take action in a number of areas to support and encourage small enterprises. Recognising the crucial role that these types of enterprises play in the growth of the European economy, the Charter aimed to focus the minds of policy makers on the factors that are critical to their development and prosperity.

The Charter identified the following as key areas for improvement: education for entrepreneurship; cheaper and faster start-up; better legislation and regulation; availability of skills; improving online access; getting more out of the Single Market; taxation and finance; strengthening the technological capacity of small enterprises; making use of successful e-business models and developing top-class small business support; and developing stronger, more effective representation of small enterprises' interests at Union and national level.

In order to follow-up the recommendations in the Charter, the Commission undertook to report annually on progress to the Spring Summit.

Action in favour of SMEs takes place under a variety of headings, which are reviewed in a number of different Commission reports<sup>1</sup>. This report can only make a brief reference to these other publications, as it is not possible, for reasons of space, to reproduce all their findings here. It should also be noted that the current work programme of the Enterprise Directorate General and the Commission in areas affecting SMEs coincides broadly with the priorities identified in the Charter.

### 2. PROGRESS SINCE THE FEIRA EUROPEAN COUNCIL

An exercise to evaluate and summarise the progress of Member States and the Commission in improving the environment for businesses was already underway at the time of the Feira European Council. Following its completion, a detailed report<sup>2</sup>, along with a paper summarising results from other best practice-related activities<sup>3</sup>, was submitted to the Industry Council on 5 December 2000. This report made a number of recommendations as to where Member States could better their performance, and highlighted thirty-one examples of good practice from individual countries that could be replicated elsewhere. Importantly, it also

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<sup>1</sup> See, for example, Benchmarking Enterprise Policy: First results from the Scoreboard, SEC(2000) 1841 of 31.10.2000, the reports of the European Observatory for SMEs (every 18 months), and the bi-annual report on Activities in favour of SMEs and the craft sector.

<sup>2</sup> Report on the Implementation of the Action Plan to Promote Entrepreneurship and Competitiveness, SEC(2000) 1825 of 27.10.2000.

<sup>3</sup> Summary of Results of Best Practice-related Activities in the field of Enterprise Policy, SEC(2000) 1824 of 26.10.2000.

enabled the Commission to verify that Member States are acting in accordance with the recommendations in the Charter.

The report provides a good basis for bringing about lasting improvements to the business environment, but this will only happen if Member States implement its recommendations, and, where necessary, learn from the good practices of others. In particular, progress has been made in the area of better legislation and regulation, where almost all Member States introduced initiatives to improve the regulatory framework for businesses. Most Member States have put emphasis on making start-ups for SMEs easier and faster by establishing on-line access for registration and the introduction of one-stop shops. Efforts have also been made to strengthen the technological capacity of small enterprises by the majority of Member States, but these will need to be further improved. In the areas of education and training and availability of skills, much work has yet to be accomplished. The European Union presents a patchy picture for the time being: some Member States put a great deal of emphasis on education, but most unfortunately do not. More attention also needs to be given to tax systems and financial matters.

For its part, the Commission has acted on the recommendations addressed to it in the Action Plan to Promote Entrepreneurship and Competitiveness, and has ensured that the objectives of the new Multiannual Programme for Enterprise and Entrepreneurship<sup>4</sup> are compatible with those in the Charter.

The Commission is also launching 11 projects, in co-operation with the Member States, to identify best practice in areas that correspond to the Charter's guidelines. These projects cover the following themes: transfer of businesses; promoting entrepreneurship amongst women; education and training for entrepreneurship; benchmarking the management of incubators; business support services; benchmarking the administration of start-ups; business impact assessment; evaluation of the economic impact of conformity assessment procedures; Business Angels; skills shortage in ICTs; and benchmarking national policies in support of e-business for SMEs.

### **3. FUTURE REPORTS**

Progress by Member States will continue to be monitored through the Best Procedure annual report, which will be presented to the Industry Council at the end of each year, beginning in 2001. This will draw together the results from all the different activities aimed at identifying and benchmarking best practices.

Although last year's reporting exercise was initiated too early to match exactly the recommendations contained in the Charter, it did give detailed coverage to many of the same priority areas. In future, the two reports will be more closely aligned, and the relationship between them made more explicit. In addition, the establishment of the "professional chamber" of the new Enterprise Policy Group will be a substantial step towards meeting the consultation objectives of the Charter at EU level. Moreover, the Commission's Interactive Policy Making (IPM) initiative, an Internet based feedback mechanism which receives information about the experiences and opinions of business, in particular SMEs, will significantly help the decision making process in a number of actions in the Charter to be more inclusive and take account of the concerns of small enterprises.

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<sup>4</sup> Council Decision of 20.12.2000 on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2005) (2000/819/EC).