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**REPORT FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

on the implementation of the European Charter for Small Enterprises

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I. IS ANYBODY LISTENING TO SMALL BUSINESSES?

1. Keeping small businesses high on the agenda

Two and half years since the European Charter for Small Enterprises was endorsed by the Heads of State or Government in Santa Maria da Feira in June 2000¹, progress towards meeting its recommendations is encouraging. But is the EU still living up to its Charter commitments?

The Charter commitments embody the “*Think Small First*” principle and the recognition that small enterprises are the backbone of Europe’s economy and the key to our competitiveness. This is why the Charter is central to achieving the Lisbon objective of making Europe the world’s most competitive and dynamic knowledge-based economy. Keeping these commitments alive is fundamental.

The Conference of Ministers responsible for SMEs organised by the Spanish Presidency in February 2002 in Aranjuez contributed greatly to keeping up the momentum. The Barcelona European Council’s² request that Member States speed up the implementation of the Charter gave a further boost to the Charter process.

The Charter is expanding its influence. Following its endorsement by the candidate countries in April 2002 in Maribor³, the Charter has become the cornerstone of small business policy in the future enlarged Europe. It will be up to the Member States to lead by example.

Most measures do not produce visible short-term results and progress in all areas cannot be fully assessed on a yearly basis. Nor should Member States strive to launch a great number of annual measures. Consolidation and improvement of existing measures is equally important. Administrations cannot do everything at once. Focused efforts can make real progress. Building on achievements and concentrating on a few areas at a time is better than doing too little on all fronts.

Voluntary quantitative targets in enterprise policy can help Member States concentrate attention on key issues and measure progress. The targets declared by the Member States in 2002 are an encouraging step in this direction⁴.

2. Listening to small businesses

Last year’s Charter implementation report⁵ emphasised the need for better representation of small business’ interests. It also underlined that if governments did not think small first, they might never think small at all.

¹ Annex III of the conclusions of the Santa Maria da Feira European Council of 19-20 June 2000. The Charter requests the Commission to present an annual implementation report to the Spring European Council.

² Presidency conclusions of the Barcelona European Council of 15-16 March 2002 point 15.

³ Progress by the candidate countries is analysed in the Report on the implementation of the European Charter for Small Enterprises in the candidate countries to accession to the EU, SEC(2003)57 of 21.1.2003

⁴ “Quantitative Targets in Enterprise Policy: Steps towards the Lisbon objectives”, SEC(2002) 1214 of 7.11.2002.

⁵ Report from the Commission to the Council and the European Parliament, Report on the implementation of the European Charter for Small Enterprises, COM(2002) 68 final of 6.2.2002.

Is anybody listening to small businesses then? The answer is yes. There are a few impressive measures in Member States such as Denmark, Sweden, Finland and the UK, which could inspire other countries. However, there is still a dividing line between those few Member States that systematically consult small business on legislation and policy making and those which do not. Several Member States still provide no opportunities for small businesses to express their interests. Very little progress has been reported in this area in the past year. How are Member States going to think small first if they are not listening to small businesses?

Small businesses represent the vast majority of businesses in Europe. Member States and the Commission have to speak to small businesses first, to be able to think small. Otherwise, the voice of the bulk of European business is lost. The Commission is committed to involving all stakeholders in legislation and policy making from an early stage.

3. Learning from each other

Member States increasingly look for solutions found elsewhere in Europe. The current report shows that Member States are starting to learn from each other and to exchange good practices amongst themselves. A growing number of Member States demonstrate the influence of other countries' ideas in shaping national policy measures. This is real progress.

For example, Sweden created a loan guarantee scheme for SMEs inspired by practices developed in the Netherlands and Finland. Belgium took inspiration from Denmark, France, the Netherlands and Austria on cluster policy. Denmark developed a web site to register companies on-line inspired by the results of a Best Procedure project.

This emerging trend should be encouraged further. The Commission is continuing to push ahead with this process of learning from good practices, which is now starting to bear fruit.

4. Bridging the performance gap

Exchange of good practice is the best way to prevent wide performance gaps in Europe. Small businesses should find a favourable environment anywhere in the EU. Member States are starting to learn from one another, but performances remain uneven across the EU. Are the best getting better and the worse not progressing?

For example, registering a company on-line is already possible in some Member States, but others keep struggling with lengthy and complex start-up procedures. Some Member States offer small businesses the opportunity to complete different obligations on line, while others are only now starting to put forms on line.

5. Concentrating on key areas

Education and better regulation are clearly two areas where governments have stepped up their efforts considerably. This report presents plenty of examples of progress.

The Charter emphasises that entrepreneurial skills must be nurtured from an early age. One year ago, only two Member States reported initiatives to support entrepreneurial skills in primary schools. Today, at least five countries are carrying out measures in primary schools, and more is in the pipeline. Several new measures targeting secondary schools were launched. Europe is finally on the verge of becoming entrepreneurial.

The national governments as well as the Commission are committed to reducing burdens on businesses. Member States report on an array of different legislative measures ranging from consolidation and simplification of legislation, to the development of regulatory impact

assessment systems. Also the Commission is concentrating on this area, with the new Action Plan on simplifying and improving the regulatory environment.

6. Sharing responsibility

The European Parliament has stated that “*the responsibility for implementing nearly all the action points in the Charter lies with the Member States*”⁶. The environment in which small businesses operate is in fact mostly determined under Member States’ competence. For this reason, the report draws conclusions mainly on Member States’ progress, while also highlighting progress by the Commission⁷.

Business organisations are increasingly involved in the Charter process. They have an important role to play in highlighting the real problems, in ascertaining the impact of measures and in disseminating good practices. Involving more countries and stakeholders in the Charter process requires efforts to be systematised and synergies to be built. The Commission is committed to taking up this challenge.

The European Parliament and the European Economic and Social Committee’s commitment to ensuring that the Charter is implemented in full has greatly contributed to keeping small business high on the agenda.

The Commission has taken note of two Parliament Resolutions asking the Council to give “legal weight” to the Charter⁸. However, most Charter areas fall under the competence of the Member States. The Charter itself is part of the “Open Method of Co-ordination” of Member States’ policies, which responds to a request of the Lisbon European Council.

The European Parliament and the Economic and Social Committee⁹ have also asked for a new Multiannual plan of action to implement the Charter. The Commission is committed to fulfilling its most important role under the Charter: to work in close co-operation with the Member States to help them improve the business environment for small businesses. For this purpose, the Commission has a range of different policy measures including the Multiannual Programme for Enterprise and Entrepreneurship and its financial instruments, which are very closely linked to the Charter objectives. In addition, the Commission is using its Treaty powers to improve EU legislation.

Building on the results of these efforts and on the well-established Charter process, a wider debate is being launched by the Commission Green Paper on entrepreneurship, which raises questions on how to “produce” more entrepreneurs and how to get firms to grow in Europe. The follow-up to the Green Paper should contribute to the objectives of the European Charter for Small Enterprises.

⁶ European Parliament Resolution of 20 March 2002 on the results of the Barcelona European Council.

⁷ A detailed description of Commission measures can be found in the report on “Creating an entrepreneurial Europe: The activities of the European Union for small and medium-sized enterprises (SMEs)”, SEC(2003)58 of 21.1.2003 which constitutes a supporting document to the present report.

⁸ EP Resolution on the Commission Communication “Sustaining the Commitments, increasing the pace” of 13.6.2002 and EP Resolution on the Commission Report “Growth and Employment Initiative” of 10.10.2002.

⁹ Economic and Social Committee’s second opinion on the European Charter for Small Enterprises, 28 November 2001.

The present document aims to provide a brief overview of the main measures undertaken by the Member States, Norway and the Commission to implement the Charter in the past year. As such, it seeks to identify strengths and weaknesses across the European Union, to highlight promising national measures and to issue recommendations for future action.

This report aims to keep the momentum going and to stimulate exchange of experience and good practice between Member States.

II. WHERE WE ARE AND WHAT SHOULD BE DONE NEXT

Progress achieved since last year's report is encouraging. A success story in itself is Member States' growing exchange of good practices. However, the pace of reform needs to be accelerated. In this respect, Member States are invited to concentrate on consolidation and improvement of existing measures, rather than launching a large number of initiatives every year. While it is difficult to assess progress on all the areas on an annual basis, the main trends are outlined below. The current overview, as well as the detailed description in part III, represent the Commission's understanding of the situation based on information communicated by the Member States.

1. Education and training for entrepreneurship

Member States are increasingly aware of the need to promote entrepreneurship in education and have launched a considerable number of initiatives in this area. **Ireland, Finland, Sweden, the UK and Norway** have developed new initiatives, following last report's recommendations, to nurture entrepreneurial skills in primary schools. Countries such as **Belgium, Denmark, Greece, Ireland, Luxembourg, Sweden and the UK** stepped up their efforts in secondary schools. The real impact of these measures is however difficult to assess.

Member States are urged to take further action to promote entrepreneurial skills in primary and secondary schools. The measures highlighted in this report and those analysed in the Best Procedure project on Education and Training for entrepreneurship should provide inspiration. Given the time lag for visible results to emerge, action is urgently needed.

There is progress in training for entrepreneurship, but this is an area where all Member States should improve. Most pilot initiatives are limited in scope, addressing training in a very specific sector or region. Initiatives targeted at entrepreneurs of micro or small companies, such as those developed in **Greece and Portugal**, are particularly welcome.

Member States are encouraged to further consolidate and expand training strategies for small business managers.

The Commission is committed to continue supporting Member States' efforts to promote entrepreneurship.

2. Cheaper and faster start-up

Following last year's remarkable progress in reducing the time and cost of creating a company, many Member States are now building on their achievements. On-line registration is becoming a reality in **Denmark, Sweden, Norway and Austria**. Also **Spain and France** are working towards this target. However, the performance gap is widening across the EU. At a time when on-line registration is becoming available in some Member States, others are still struggling with reducing lengthy start-up procedures.

Member States are invited to progress towards on-line registration by taking inspiration from the above-mentioned Member States. There is much scope for exchange of good practice in this area.

Member States with high registration costs are urgently invited to reduce them.

Member States should further simplify and speed up procedures to bring the average time taken to start-up a company closer to the minimum time required.

3. Better legislation and regulation

All governments are committed to improving and simplifying regulation and progress achieved since last year's report is encouraging. There is a growing awareness of the need to reduce administrative burdens on businesses. In addition, several Member States are in the process of revising their bankruptcy laws.

Member States are invited to adopt provisions facilitating a second start after bankruptcy. Member States – in particular those currently revising their insolvency laws - are encouraged to exchange experience and good practices in the framework of the Best Procedure project on bankruptcy and a fresh start.

Measures by some Member States to introduce Regulatory Impact Assessment (RIA) systems are welcome and timely. However, at a time when some Member States such as **Denmark, Sweden and the UK** are revising the RIA systems they have had for some years, others still do not seem to use regulatory impact assessments before adopting legislation.

Member States are urged to introduce systematic regulatory impact assessment systems and to involve small businesses in the drafting of legislation from an early stage. Regular systems to consult small businesses prior to the adoption of relevant legislation should be created.

Efforts to repeal redundant legislation and to consolidate legislation should be continued.

The Commission puts a strong emphasis on improving the quality of legislation and on measuring the potential impact of legislation on small businesses. The Action Plan on simplifying and improving the regulatory environment provides an ambitious programme to this end.

4. Availability of skills

Small and micro enterprises increasingly consider lack of skilled labour as a major hindrance. Over 20 % of micro enterprises and almost 30 % of small enterprises see this as their number one constraint¹⁰. While Europe is still failing to address its skills gap, since last year's report, a number of initiatives show that some Member States such as **Germany, Ireland and Italy** are increasingly aware of this gap and of the need to adopt appropriate measures.

All Member States are invited to step up efforts to systematically identify and address skills gaps.

New initiatives to develop links between universities and businesses are welcome and should be continued.

¹⁰ The number of micro enterprises considering lack of skilled labour as a major constraint has increased by 150 % from 1999 to 2001. Source: Observatory of European SMEs 2002/1 "Highlights from the 2001 Survey".

The Commission is committed to supporting Member States' efforts to bridge skills gap in Europe, through the implementation of the European Employment Strategy and the Action Plan for Skills and Mobility.

5. Improving online access

Significant progress has been made in eGovernment and all Member States are committed to improving their performance. However, there seems to be a widening performance gap in this area. At a time when, in a group of Member States, several procedures can be completed on-line, another group is taking the first steps to make basic information and forms available on the web. Even in the most e-friendly Member States, the use of some eGovernment facilities is falling below expectations, which may indicate the need to further market such facilities and to strengthen business confidence in them.

There is scope for the group of Member States taking their first steps in eGovernment to take inspiration from the services offered by several Member States including **Ireland and Sweden**. Attention should be given to streamlining information on web portals that provide a single access point to different services.

eGovernment should make life easier for small businesses. Providing information and administrative forms on-line is an opportunity to further simplify procedures. There is still plenty of room for progress in this area.

The Commission is committed to increasing its use of the Internet as a means for interactive and efficient communication with stakeholders. Newly created on-line consultation mechanisms are a step in this direction.

6. More out of the Single Market

The Internal Market is now over 10 years old and has helped EU companies operate in an increasingly open and transparent European market. The Internal Market where goods, services and capital flow freely is a cornerstone of the EU and provides the legislative framework which allows business to take place across national borders unhindered by barriers. However, in certain areas such as services, a true Internal Market is far from a reality. Efforts to ensure an effective and timely transposition of internal market legislation must continue. Two thirds of Member States – all but **Denmark, the Netherlands, Finland, Sweden and the UK** - currently fail to meet the 1.5 % transposition target. In addition, the transposition has further slowed down throughout 2002. Only **Finland** fully complies with the new target set out in Barcelona.

Half of the Member States will have to transpose more than 50 pieces of legislation to comply with the 1.5 % target by spring 2003. This requires drastic action, in particular for Member States furthest away from meeting this target.

Member States are reminded of the new target set at the Barcelona European Council of full implementation of all Directives more than two years overdue by spring 2003.

Member States are requested to remove barriers to the Internal Market and to ensure that new barriers are not created by national legal and administrative measures.

The Commission, in its role as Guardian of the Treaty, is committed to ensuring the free movement of goods, services, capital and persons and to improving the control of application of Community law.

7. Taxation and financial matters

Measures to alleviate the tax burdens for small business in some countries such as **Belgium, Denmark, Ireland and the UK** are welcome and could set an example of good practice.

Member States are invited to look at examples of good practice to alleviate tax burdens for small businesses, in order to further encourage start-ups, help small businesses grow and facilitate the succession of enterprises.

Access to finance remains an important constraint to businesses across the EU. The creation of flexible micro-loans by **Germany, Spain and Sweden** is encouraging. These loans are particularly helpful to encourage start-ups and to provide an opportunity for the smallest enterprises to grow.

Member States are invited to further support financing institutions to improve small businesses' access to finance, in particular to micro loans, in accordance with their national environment.

Member States are urged to implement the necessary fiscal and structural reforms to promote investment in venture capital funds as recommended in the framework of the Financial Services Action Plan.

Business angels constitute an increasingly important source of financing for small businesses.

Member States are encouraged to raise awareness about business angels, to promote a fiscal environment favourable to risky investments in small businesses and to support local and regional business angels' networks.

Very little has been reported about personal performance incentives in small businesses (e.g. employees' stock options or bonuses) which raises the question of whether or not there is progress in this area. Such measures could help small businesses attract qualified personnel.

Member States are invited to address further the area of rewarding personal performance.

The Commission is engaged in many different initiatives in financial matters, ranging from studies to action plans, financial instruments, and projects to exchange good practices. This is also the case in the Member States. Efforts in this area are now starting to bear fruit.

8. Strengthen the technological capacity of small enterprises

Recent developments in promoting clusters and technology networks involving small and medium-sized enterprises are encouraging: various promising initiatives have been launched particularly in **Denmark, Germany, Greece, Ireland and Austria**. Member States are committed to promoting technology dissemination and its commercial exploitation. There is plenty of scope for exchange of good practice in areas such as promoting technology transfer from university to small businesses and supporting innovation both in technology-based small businesses and also in the more traditional sectors.

Member States are invited to contribute actively to the Best Procedure project on improving technology transfer institutions.

Member States are encouraged to further develop technology clusters and enterprise networks at national and regional level. Such measures should be implemented with a long-term perspective to ensure effective results.

9. Successful e-business models and top-class small business support

While small companies are increasingly using the Internet, they still hesitate to trade on-line and to change their business processes to gain maximum benefits from new technologies. Specific measures to help micro and small business to use e-business, like those developed in countries such as **Ireland, Spain, the Netherlands** and the **UK**, are welcome. There is a risk of a growing performance gap in the EU and a large scope for further exchange of good practice.

Member States are urged to continue efforts to help small businesses make efficient use of e-business practices and to take inspiration from good practices analysed in the context of the Best Procedure project on policies in support of e-business for SMEs.

There is an increasing awareness of the need to provide professional, business-friendly and tailor-made services to businesses at regional and local level. Some Member States are developing services especially for the needs of enterprises in certain regions.

Member States are invited to further streamline support services, to advertise them to small businesses and to regularly evaluate their effectiveness. Efforts to make such support services increasingly client-oriented should be sustained.

While an increasing number of “advisory” services are delivered on-line, support services targeted at the smallest enterprises should still be delivered in parallel through more traditional channels such as “guichets”.

The Commission considers the development of e-business as an important political priority. The Commission has namely launched a “European e-business support network for SMEs” with a view to strengthening actions in support of SMEs in this field.

10. Develop stronger, more effective representation of small enterprises’ interests at Union and national level

The current report reiterates and underlines last year’s conclusion that regular consultation of small businesses in legislation and policy making remains weak across the EU. Very few Member States have reported developments in this field. Once more, performance remains rather uneven. While for example in **Finland** business organisations participate in committees drafting legislation, in other Member States there seems to be no systematic consultation of businesses prior to the adoption of legislation. **Denmark, Finland, Sweden, the UK and Norway** are leading as regards systematic consultation of small businesses. Also **Germany, Spain, Luxembourg and Austria** consult business organisations - including chambers of commerce – before adopting legislation.

Member States are urgently recommended to provide opportunities for small businesses to voice their interests in legislation and policy making. This should be done in a systematic way.

The Commission is committed to improving dialogue with small businesses. Measures such as the appointment of the SME Envoy, on-line consultation systems and an increasing number of meetings with stakeholders point to progress in this direction.

III. WHAT WE HAVE ACHIEVED

Introduction

Part III of the present report aims to provide a brief overview of the main measures undertaken by the Member States, Norway and the Commission to implement the Charter in the past year. Norway accepted an invitation from the Commission to take part in the Charter process. The other members of the European Economic Area, Iceland and Liechtenstein have not expressed a desire to participate. Following the adoption of the Charter by all candidate countries in April 2002, their progress is analysed in a separate report¹¹.

The present report mainly covers the period autumn 2001 to autumn 2002, but given the long-term span of most measures, a certain overlap between annual reports is inevitable.

For reasons related to its purpose and length, part III does not present an exhaustive or detailed list of measures. Detailed descriptions of national measures can be found in the national reports published on the Commission website¹², and in a web-based Directory of measures¹³. A detailed description of Commission measures can be found in the “Report on the activities of the European Union for small and medium-sized enterprises”¹⁴, which constitutes a supporting document to the present report.

Considering the Charter’s commitment of using “effective indicators to assess progress over time”, part III emphasises the relevant voluntary quantitative targets in enterprise policy declared by the Member States in 2002¹⁵. These stem from Member States’ agreement on enterprise policy indicators closely linked to the Charter recommendations.

The analysis of progress in the Member States and Norway is based on detailed national reports, and on bilateral meetings between the Commission and national authorities which took place in June-September 2002. For the first time, national business organisations actively participated and expressed their views at all bilateral meetings. An Internet consultation on national reports was open to all interested parties and announced at a meeting with European business organisations in September¹⁶. At Commission level, an inter-service group bringing together all services with activities for small and medium sized enterprises has prepared the analysis on Commission progress.

The current report presents more in detail the two areas “Education and training for entrepreneurship” and “better regulation”, where most Member States have considerably

¹¹ Report on the on the implementation of the European Charter for Small Enterprises in the candidate countries to accession to the EU of 21.1.2003.

¹² For the complete reports, see
http://europa.eu.int/comm/enterprise/enterprise_policy/charter/charter2003.htm

¹³ For the Directory of measures in favour of entrepreneurship and Competitiveness, see
http://europa.eu.int/comm/enterprise/enterprise_policy/charter_directory/index.htm

¹⁴ “Creating an entrepreneurial Europe: The activities of the European Union for small and medium-sized enterprises (SMEs)”, SEC(2003) 58 of 21.1.2003

¹⁵ “Quantitative Targets in Enterprise Policy: Steps towards the Lisbon objectives”, SEC(2002) 1214 of 7.11.2002.

¹⁶ See consultation at http://europa.eu.int/comm/enterprise/enterprise_policy/charter/charter2003.htm. The following business organisations provided comments, also published at this site: Fédération Française des Centres de Gestion et d’Economie de l’Artisanat, Confcommercio, Confederazione Nazionale dell’Artigianato e della piccola e Media Impresa (CNA), Chambre de Métiers APCM, European Association of Public Banks and Confédération générale des petites et moyennes entreprises.

stepped up their efforts. The Commission has been particularly active in the latter. Most Member States focus their own national reports on these areas, which were also extensively discussed at the bilateral meetings.

While this report clearly identifies measures targeted specifically at micro or small enterprises, many of the initiatives analysed have been designed to support both small and medium-sized enterprises. The Commission considers that, even if these measures do not exclusively target enterprises with less than fifty employees, this does not diminish their value or impact on small businesses. Both the Commission and the Member States have therefore adopted the approach of including in the current report all initiatives with an impact on small and medium-sized enterprises, while highlighting those measures that seem to have the strongest impact on small enterprises.

Finally, this report seeks to stimulate the exchange of experiences and good practice in Europe¹⁷.

1 Education and training for entrepreneurship

“Europe will nurture entrepreneurial spirit and new skills from an early age. General knowledge about business and entrepreneurship needs to be taught at all school levels. Specific business-related modules should be made an essential ingredient of education schemes at secondary level and at colleges and universities.

We will encourage and promote youngsters’ entrepreneurial endeavours, and develop appropriate training schemes for managers in small enterprises.”

Member States

Member States are increasingly giving priority to the promotion of entrepreneurship in the education system. Various new measures have been launched since the last report, while previous initiatives start to bear fruit. Several Member States have now developed initiatives to nurture entrepreneurial spirit and skills in **primary schools**, following from last report’s conclusion that more needs to be done to nurture such skills from an early age.

In **Ireland**, the “*Bí Gnóthach*” initiative for 10-12 year-olds integrates skill development and enterprise perspective into the curriculum, and the “*Junior Achievement*” programme for 5-18 year-olds helps students understand the world of work.

In **Finland**, the theme “participatory citizenship and entrepreneurship” is being integrated into the curricula of basic education, and a new steering group aims to further develop entrepreneurship in education.

Sweden is preparing the “*Municipal Entrepreneur and Technology Centres*” (operational in first quarter of 2003), which aims to help encourage future engineers and inventors through enjoyable activities with technology, targeted at children over 10 (mainly girls).

¹⁷ A national initiative can only be considered a true “good practice” if it is entirely in conformity with relevant Community legislation, including competition and state aid rules. Identification of individual initiatives in this Report does not of itself imply that the measures concerned are compatible with the relevant provisions of the Treaty.

The “*Schools Enterprise Programme*” in Scotland in the UK¹⁸ now helps over 400 000 primary school pupils in over 2 000 schools to develop work place skills. Finally, Norway has developed teaching material to stimulate creativity in primary schools.

Measures targeted at **secondary schools** were stepped up in a number of Member States and a wide range of recent or planned measures have been reported.

In **Ireland**, the new “*Enterprise Encounter programme*” launched in December 2001, provides students with the opportunity to interact with entrepreneurs. The programme is linked to the “*Leaving certificate vocational programme*” in secondary schools, which includes subjects such as “enterprise education” and “preparation for the world of work”. Also the one-year “*Transition Year Programme*” and the two-year “*Leaving Certificate Applied*” seek to teach entrepreneurial skills and assist students in managing mini-companies.

Belgium is planning to publish a “novel” to teach 12-14 year-olds to start up a company in the context of its action plan “*Plan 4X4 pour entreprendre*”.

Luxembourg developed the “*girls’ day*” initiative to attract female students to the world of work, and to technology-related activities in particular, through organised visits to enterprises.

Wales in the **UK** developed the “*Enterprise insight Cymru*” project, which takes company representatives to schools to teach students about business in the real world.

In addition, Denmark is launching awareness-raising campaigns targeted at upper secondary schools in 2002-4, and Greece produced material for courses in entrepreneurship and the “*Entrepreneurship for the Youth*” programme. Finally, Sweden launched a project to develop an entrepreneurial way of thinking in upper secondary schools. Programmes to help students **create a mini-company** are currently operational in several countries including Belgium¹⁹, Germany²⁰, Spain²¹, Italy²², Luxembourg²³, the Netherlands²⁴, Austria²⁵ and also Norway²⁶.

Improving teachers’ “entrepreneurial” knowledge is an underlying concern in measures underway in Denmark, France, Finland, UK and Norway. Finland launched a project to upgrade teachers’ skills and to promote cooperation between teachers and entrepreneurs.

There seems to be a wide range of courses at different levels available at **universities** and higher education establishments in countries such as Greece, Spain, France, Ireland, Austria,

¹⁸ This measure was already reported upon in the UK’s 2001 report.

¹⁹ Belgium: “Small business projects” in Flanders. Source: Belgium’s national report on the Charter. All national reports are available at http://europa.eu.int/comm/enterprise/enterprise_policy/charter/charter2003.htm

²⁰ Germany: 200 mini-enterprises were set up by 2 500 students in 2002 within the “Junior project”. Source: Germany’s national report on the Charter.

²¹ Spain: SEFED programme. Source: Spain’s national report on the Charter.

²² Italy: Network of virtual enterprises. Source: Italy’s national report on the Charter.

²³ Luxembourg: measure “*Esprit d’entreprise*” for 16-25 year-olds. Source: Luxembourg’s national report on the Charter.

²⁴ Company programme of YE Netherlands. Source: The Netherlands’ national report on the Charter.

²⁵ Austria: “JUNIOR - Pupils create businesses” project. Source: Austria’s national report on the Charter.

²⁶ Norway: “Company programme”, 850 enterprises set up by 6 000 students in 2002. Source: Norway’s national report on the Charter.

Portugal, Finland, Sweden²⁷ and Norway. In France, a European summer university course on Entrepreneurship took place in September 2002.

Measures to foster **closer relations between research centres and businesses** are being developed *inter alia* in Denmark and Germany. In order to raise awareness about a career as an entrepreneur and to help students start a business, Greece is expanding its “entrepreneurship centres”, and Austria developed the “UNIUN 2002-4” programme²⁸.

Measures targeting all levels of education include the Dutch “Entrepreneurship and Education” scheme, which aims to develop teaching methods from primary schools to university.

Austria launched two measures to promote business awareness from primary schools to university: the education cluster initiative (“*Initiative Bildungscluster*”) creating regional partnership offices bringing together businesses and educational establishments, and the training for entrepreneurship initiative (“*Unternehmen-Bildung Initiative*”), which includes presentations in schools by company directors.

Competitions to reward the creation of best business plans were launched or further developed in a number of Member States. These include the business plan competition (“*Ondernemersplanwedstrijd*”) in Belgium, the “1,2,3 Go” in Belgium and Luxembourg, the “*Venture 2002*” in Greece, the “*Venture Cup*” in Sweden and the “*Europrise*” in Norway. In addition, France created the award “*jeunes créateurs de demain*” to help 15-25 years old develop business ideas, while the UK’s “*New Entrepreneur Scholarships*”²⁹ supported 200 young potential entrepreneurs from deprived areas from September 2001 to March 2002.

Positive developments in **training** for entrepreneurs have come to light since last year’s report. Training measures targeted specifically at small enterprises included the following.

Greece launched training programmes co-sponsored by the European Social Fund (ESF), including training schemes targeting 11 000 micro enterprises and the self-employed, which are delivered by the Centers for Vocational Training (“*KEK*”).

Portugal launched the “*GERIR*” programme 2002-2004 to provide training to approximately 300 micro and small enterprises in Trade, Industry, Services and Construction.

The **UK** created the “*Small Firms Development Account*” to finance training in small firms.

Measures to **support training on how to start a business** include Belgium’s “*Chèque formation à la création d’entreprise*” in the Walloon region, and upper Austria’s education account (“*Bildungskonto für Jungunternehmer*”). In addition, Germany launched a campaign on upgrading skills and Spain developed the “*CRECE*” programme 2001-2006 co-financed by the ESF to train over 10 000 entrepreneurs in traditional sectors. Ireland launched the 2002 “*Excellerator*” programme to train managers in export-focused firms with over 15 people, and Finland developed the “*well-being at work*” programme to promote on-the-job learning.

²⁷ Sweden has a specific postgraduate in Polytechnics on “SME Entrepreneurship”. Source: Sweden’s national report on the Charter.

²⁸ Austria developed this programme on the basis of the previous UNIUN 1999-2001 programme. Source: Austria’s national report on the Charter.

²⁹ This measure was already reported upon in the UK’s 2001 report.

Projects to support **entrepreneurship for women** were developed in Germany³⁰, Greece, Ireland and Wales in the UK.

In order to further promote and support entrepreneurship, a number of Member States have adopted general policy programmes.

This is the case in **Belgium**'s action plan "*Plan "4x4 pour entreprendre"* in the Walloon region, which supports entrepreneurial initiative and positive attitudes towards entrepreneurship.

France's draft law "*Initiative Economique*" puts promotion of entrepreneurship on its list of priorities. An action plan on company start-ups promoting entrepreneurship in secondary education is in the pipeline.

Denmark is also preparing an action plan on entrepreneurship focusing on entrepreneurial culture and advisory services. In Spain, a law of June 2002 introduces provisions on training for entrepreneurs. In Sweden, a new programme aims to improve the business environment and promote positive attitudes towards entrepreneurs. Finally, the UK's recent "*Review of enterprise and the economy in schools and further education*" underlines the need to encourage entrepreneurial culture in schools and to guide teachers on the significance of entrepreneurship.

Commission

The **Best Procedure project on education and training for entrepreneurship**, concluded in November 2002, aimed to identify and compare initiatives promoting the teaching of entrepreneurship in European education systems, from primary school to university. It concluded that entrepreneurship is now widely recognised as an important issue to be taught and that despite the many initiatives under way, much remains to be done.

At the end of 2001, also within the framework of the Best Procedure, the project "**Promoting entrepreneurship amongst women**" was launched. It entailed the creation of a database containing 132 measures adopted by public administrations covering start-ups, information, advice, funding, training, mentoring and networks in the EU and EFTA/EEA countries. These measures will be evaluated in order to identify good practices³¹.

Under the **European Social Fund (ESF)** programmes for the period 2000-2006, a majority of Member States have SME-related activities intended to strengthen the culture of entrepreneurship. One way in which this is being done is by creating networks among SMEs.

The **Communication on Lifelong learning** and the "detailed work programme on the follow-up of the objectives of education and training systems in Europe" (see heading 4) define entrepreneurship as a basic skill. The Leonardo da Vinci and Socrates programmes fund various projects related to entrepreneurship, ranging from promoting an entrepreneurial spirit in schools to giving support to master programmes in entrepreneurship. In addition, in

³⁰ German's project to raise female entrepreneurship from 25% to 40% in 2005, Source: Germany's national report on the Charter.

³¹ Relevant good practices adopted by USA, Canada, Japan, Australia and New Zealand will also be registered.

2002, the Commission published the results of a project on “**The Development and Implementation of European Entrepreneurship Training Curricula**”³².

In June 2002, the Commission organised an expert meeting on the **impact of immigration on entrepreneurship** both to identify the most important obstacles faced by ethnic minority entrepreneurs when starting up and developing their businesses, and to discuss possible support actions.

In March 2002, the Commission launched a project on **management-capacity building**. Carried out in close cooperation with the Member States and candidate countries, the project aims to take stock of strengths and weaknesses in initiatives designed to increase SMEs’ management capacities, or to provide training on entrepreneurship. For this purpose, an expert group is due to produce a policy-oriented report by March 2003.

Finally, with the support of the Commission’s Gate2Growth Initiative (see heading 7), in 2002, the European Private Equity and Venture Capital Association (EVCA) developed the “**Entrepreneurship Education Toolkit**” on the possibilities of risk capital financing for entrepreneurial ventures. The toolkit was provided to 150 institutions of higher education.

2 Cheaper and faster start-up

“The costs of companies’ start-up should evolve towards the most competitive in the world. Countries with the longest delays and most burdensome procedures for approving new companies should be encouraged to catch up with the fastest. Online access for registration should be increased.”

Member States

Since the previous Charter report, several Member States have stepped up efforts to further simplify company start-ups. Four Member States have put in place targets in this area. Spain and Portugal aim to reduce start-up time by 50 % respectively by 2006 and 2003³³. France aims at reaching 220.000 new enterprises a year in 2007, and Sweden aims at the creation of 150.000 new enterprises in the period 2003 to 2006. In addition, Ireland wants to create 520 “high potential start-ups” until 2006.

In 2003, starting up a company on-line will become a reality in Denmark, Sweden and Norway. This is already possible – with limitations – in Denmark and Austria. Also Spain and France are working on measures in this field.

In **Denmark** it is already possible to register a limited liability company on-line through the “Webreg” site³⁴, which is currently being extended to all types of companies. This development has been inspired by the **Best Procedure project on Business Start-ups**.

In **Sweden**, the “Kontakt-N”³⁵ site is expected to enable electronic registering in 2003.

In **Norway**, on-line registration of seven different types of companies is due in spring 2003³⁶.

³² EUR 17047, European Commission, Innovation Papers No 24, 2002.

³³ Spain 50% reduction by 2006; Portugal, 50% reduction by 2003. Source: Communication on “Better Environment for Enterprises”, COM (2002)610 final of 7.11.2002.

³⁴ www.webreg.dk

³⁵ www.kontakt-n.nu

Spain is planning to enable Internet registration of private limited companies with less than five partners through the project “*Nueva empresa*”, which is currently under approval and is due to be piloted in the first half of 2003³⁷.

In **France** the draft law on “*Initiative Economique*” aims to enable company start-up by Internet (through a virtual centre for enterprise formalities) in one day, with one Euro of capital, and paying reduced fees. An action plan to promote company start-ups is under way.

In **Austria**, approximately 1 000 on-line registrations have been carried out in Vienna since 2001 and the 2002 Trade Law Amendment set the basis for national electronic registration.

Belgium is preparing an **action plan** for the creation of one-stop shops, for a single electronic start-up form and for a central enterprise database. Results will be evaluated in light of the indicators defined in the **Best Procedure project on Business start-ups**. The UK is also preparing an action plan to remove barriers discouraging people in under-represented groups and disadvantaged areas from starting a business. At regional level, the “*Potentia*” programme in Wales shares the same goals. Finally, Belgium’s Walloon region, as well as Germany and Italy, are launching **web sites** providing guidance on how to start a company. Other developments include the extension of existing one-stop shop networks in Greece, Spain and Portugal³⁸, as well as the simplification of notary procedures in Portugal.

In five Member States (Germany, Ireland, the Netherlands, Austria and the UK), it is currently possible to register a sole proprietorship enterprise in one day, in nine Member States in up to two days and in 11 Member States in three days. However, there is a wide gap between the minimum time required and the real time actually spent on registering a company. For example, in both Spain and Italy the minimum registration time is two days, but the average time spent is respectively 24 and 35 days.

Registration time for a private limited company varies between 2 and 15 days. In 10 Member States it is possible to register such a company in eight days and in all but four Member States (Belgium, Spain, Luxembourg and Portugal), the minimum time requirement does not exceed two weeks. Minimum registration costs still range from zero in Denmark to over €1 700 in Greece. In seven Member States the cost does not exceed €500³⁹. As regards Norway, the registration time is five days and the minimum cost stands at approximately €700⁴⁰.

Commission

Since the completion of the **Best Procedure project on benchmarking the administration of business start-ups** in January 2002⁴¹, attention has been drawn to the conclusions of the project in appropriate international fora.

³⁶ www.brreg.no

³⁷ “*Nueva empresa*” was approved by the Council of Ministers and was going through Parliament in October 2002. Source: Spain’s national report on the Charter.

³⁸ These are the following networks: “*KYE*” in Greece, “*Ventanillas unicas*” in Spain and the “*Centros de Formalidades de Empresas*” in Portugal. Source: national reports.

³⁹ Source for the figures in the two paragraphs: “*Benchmarking Enterprise Policy: results from the 2002 Scoreboard*”, SEC(2002) 1213 of 7.11.2002.

⁴⁰ Source: Norway’s national report on the implementation of the Charter.

⁴¹ More information on Benchmarking the Administration of Business Start ups can be found at http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/start-ups/bench_admin_business_start-up_final_2002.pdf.

3 Better legislation and regulation

“National bankruptcy laws should be assessed in the light of good practice. The learning from benchmarking exercises should lead us to the improvement of current practices in the EU.

New regulations at national and Community level should be screened to assess their impact on small enterprises and entrepreneurs. Wherever possible, national and EC rules should be simplified. Governments should adopt user-friendly administrative documents.

Small enterprises could be exempted from certain regulatory obligations. In this context, the Commission could simplify competition legislation to reduce the burden of compliance for small business.”

Member States

The vast majority of Member States are putting particular emphasis on this area. All Member States report an array of different measures. However, 13 % of SMEs still report administrative burdens as a major constraint⁴² on them.

In the field of **bankruptcy legislation**, the last report concluded that there was the need for further regulatory solutions for insolvent but viable businesses, as well as for lessening the penalties of “honest failure”. Since then, several Member States have stepped up efforts in this area.

The **UK** has tabled proposals to facilitate the rescue of viable companies and to encourage re-starts after failure (Enterprise Bill of March 2002). In addition, the UK’s “*Company rescue pilot project*”, concluded in September 2002, laid down the criteria to determine whether a small company is suitable for rescuing and presented various recovery solutions.

In 2002, Belgium tabled a draft law on bankruptcy reforming the “excusability rules” by allowing the cancellation of outstanding debts in certain cases. The Netherlands is due to revise legislation to facilitate enterprise rescue and re-start in 2003-2004. Austria abolished bankruptcy as a reason for business exclusion and revised its insolvency regulation to prevent abuse of bankruptcy to the disadvantage of creditors. Finland is drafting a new Bankruptcy Act establishing the rights of bankrupt entrepreneurs, and providing for debt adjustment.

Several Member States including Denmark, Spain, France, Italy, Luxembourg and Portugal have initiated proceedings to revise their bankruptcy laws. Denmark mainly aims to revise provisions on the restructuring of debts to facilitate a second start, while Spain and Portugal focus on protecting the employees of wound-up companies and on facilitating the rescue of viable companies, as advised in last year’s Charter report. In addition, France’s law on “*Initiative Economique*” partially protects the assets of a “failed” entrepreneur.

Regulatory impact assessment (RIA) systems have been strengthened in a number of Member States, and are currently being introduced in others. In addition, some Member States have also adopted action plans to reduce administrative burdens. Ireland, Sweden and the UK

⁴² “Highlights from the 2001 Survey”, Observatory of European SMEs, European Commission, 2001/1.

have declared the target of applying regulatory impact assessment in all their proposed laws⁴³. Denmark, the Netherlands, Finland, Sweden, the UK and Norway are strengthening their regulatory impact assessment systems through their special RIA co-ordination units.

Denmark, where the unit for Better Regulation of Business co-ordinates RIAs, business test panels assess the administrative burden on businesses of relevant draft legislation. In August 2002, Denmark presented an action plan to reduce administrative burdens. In addition, new “*Test groups*” of business representatives advise the government on the impact of and alternatives to complex legislation. Annual interviews with 1 000 “*model companies*” have revealed that administrative burdens affect small companies the most.

Sweden is developing a method to measure the administrative burdens of regulation on small businesses, following a decision of June 2002. The first measurements are due in 2003. In 2001, 80 RIAs resulted in the withdrawal or substantial revision of 24 proposals. All draft laws include a small business cost-compliance analysis to be approved by the SimpLex Unit.

The **UK** has issued new RIA guidance for policy makers strengthening the small firms’ impact test and the analysis of alternatives to regulation. A “*Business Regulation Team*” has also been created including private sector secondments to identify unnecessary regulatory burdens for businesses. Scotland developed a “micro business test”, whereby proposed laws include an assessment of their potential impact on enterprises with up to five employees.

In the Netherlands, the Joint support Centre for proposed legislation assisted 48 RIAs in 2001. Finland plans to further strengthen RIA in its upcoming revised instructions on legal drafting. Finally, Norway has created a “project group” to assist all ministries on RIA and on consultation with business test panels.

Belgium, Ireland and Italy are currently introducing regulatory impact assessment systems. In 2002, Belgium made it compulsory for draft legislation to include an assessment of the impact it has on enterprises, and a RIA form is being tested. Ireland is piloting a new RIA system and Italy, whose new simplification unit has tested RIA in five pilot legislative texts, adopted a decree to gradually apply RIA to all laws.

Simplification of legislation is amongst the priorities of an increasing number of Member States. Belgium, Denmark and the Netherlands have set up the target of reducing administrative burdens on businesses by 25 %⁴⁴.

Germany created a bureaucracy reduction unit (“*Projektgruppe Bürokratieabbau*”) to analyse complaints by stakeholders and propose ways of removing legislative obstacles. Recent work focuses on improving communication between public administrations and enterprises.

The **UK** introduced a wide-ranging “*Regulatory Reform Action Plan*” in February 2002, which contains over 260 proposals for regulatory change.

Norway launched a new programme to reduce administrative burdens through simpler legislation, regulatory impact assessment, less red tape and better regulation.

⁴³ Ireland, from 0% in 2001 to 100% for all primary legislation by 2006; Sweden, 100%, no date specified; UK 100% by 2005. Source: Communication on “Better Environment for Enterprises”, COM(2002) 610 final of 7.11.2002.

⁴⁴ Source: Communication on “Better Environment for Enterprises”, COM(2002) 610 final of 7.11.2002.

In 2002, Belgium created departments for administrative and regulatory simplification in both the Walloon and the Flemish regions and published a study showing that in 2000, 69 % of all administrative burdens were paid by micro enterprises. Greece is simplifying 700 procedures through the “*POLITIA*” programme and Spain adopted a second administrative simplification action plan. France simplified various procedures within its administrative simplification programme and the Netherlands launched several projects to improve the quality of legislation. Also Austria’s 2001 Administrative Reform Act and the 2002 Trade Law Amendment simplified a wide range of procedures.

In addition, Ireland and Finland are simplifying their respective Company Laws and the Netherlands is carrying out research for this purpose. Portugal is revising its Enterprise Licensing Code to reduce by half the time needed to obtain a licence⁴⁵. Several countries are also engaged in **consolidating legislation** and removing outdated laws.

Ireland has been particularly active in the consolidation of competition law, income tax law, and excise law.

Norway, following a proposal by stakeholders, is seeking to consolidate 250 health regulations into 6, and has removed 420 laws since 2000.

Commission

In summer 2002, the Commission, building on the Seminar on Business failure in Noordwijk of May 2001, completed a study on the legal and social implications of insolvency. In the framework of the Best Procedure, the Commission set up a working group bringing together Member States’ experts with a view to establishing benchmarks and guidelines for implementing change on “**Restructuring, bankruptcy and a fresh start**”. Furthermore, in order to raise awareness of the need for action to avoid insolvency, the Commission published the guide “Helping businesses to overcome financial difficulties”.

The **Better Regulation Package**, adopted by the Commission on 5 June 2002, aims at reforming the way in which the institutions, individually or jointly, are legislating at European level, as well as how the Member States implement and apply this legislation at national level.

This ambitious package responds to a request of the Lisbon European Council and aims at simplifying and improving the regulatory environment. It moreover responds to the criticism expressed regularly by some national authorities and stakeholders against an allegedly excessive and heavy Community legislation.

The Commission has thus adopted an Action Plan⁴⁶ containing on the one hand a series of measures that it commits itself to implementing rapidly to improve the quality of its legislative proposals, and on the other hand measures to be discussed with the European Parliament, the Council and the Member States (co-responsible for legislative quality).

The Commission has decided to set the example in developing within its services a new culture of “legislative quality” by launching a series of actions. In accordance with the conclusions of the European Council of Seville, some of the actions proposed in the Action

⁴⁵ Portugal has committed to reducing from 150 to 75 days the time needed to obtain an Industrial licence. Source: Communication on “Better Environment for Enterprises”, COM(2002) 610 final of 7.11.2002.

⁴⁶ “Action Plan ‘Simplifying and improving the regulatory environment’”, COM(2002) 278 final, 5.6.2002.

Plan to the European Parliament and the Council are under discussion between the Commission, the European Parliament and the Council with a view to concluding an agreement as early as possible in 2003. This agreement would mainly deal with the use of framework directives, co-regulation, self-regulation and an ambitious programme for simplification and reduction of the *acquis communautaire*.

As part of the Action Plan, the Commission is putting in place a new **impact assessment procedure** that will integrate into a single system all existing internal impact assessment mechanisms. The purpose of the new procedure is to improve the quality of the Commission's proposals. The new procedure takes into account the recommendations of the Business Impact Assessment pilot project⁴⁷ on how to analyse impact on SMEs and how to ensure a proper analysis of business impacts within an integrated system. By combining elements from both sustainable impact assessment and regulatory impact assessment, the new procedure will also have a role to play in an effective regulatory environment as part of a more coherent implementation of the European Strategy for Sustainable Development.

The Commission is currently modernising the **Business Test Panel**, where the Interactive Policy Making (IPM) (see heading 5) will be an integral part. The Business Test Panel will be expanded to include up to 4 000 businesses drawn from a wide range of sectors and all Member States. Businesses will be consulted on-line through the panel as from spring 2003.

On 17 July 2002, the Commission adopted the new **block exemption regulation** for vertical agreements in the motor vehicle sector⁴⁸. This regulation improves SMEs' opportunities to compete in the markets for the distribution of new motor vehicles. The new rules facilitate the sale of different brands by the same dealer and open up the market for after sales servicing, allowing qualified SMEs to join a vehicle manufacturer's authorised repair network. Furthermore, independent repairers, mostly SMEs, will gain access to information and training in order to compete with the authorised repairers in a manufacturer's network.

4 Availability of skills

"We shall endeavour to ensure that training institutions, complemented by in-house training schemes, deliver an adequate supply of skills adapted to the needs of small business, and provide lifetime training and consultancy."

Member States

Some Member States developed programmes **targeting training in small or medium sized companies**.

Germany launched the programme "Learning culture of skills development" ("*Lernkultur Kompetenzentwicklung*") to provide both training courses and learning at work for small enterprises in craft, services and industrial sectors.

Italy created three training funds to support SMEs: the Crafts Fund, Co-operation fund and SME Fund ("*Fondo Artigiani, Fondo della Cooperazione, Fondo delle PMI*").

⁴⁷ The final Business impact assessment (BIA) pilot project report can be found in all EU languages at <http://europa.eu.int/comm/enterprise/library/enterprise-papers/paper9.htm>. A BIA Best Procedure project was carried out as a part of the pilot project.

Sweden launched the “*On the job-training*” measure to support skills improving in SMEs. Austria supports enterprises with less than 50 employees in identifying staff development measures through the “*Labour market service*” (“*Arbeitsmarktservice*”). Northern Ireland in the UK developed the “*Company Development programme*” for SMEs.

A few Member States have also launched measures to address **skill gaps in the areas of technology and engineering**. For example, Sweden has committed itself to increasing the number of engineering students, the number of research graduates and the number of mathematics, science and technology teachers.

Ireland launched the “*STEPS*” programme to raise awareness on benefits of a career in science, technology and engineering, created the Information Technology Skills Development Fund (at post graduate level) and issued a study on the declining number of students in physical sciences.

In addition, Italy launched a programme for training in RTD, the “*PIA Innovazione*”. Several Member States including Belgium, Greece, Spain, France, Finland, Sweden, the UK, and Norway⁴⁹ have reported on programmes to support the use of **ICT** either by individuals or enterprises. Finally, the “telecoaching” pilot project in Flanders in Belgium develops methods to train SME managers in the use of ICT tools.

Initiatives to promote **training in general** include Belgium’s vouchers’ scheme “*Opleidingscheques*” in Flanders to encourage enterprises to invest in training, and the “*BRAWO*” pilot project in Belgium’s German speaking community to sponsor employers and workers’ training. In addition, Ireland created the “*Skillnets*” programme to enhance skills for people in employment. Italy launched the “*PIA Formazione*” programme to support training in enterprises and the UK established the “Sector Skills Council” network to assess skill needs.

Other general initiatives include the merging of labour market educational centres and vocational schools in Denmark, the launch of advisory services on training in Finland, and the creation of a committee to analyse school curricula from a lifelong learning perspective in Norway. **Tax incentives** to promote training have been created *inter alia* in Italy, the Netherlands, Austria and Sweden. In addition, Austria developed a scheme (“*Begabtenförderung*”) to sponsor apprenticeships, created the apprenticeships training bonus and an award for businesses providing innovative apprenticeships.

Commission

The European Council in Barcelona in March 2002 set the objective of making the EU educational and training systems a world reference by 2010.

On 14 February 2002, the Council and the Commission jointly adopted a **detailed work programme on the follow-up of the objectives of education and training systems in**

⁴⁸ Commission Regulation (EC) n° 1400/2002 of 31 July 2002 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices in the motor vehicle sector, OJ L 203, 1.8.2002, p. 30.

⁴⁹ Norway’s programme focuses on teachers: “ICT in Training of teachers”. Source: Norway’s national report on the Charter.

Europe⁵⁰. It focuses on the three following objectives: to improve the quality and effectiveness of education and training systems in the EU, to facilitate everybody's access to such systems and to open them up to the wider world. The development of appropriate skills for the knowledge society is one of its main objectives.

Also in February 2002, the Commission adopted its **Action Plan for skills and mobility**⁵¹ aimed at improving occupational and geographic mobility within the EU. The plan aims *inter alia* to combat skill deficits in industry, to develop partnerships of education institutions and business, and to encourage social partners to introduce competence development strategies for workers. Annual assessments on implementation will be presented to the Spring European Council.

Five years after its launch by the Luxembourg Jobs Summit, the European Employment Strategy (EES) was reviewed in 2002⁵². Since 1997, there has been a shift towards more employment friendly taxation, a stronger emphasis on lifelong learning and on making education and training in line with labour market needs. Moreover, Member States developed measures for administrative simplification and small enterprises under the Entrepreneurship pillar of the Employment Guidelines. In addition, the draft Joint Employment Report⁵³ analyses Member States' implementation of the guidelines.

In addition, following on from the Communication on Lifelong Learning⁵⁴, the '**Bruges process**' was launched to improve cooperation in vocational education and training amongst EU Member States, the European Economic Area, the candidate countries and the Commission.

The **eEurope 2002 Action Plan**⁵⁵ put a strong emphasis on measures to improve the use of Information Society Technologies (IST) in education, an approach which is reiterated in the initiative eEurope 2005⁵⁶. IST projects in the areas of self learning for work and on-the-job-training for SMEs are being carried out. IST use to support virtual learning will be an important issue within the Sixth Framework Programme for RTD (see below, heading 8).

In October 2002, at a high-level conference organised in Copenhagen in cooperation with the Danish Presidency, the Commission presented the final report of the **Best Procedure ICT** (information and communication technologies) **Skills Monitoring Group**, "e-Skills in Europe: Benchmarking Member States Policy Initiatives"⁵⁷. A complementary initiative on "Information and Communication Technologies and e-Business skills for user industries and

⁵⁰ Council document 6365/02, 20 February 2002. The work programme was welcomed by the European Council in Barcelona on 15-16 March 2002. http://europa.eu.int/comm/education/policy_en.html#programme.

⁵¹ Commission's Action Plan for skills and mobility, COM(2002) 72 final, 13.2.2002, http://europa.eu.int/comm/employment_social/news/2002/feb/034_en.html

⁵² Commission Communication "Taking Stock of Five Years of the European Employment Strategy", COM(2002) 416 final, 17.7.2002.

⁵³ Communication from the Commission to the Council, Draft Joint Employment Report 2002 COM(2002) 621 of 13.11.2002.

⁵⁴ Communication from the Commission "Making a European Area of Lifelong Learning a Reality", COM(2001) 678 final, 21.11.2001.

⁵⁵ "eEurope 2002, An information society for all, Action Plan", 14.6.2000, available at <http://europa.eu.int/eeurope>.

⁵⁶ Communication from the Commission, "eEurope 2005: An information society for all", COM(2002) 263 final, 28.5.2002.

⁵⁷ More information on the ICT Skills Monitoring Group can be found at <http://europa.eu.int/comm/enterprise/ict/policy/ict-skills/wshop/synthesis-report-v1.pdf>

SMEs” was launched in April 2002 to identify ICT and e-business skills and job profiles in various industry sectors. This initiative will help to develop and to adapt ICT skills profiles in response to the specific needs of SMEs. In addition, under the eLearning Action Plan⁵⁸, specific focus has been put on the ICT skills gap. In this context, on 19 December 2002, the Commission adopted a proposal for a programme on the use of ICT to improve access to education and training (programme eLearning⁵⁹). In addition, the Commission presented actions needed to ensure the supply of skilled labour in a report on "Increasing labour force participation and promoting active ageing", which was endorsed by the Barcelona Summit⁶⁰.

In March 2002, the European social partners submitted a framework of action on skills and competencies development, committing themselves to monitoring its implementation and to undertaking an evaluation in 2006. The social partners have also adopted a multiannual work programme (2003-2005) regarding *inter alia* the implementation of the EES, lifelong learning, managing social consequences of change, and possible actions to support the Action Plan on skills and mobility.

Most Member States have activities under the **European Social Fund (ESF)** programmes for the period 2000-2006, in which SMEs benefit exclusively or along with other target groups in the area of training and human resource development. Generally, the support is given in the form of training for people working in SMEs.

5 Improving online access

“Public authorities should be urged to increase their electronic communication with the small business sector. Thus, companies will be able to receive advice, make applications, file tax returns or obtain simple information online, therefore faster and more cheaply. The Commission must lead by example in this area.”

Member States

SMEs’ access to the Internet is increasing considerably in some Member States such as Greece, Spain, Italy, and the UK. Progress is particularly impressive in Greece, where SMEs’ access to the Internet increased from 24 % in 1999 to 78 % in 2001. In 2001, 70 % of all European micro-enterprises and over 80 % of small enterprises had access to the Internet⁶¹.

All Governments are committed to improving on-line access and Germany, Portugal and the UK have set the target of offering 100 % of governmental services on-line by 2005 and Spain of 40 % by 2006⁶². Most Member States concentrate efforts on improving and streamlining on-line services to better meet businesses’ needs (as recommended in last year’s Charter report), on increasing their user-friendliness and on enlarging the range of services offered.

⁵⁸ Communication from the Commission “eLearning Action Plan”, Designing tomorrow’s education” COM (2001) 172 final, 28.3.2001.

⁵⁹ Proposal for a Decision of the European Parliament and of the Council adopting a multiannual programme (2004-2006) for the effective integration of Information and Communication Technologies (ICT) in education and training systems in Europe (eLearning Programme), COM(2002) 751 final, 19.12.2002

⁶⁰ Report from the Commission “Report requested by Stockholm European Council: "Increasing labour force participation and promoting active ageing", COM(2002) 9, 24.1.2002.

⁶¹ Source: Observatory of European SMEs 2002/1 “Highlights from the 2001 Survey”.

⁶² Also Spain has set up the target of providing 40 % of its services on-line by 2006. Source: Communication on “Better Environment for Enterprises”, COM(2002) 610 final of 7.11.2002.

Several Member States are developing systems whereby forms can be filled in, signed and processed on-line.

The following countries have reported on **web portals** advising entrepreneurs and increasingly providing on-line services: Belgium, Germany, Greece, Ireland, the Netherlands, Austria⁶³, Portugal, Finland, Sweden, UK and Norway. Luxembourg is preparing its new web portal “*Guichet pour entreprises*” to provide information on starting, developing and restructuring a company, and has launched a project to put all administrative forms on line.

Particularly user friendly is **Ireland’s BASIS** (“*Business Access to State Information and Services*”) web portal⁶⁴, which provides a single access point to all enterprise-related governmental services and is organised around enterprise “events” such as starting a company, employing staff, paying taxes, accessing funding and innovation.

Denmark is developing a web portal to enable enterprises to carry out most administrative procedures on-line using a free of charge digital signature. The portal, to be operational as of mid 2003, seeks to generate automatic exchange of data between administrations in such a way that businesses report the same information to only one administrative service.

Another good example is **Sweden’s** web portal “Entrepreneurs’ guide” (“*Företagarguiden*”), launched in October 2001, which answers e-mail queries in 48 hours⁶⁵.

VAT declarations and payments can be processed on-line in Belgium⁶⁶, Greece⁶⁷, Ireland⁶⁸, Finland and Sweden. Such facilities are under development in Flanders in Belgium⁶⁹, in Denmark and in Luxembourg. In Austria, over 7 000 financial statements were transmitted electronically since May 2001.

Other **innovative on-line services** include an Irish website enabling the processing of patent and trademark applications on-line, and the development of a Finnish internet system allowing micro enterprises with up to five employees to pay salaries on-line as from autumn 2003. **Public procurement** information is provided on-line in a number of Member States including Germany, Greece, Ireland, Austria and Finland. In Finland, 900 procurement notices were placed at the “*JULMA*” site since October 2001. Greece is expanding its Integrated Customs Information System (“*ICIS*”) to facilitate the submission of customs declarations.

Commission

The **Information Society Technologies (IST) Programme**⁷⁰ is part of the Fifth and Sixth Framework Programmes for RTD. It complements the **GoDigital initiative** launched in April

⁶³ Austria expects to be able to provide most administrative procedures online in 2003. The number of on-line procedures increased from 3 in 2001 to 7 in 2002. Source: Austria’s national report on the Charter.

⁶⁴ See www.basis.ie

⁶⁵ See www.foretagarguiden.se

⁶⁶ Belgium’s EDIFACT and INTERVAT projects. Source: Belgium’s national report on the Charter.

⁶⁷ Greece’s TAXIS website, also income tax declarations possible. Source: Greece’s national report on the Charter.

⁶⁸ Ireland’s ROS Revenue online Service, VAT and income tax. Source: Ireland’s national report on the Charter.

⁶⁹ In Belgium the FISCONET federal database has been on-line since spring 2002. Source: Belgium’s national report on the Charter.

⁷⁰ www.cordis.lu/ist

2001⁷¹, which aims *inter alia* to raise awareness and spread best practice on e-commerce among SMEs. For this purpose, the Commission is carrying out approximately 70 IST take-up projects involving hundreds of European SMEs. By making the experiences from the take-up projects widely accessible, the IST Programme is making an important contribution to eEurope GoDigital. The **eEurope 2005 Action Plan**⁷² identifies the need to promote “a dynamic e-business environment”. SME actions under the Sixth Framework Programme for RTD support this process (see heading 8).

An “**e-business legal portal**” was created in October 2002 and is managed by a network of 16 Euro Info Centres in 13 European countries. The portal is an on-line information service, providing an overview of relevant e-commerce legislation, self-regulatory initiatives and offering legal advice on various questions. This portal will help the Commission identify the most important legal problems faced by companies when they conduct business on-line. Its extension to all Member States and possibly the candidate countries is foreseen.

In 2001, under the IDA Programme (Interchange of Data between Administrations), an initiative for the creation of the portal “public-services.eu” was launched. This portal, currently in a pilot phase, will provide a single access point for all public on-line information and services in order to assist enterprises carry out cross-border activities.

In November 2001, the Commission and the Belgium Presidency jointly organised a high-level ministerial conference on eGovernment applications. At this occasion, an “eEurope award for Innovation in eGovernment” was launched and the first benchmark study on on-line public services was issued. A Ministerial declaration presents the findings of this event⁷³.

6 More out of the Single Market

“The Commission and Member States must pursue the reforms underway aiming at the completion in the Union of a true internal market, user-friendly for small business, in critical areas for development of small businesses including electronic commerce, telecommunications, utilities, public procurement and cross-border payment systems.

European and national competition rules should be vigorously applied to make sure that small businesses have every chance to enter new markets and compete on fair terms.”

Member States

In autumn 2002, only five Member States – Denmark, the Netherlands, Finland, Sweden and the UK - have passed 98.5 % of all Internal Market Directives into national law, thus achieving the Stockholm European Council’s target of reducing implementation deficits to 1.5 %. In spring 2002, Belgium and Spain were also in this category. Sweden currently has the lowest deficit rate (0.4 %), followed by Finland (0.6 %) and Denmark (0.7 %)⁷⁴.

⁷¹ “Helping SMEs to Go Digital”, COM(2001) 136 final, 13.3.2001, www.europa.eu.int/godigital. The GoDigital Initiative is part of the eEurope 2002 Action Plan.

⁷² Communication from the Commission, “eEurope 2005: An information society for all”, COM(2002) 263 final, 28.5.2002. www.europa.eu.int/information_society/eeurope

⁷³ Ministerial Declaration on eGovernment of 29 November 2001, more information at http://europa.eu.int/information_society/eeurope/egovconf/index_en.htm.

⁷⁴ Internal Market Scoreboard, no 11 of November 2002 and no 10 of 16 May 2002.

Throughout 2002, the backlog has further increased for the Member States furthest away from meeting the target: France, followed by Greece, Portugal and Austria⁷⁵. Finland is the only Member State to meet the new target of 0 % deficit (by spring 2003) in implementing Directives more than two years overdue. To reach this target, the other Member States have to transpose a number of Directives ranging from one in Sweden to 14 in France.

Denmark is currently carrying out a benchmarking exercise to analyse differences and similarities in the way different Member States implement and apply the same EC Directives.

The **Austrian** pilot project “Opportunities in the Single Market” (“*Chance Binnenmarkt*”)⁷⁶, aims to raise SMEs’ awareness of the opportunities of the single market and to provide free advisory services.

Several countries report on the operation of the SOLVIT programme (see below) at national level, namely Germany, Portugal, Finland, Sweden, the UK and Norway.

Only a few Member States report progress in **the liberalisation of national markets**. Both Ireland and Austria adopted legislation to further open up their gas markets. Finland proposed various measures to develop the electricity market, which is now fully open to competition. **Public procurement legislation** is under revision in Greece and Portugal, and Denmark launched a website for companies feeling unfairly treated in public procurement cases.

As regards competition law, Denmark amended its Competition Act to raise the level of infringement fines, Ireland consolidated all statutory arrangements for competition and mergers in its Competition Act 2002, and Austria created a Federal Competition Authority. Sweden proposed a new regulation with provisions against public actors that harm competition. In addition, the UK’s new Enterprise Bill improves the protection of small firms against unfair competition⁷⁷.

Commission

The Commission’s current **Internal Market Strategy** is a five-year programme last reviewed in April 2002⁷⁸, focusing attention on those areas where progress is most urgently needed in order to make EU businesses more competitive and better able to grasp the opportunities offered by the Single Market.

An adequate Intellectual Property protection system will support SMEs’ efforts to innovate. The Commission presented a proposal for a Regulation creating the **Community patent**⁷⁹, a priority target in the Internal Market Strategy. A unitary patent will enable companies to align their production and distribution activities to the EU formation and to take on the challenges of innovation and competitiveness with the US and Japan. Community patents should be affordable in terms of cost and should guarantee legal certainty. Furthermore, on 20 February

⁷⁵ France: deficit currently at 3.8 %, from 3.1 % in spring 2002; Greece: 3.3 % from 2.7 %; Portugal: 3.1 % from 2.1 %; and Austria: 2.7 % from 2.1 %. Source: *idem* to previous end note.

⁷⁶ This measure was already reported upon in Austria’s 2001 report.

⁷⁷ In the UK, regulatory impact assessments will also include an analysis of the effects of competition. Source: UK’s national report on the Charter.

⁷⁸ Communication from the Commission on “2002 Review of the Internal Market Strategy: Delivering the promise”, COM (2002) 171, 11.4.2002.

⁷⁹ Commission proposal of 1.8.2000 for a Regulation of the Council on the Community patent, COM (2000) 412 final, CNS 2000/0177, Official Journal C 337 E/45, 28.11.2000, p. E/278.

2002 the Commission presented a proposal for a Directive on the patentability of computer-implemented inventions⁸⁰, harmonising and clarifying provisions in this area.

In July 2002, the Commission adopted its second biennial report on the **application of the principle of Mutual Recognition in the Single Market**⁸¹. The main purpose of the report is to assess the progress made in the application of mutual recognition⁸² in the single market since 1999 and to highlight the areas in which mutual recognition continues to pose problems. The Commission is planning to adopt a Communication including guidelines on applying mutual recognition for products between economic operators and national administrations.

In **conformity assessment**, multiple testing and certification within the EU is still common, despite efforts to encourage the mutual recognition of test results, marks and certificates. This has resulted in increased costs to industry, in particular for SMEs, which are required to pay for more than one conformity evaluation procedure. In order to obtain an overview of this situation, a Best Procedure project was launched in autumn 2002, with the aim of producing case studies of various sectors. These will compare conformity assessment procedures and their economic impact in the selected sectors, developing indicators to measure their impact on manufacturing enterprises, including SMEs.

While the Internal Market generally functions well, sometimes businesses run into difficulties resulting from possible misapplication of Internal Market regulations by public administrations in other Member States. **SOLVIT**⁸³ is a network set up by the Commission to resolve problems relating to the misapplication of regulations - these might emerge in various aspects of business life, e.g. market access of goods and services, public procurement, taxation, or the starting-up of a company. The Internal Market Council, in its Resolution of 1 March 2002, confirmed Member States' commitment to the effective operation of the system. The SOLVIT network, launched on 22 July 2002, has an important role to play in making the EU more operational and practical for businesses, in particular the smallest ones.

On 11 December 2002, the Commission adopted a Communication to improve the control of application of Community law⁸⁴. On 30 July 2002 the Commission adopted a report on "the State of the Internal Market for services"⁸⁵. This report draws up a comprehensive overview of the barriers that continue to inhibit services. It concludes that a decade after completion of the Internal Market there is still a huge gap between the vision of an integrated EU economy and the reality as experienced by European enterprises.

A significant development was the adoption of the **Regulation on cross-border payments in Euro to achieve a single payments area**⁸⁶. The Regulation makes provisions to apply the principle of non-discrimination to bank charges for national and cross-border payments in

⁸⁰, Proposal for a "Directive on the patentability of computer-implemented inventions", COM(2002) 92 final, 20.2.2002.

⁸¹ Report from the Commission, "Second biennial Report on the Application of the Principle of Mutual Recognition in the Single Market", COM(2002) 419, 23.7.2002.

⁸² Mutual recognition means that if a business (large or small) can sell its products legally in its home market it can sell these products anywhere in the European Union.

⁸³ Commission Communication on "Effective Problem Solving in the Internal market ("SOLVIT")", COM (2001) 702, 27.11.2001. Commission Recommendation on "Principles for using "SOLVIT" – the Internal Market Problem Solving Network", 7.12.2002, OJ L 331, 15.12.2001, p. 79.

⁸⁴ COM(2002) 725, 11.12.2002.

⁸⁵ Report on "the State of the Internal Market for Services" (COM(2002) 441), prepared as part of the Internal Market Strategy for Services (COM(2000) 888).

⁸⁶ Regulation No 2560/2001 of the European Parliament and of the Council of 19.12.2001 on cross-border payments in euro

Euro. Deadline for implementation as regards card transactions and ATM withdrawals was 1 July 2002 and is 1 July 2003 as regards credit transfers. Commission studies indicate persistently high and variable levels of charges on cross-border payments, despite repeated exhortations to banks to eliminate such practice. According to the Regulation, cross-border charges should not differ from national ones, hence uniform charges should apply irrespective of distance⁸⁷.

In December 2001, the Commission services launched a consultation document on “**Co-operatives in Enterprise Europe**”. This document made the case that co-operatives require a legislative environment adapted to their specific characteristics, and identified European policies and initiatives with an impact on co-operatives. On 3 June 2002, the Council reached an agreement on the Commission’s proposal for a **Statute for a European Co-operative Society**⁸⁸, which draws parallels with the Statute for a European Company, but is specifically tailored to the co-operative form of enterprise. The Commission is currently working on a proposal for a **Statute for a European Association**.

7 Taxation and financial matters

“Tax systems should be adapted to reward success, encourage start-ups, favour small business expansion and job creation, and facilitate the creation and the succession in small enterprises. Member States should apply best practice to taxation and to personal performance incentives.

Entrepreneurs need finance to translate ambitions into reality. In order to improve the access of small enterprises to financial services, we will:

Identify and remove barriers to the creation of a pan-European capital market and to the implementation of the Financial Services Action Plan and the Risk Capital Action Plan;

Improve the relationship between the banking system and small enterprises by creating appropriate access conditions to credit and to venture capital;

Improve the access to the structural funds and welcome initiatives by the European Investment Bank to increase funding available to start-ups and high-technology enterprises, including equity instruments.”

Member States

Two Member States are substantially **reducing corporation taxes**. Ireland is lowering all corporation taxes to a single rate of 12.5 % in 2003, which already applies to small businesses with a trading income below €254 000. Ireland has also simplified its tax return system for companies with a turnover below €320 000. The UK reduced corporation taxes from 23 % to 19 % for companies with profits between £50 000 and £300 000. The 19 % start-up tax rate has been reduced to 0 % for companies with profits not exceeding £10 000.

Several Member States report on different **taxation measures to alleviate the tax burden of small business**. Belgium has lowered taxes for SMEs based on turnover levels, exempting

⁸⁷ European Commission Press Release IP/01/1084.

⁸⁸ Amended proposal COM(93) 252 final, 6.7.1993, O.J. N° C236 of 31/8/93.

those with turnover below €322 500 from paying part of their taxes⁸⁹. Denmark raised the turnover threshold for VAT payment obligation from DKK20 000 to DKK50 000 and allows enterprises with a turnover below DKK15 million to present VAT declarations quarterly instead of monthly. New UK rules allow small enterprises to apply a flat rate percentage of VAT to their turnover rather than account for VAT on each sale. Finally, in Norway, enterprises with turnover below approximately €125 000 may present VAT declarations once a year instead of every two months. Both Portugal and Norway created tax incentives for R&D: Portugal targets SMEs in industry, trade or agriculture, and Norway provides SMEs with up to 100 employees tax credit representing 20 % of annual R&D expenditure up to approximately €500 000.

More measures are in the **pipeline**. Sweden is currently developing a system for taxation based on average income instead of real income. Both Greece⁹⁰ and Italy are drafting legislation to simplify their taxation systems. Finally, Greece is reducing VAT declaration obligations from 6 to 4 times a year, and France, Greece⁹¹ and Austria are lowering taxation for company transfers, and Ireland is considering such measures.

Several Member States developed new **measures to finance start-ups**.

Ireland enlarged its venture capital market by injecting €95 million in twelve new venture capital funds mainly targeted at start-ups and early stage businesses.

Luxembourg developed its “*prêt de démarrage*” fund to finance up to €250 000 or 40 % of start up costs.

In addition, Austria created the start-up promotion programme “*Start up Förderung*” to finance small technology based enterprises with up to 50 employees, and is preparing a new venture capital programme for small enterprises in industry and trade. Portugal launched a new risk capital fund, giving priority to the financing of seed and start-up projects, and of small enterprises.

A few Member States have developed **micro loan** systems.

Germany has launched a micro loan programme (“*DtA-Mikrodarlehensprogramm*”) in cooperation with the EIF, providing loans up to €25 000 to start-ups and micro enterprises.

Spain launched a micro credit line (“*Línea de Microcréditos ICO*”) for micro enterprises, which targets mainly female entrepreneurs, aged or handicapped people and immigrants. With over €12 million, it provides loans up to €25 000 to be reimbursed in 2-3 years. 480 projects were financed in cooperation with the EIF. Spain also created a micro-credit programme for female entrepreneurs (“*Programa de microcréditos para mujeres emprendedoras*”) to start-up a company or to finance its first year of operation. With over €6 million co-financed by the ESF, it provides loans up to €12 000 to be reimbursed in five years.

Sweden launched a micro loan system targeting mainly female entrepreneurs, covering 50 % of investments up to SEK250 000.

⁸⁹ This measure is expected to lead to a €70 million tax reduction. Source: Belgium’s national report on the Charter.

⁹⁰ This measure is expected to lead to a €280 million-tax reduction. Source: Greece’s national report on the Charter.

⁹¹ In Greece this concerns the transfer of sole proprietorship enterprises to relatives. Source: Greece’s national report on the Charter.

Spain and Finland are particularly active in **new venture capital schemes for technology investments**. Spain adopted a new financial support system for investments up to €500 000 in technology-based SMEs during their first two years, and its ICO line for the financing of technological innovation provides loans of up to 70 % of investments. Finland launched the “*LIKSA*” programme to finance business plans for the creation of technology-based enterprises, and the “*INTRO*” initiative to put start-up enterprises in contact with investors. France has set the target of raising investment in risk capital to € 1 billion by 2010 and Ireland has committed itself to raising investment in venture capital to 0.8 % of the GDP by 2006⁹².

Few Member States reported developments on **mutual guarantee schemes**. Greece is creating a guarantee fund facility for small and micro enterprises (“*TEMPME*”) with €100 million capital to cover 50 % of loan guarantees requested by financial institutions. Portugal created three mutual guarantee societies and strengthened its mutual counter guaranty fund, while Sweden developed a new loan guarantee scheme for SMEs **inspired by good practices in the Netherlands and Finland**.

More **general measures** include the creation of an SME Funding Agency in Flanders in Belgium, where a project to generate risk capital for start-ups is in the pipeline, and the launch of the €335 million “*Argentum*” fund to support venture capital funds investing in clusters in Norway. Improving enterprise financing is also among the priorities of the new French law “*Initiative economique*”. In addition, the Tyrolean business support fund in Austria created low interest rate loans to companies with up to 20 employees.

New information measures on access to finance include a German task force bringing together financial experts from the federal administration and from banks to advise SMEs on access to finance, and a German SME Forum on financing conditions under the Basle II agreement. Austria is developing a one-stop-shop business service (“*Wirtschaftsservice GmbH*”) bringing together different services to provide advice on financing measures.

In Belgium, the “Risk capital fair” in the Walloon region brought together potential entrepreneurs with investors. Belgium, Denmark, Austria, Portugal, Sweden, UK and Norway report on developments in their **business angels** network. In Denmark, three additional networks are in the pipeline and a website puts entrepreneurs in contact with potential business angels. Portugal is supporting its new network through the programme for financing innovation, and Norway is considering tax incentives for business angels.

Commission

In October 2001, the Commission presented a Communication “**Towards an Internal Market without tax obstacles** - a strategy for providing companies with a consolidated corporation tax base for their EU-wide activities”⁹³ and a detailed study on “Company Taxation in the Internal Market”⁹⁴. These address current problems relating to company taxation in the EU and include an analysis of the situation of SMEs.

⁹² Source: Communication on “Better Environment for Enterprises”, COM(2002) 610 final of 7.11.2002.

⁹³ Communication from the Commission, “Towards an Internal Market without tax obstacles: A strategy for providing companies with a consolidated corporate tax base for their EU-wide activities”, COM(2001) 582 final, 23.10.2001, http://europa.eu.int/comm/taxation_customs/taxation/company_tax/policy_proposals.htm.

⁹⁴ Commission Staff working paper, Company Taxation in the Internal Market, SEC(2001) 1681, 23.10.2001.

Two recent directives in the field of VAT make it easier for SMEs to trade across borders and lessen their VAT-related obligations (for example invoicing requirements)⁹⁵. The Commission is currently carrying out a study on VAT obligations with a view to propose their simplification (registration, declarations, payment), mainly for SMEs. In 2002, the Commission carried out a study on **employee stock options** in the EU and the USA. The study showed that Member States' systems still differ considerably on taxation, labour law, data protection and security. Companies operating in several countries therefore need a different stock options plan for each country. This creates substantial administrative costs and deters smaller companies in particular from having stock option plans.

In September 2002, the Commission presented the results of the **Best Procedure project on transfer of business** at a seminar in Vienna⁹⁶. This consisted of the conclusions of the expert group created in 2000 to monitor the implementation of the 1994 Recommendation on this issue⁹⁷, in particular to assess measures taken since the 1998 Communication⁹⁸, and to propose further action. The results of the project show that less than half of the measures set out in the Commission Recommendation have been implemented. Examples of good practice in the different Member States were also presented⁹⁹. In October 2002, the Commission launched a new project on the transfer of businesses to act on the expert group's proposals and to help Member States make further progress.

In October 2002, the Commission adopted its fourth progress report on the 1998 **Risk Capital Action Plan (RCAP)**¹⁰⁰, which embodies the Community's strategy on risk capital. Four years after its adoption, and even at a time when the risk capital market is experiencing a severe correction, there is major progress in the implementation of the Action Plan. Risk capital is a key source of financing for new and innovative enterprises and successive European Councils have called for its implementation by 2003. The modernisation of the regulatory framework has continued in a financial environment dominated by the successful circulation of Euro notes and coins. Important developments include the mandatory introduction of international accounting standards by 2005, and the forthcoming legislation on supplementary pension funds. This has a direct impact on the supply of finance for SMEs with high growth potential.

In relation to public funding of enterprises, the adoption by the Commission of its Communication on state aid and risk capital¹⁰¹ has clarified the conditions for compatibility of public funding of risk capital measures with the state aid provisions of the Treaty. As such, a

⁹⁵ Council Directive 2001/115/EC of 20 December 2001 amending Directive 77/388/EEC with a view to simplifying, modernising and harmonising the conditions laid down for invoicing in respect of value added tax; Council Directive 2000/65/EC of 17.10.2000 amending Directive 77/388/EEC as regards the determination of the person liable for payment of value added tax. .

⁹⁶ http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/transfer_business/seminar.htm

⁹⁷ OJ L 385, 31.12.1994, p. 14 and the accompanying Communication containing the motivations of the Recommendation, OJ C 400, 31.12.1994, p. 1.

⁹⁸ Communication from the Commission on the "transfer of small and medium sized enterprises" (OJ C 93, 28.3.1998).

⁹⁹ Results of the Best Procedure project can be found at http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/transfer_business/best_project.htm

¹⁰⁰ Communication from the Commission on implementation of the risk capital action plan, COM(2002) 563 final of 16.10.2002. Based on Communication from the Commission "Risk Capital: A key to Job Creation in the European Union", SEC(1998) 522."

¹⁰¹ Information from the Commission on "State aid and risk capital", OJ C 235, 21.8.2001, p.3.

timely implementation of the **Financial Services Action Plan (FSAP)**¹⁰² will go a long way to foster a more integrated EU risk capital market. The Commission continues to urge the Member States to implement the necessary fiscal and structural reforms to promote investment in venture capital funds.

The three **financial instruments** managed by the European Investment Fund (EIF) under the Multiannual Programme for Enterprise and Entrepreneurship (2001-2005)¹⁰³ became operational in the first quarter of 2002. These are **the ETF Start-up Scheme, the SME Guarantee Facility and the Seed Capital Action**, all of which are delivered via financial intermediaries. These instruments build on the financial instruments of the Growth and Employment initiative of 1998-2000. The 2001 annual report on these instruments¹⁰⁴ shows that, mainly small enterprises with fewer than 10 employees have benefited from the guarantee facility. However, the take up of the fourth financial instrument, the JEV programme, which provides support for the creation of transnational joint ventures between SMEs, was slow.

In September 2002, the Commission published a report on progress under the **CREA Seed Capital Action**. The Action, financed by the Third Multiannual Programme for SMEs (1997-2000)¹⁰⁵, supported recently created seed capital funds with at least €4 million of investment capital as a way of overcoming an early-stage financing gap. The 19 active funds selected in 1998-1999 have invested €92.7 million in 140 companies, creating 1 985 new jobs. The majority of these funds invest locally or regionally in new enterprises in information technology, communications, electronics and life sciences.

In January 2002, as requested by the Industry Council in December 2001, work began on preparing a possible **European Code of Conduct for banks and SMEs**. The project involves *inter alia* the three main European banking associations¹⁰⁶ and the three main SME organisations¹⁰⁷. The Commission services reviewed a number of existing codes of conduct, both within the EU and beyond.

In the context of work on **best practices in micro lending**, in 2002, the Commission created a joint working group with experts from the Member States, candidate countries, SMEs, banking organisations and SME organisations.

In 2001-2002, the **Fourth Round Table of Bankers and SMEs** held meetings in nine candidate countries. This Round Table, which was launched in October 2000 and will finish in 2003, brings together local and EU financing experts to discuss a wide range of access to finance issues, to exchange best practices and to highlight access to finance problems faced by SMEs in each candidate country. There is generally a lack of credit available to the private

¹⁰² Communication from the Commission on the 'Implementing the framework for Financial markets: Action Plan', COM(1999) 232, 11.5.1999.

¹⁰³ Council Decision 2000/819/CE of 20 December 2000 on a "Multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2005)".

¹⁰⁴ Report from the Commission, "Growth and Employment Initiative: Measures on financial assistance for innovative and job creating Small and Medium-Sized Enterprises (SMEs)", COM(2002) 345 final of 1.7.2002.

¹⁰⁵ Council Decision 97/15/EC of 9.12.1996 on a third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000).

¹⁰⁶ These are the Banking Federation of the European Union, the European Savings Banks Group and the European Association of Co-operative Banks.

¹⁰⁷ These are UNICE, UEAPME and Eurochambres.

sector in these countries, banks have very limited experience of lending to SMEs and collateral requirements for loans are often high.

In order to promote financing from **business angels**, the Commission, in the framework of the Best Procedure, published a report on benchmarking business angel policies in the Member States¹⁰⁸. The report notes that the supply of start-up and early-stage equity finance has become increasingly dependent on business angels. The reasoning behind this include changes in the banking sector which have made lending unattractive for banks due to low margins and high overhead costs. In addition, venture capital funds are often unable to accommodate the large number of small deals with heavy due diligence requirements.

In order to close existing risk capital matching gaps and complement existing initiatives, (e.g., business angel networks, investment forums, business plan competitions), the Commission supports a pan-European **database of investment opportunities**, “www.Gate2Growth”. This database helps innovative entrepreneurs access existing networks of financiers, corporate growth and incubator experts and patent officers. In response to a request by the European Parliament, this “one-stop-shop” risk capital website will be further developed in 2003¹⁰⁹.

The Commission has closely followed the possible effects on SMEs of the Basel Committee negotiations on the new **Capital Adequacy Framework** for banks. The Committee’s proposals recognise the importance of SMEs in the economy, and will be included in the Capital Adequacy Directive due in 2004.

8 Strengthen the technological capacity of small enterprises

“We will strengthen existing programmes aimed at promoting technology dissemination towards small enterprises as well as the capacity of small business to identify, select and adapt technologies.

We will foster technology cooperation and sharing among different company sizes and particularly between European small enterprises, develop more effective research programmes focussed on the commercial application of knowledge and technology, and develop and adapt quality and certification systems to small enterprises. It is important to ensure that a Community patent is available and easily accessible to small enterprises.

We will foster the involvement of small enterprises in inter-firm cooperation, at local, national, European and international levels as well as the cooperation between small enterprises and higher education and research institutions.

Actions at national and regional levels aimed at developing inter-firm clusters and networks should therefore be supported, pan-European cooperation between small enterprises using information technologies enhanced, best practice in co-operative agreements spread, and small enterprises cooperation supported to improve their capabilities to enter pan-European markets and to extend their activities in third country markets.”
Member States

¹⁰⁸ Benchmarking Business Angels, Enterprise Directorate General, 4.11.2002, available at <http://europa.eu.int/comm/enterprise/entrepreneurship/financing/index.htm>

¹⁰⁹ The European Parliament, Resolution of 11.4.2002, Report A5-0020/2002, points 17.

The last Charter report pointed out the lack of initiatives on inter-firm cooperation and clusters. Since then, several Member States have launched new measures or expanded on initiatives in this area. In addition, nine Member States set targets to increase research expenditure as a percentage of GDP, with targets ranging from 1 % to 3.5 %¹¹⁰. Most Member States including Belgium, Germany, Greece, Spain, Ireland, Austria, Portugal, Sweden, and the UK support technology **clusters** and cooperation amongst SMEs.

Germany launched the “*NEMO*” programme (*Netzwerkmanagement - Ost - NEMO*) to promote regional networks with research facilities for SMEs in eastern Germany.

Austria created the “*protec 2002+*” programme to improve SMEs’ innovative capacity by promoting technology transfer. The programme supports both individual SME projects developing new products, as well as networks bringing together enterprises and technology transfer institutions.

Belgium’s Flemish region launched the innovation cooperation network “*Vlaamse Innovatiesamenwerkingsverbanden*” to support innovative projects of enterprise networks. In addition, Sweden introduced a cluster programme 2002-2004 to encourage innovative regional systems. Support to clusters in the Walloon region in **Belgium took inspiration from clusters in Denmark, France, the Netherlands and Austria**. Ireland created the “*Shannon Development Network*” and the “*e-cluster initiative*” to help companies develop IT plans. Technology **incubators** now operate in most countries including Belgium, Denmark, Germany, Greece, France¹¹¹, Luxembourg, Austria, Portugal, Finland, Sweden, the UK and Norway¹¹². In addition, the UK launched the Business Incubation Fund.

Several Member States launched new programmes or expanded on recent measures to **promote technology transfer from universities to SMEs** and to stimulate cooperation between small enterprises.

Denmark launched the “*Industrial Innovator Scheme*” for cooperation between small enterprises and universities, which makes provisions for “innovators” to develop a new technology or design in a small company.

Greece created the “*PAVE-NE*” programme to develop methods to transfer research to traditional sectors.

Ireland developed the “*Technology Transfer Initiative programme*” to facilitate the transfer and commercialisation of technology between a number of universities and Irish SMEs.

Other new initiatives include Germany’s programme “*Knowledge creates markets*” (“*Wissen schafft Märkte*”) to raise universities’ awareness on patents and transfer of research findings. Furthermore, Austria’s new “*A plus B*” initiative supports young scientific graduates in setting up technology companies, and Portugal’s new programme “*IDEIA*” supports joint applied

¹¹⁰ Member States set the following targets on General Expenditure on R & D: Austria (2.5 % in 2005), Denmark Germany and France (all 3 % in 2010), Ireland (2 % in 2006), the Netherlands (among the leading EU MS in 2010), Portugal (1 % in 2003) and Finland (3.5 % in 2004). In addition, Spain set the target of increasing Business Expenditure (BERD) to 0.84 % in 2003. Source: Communication on “Better Environment for Enterprises”, COM(2002)610 final of 7.11.2002.

¹¹¹ France aims to create 865 technological companies per year in incubators. Source: Communication on “Better Environment for Enterprises”, COM(2002) 610 final of 7.11.2002.

¹¹² Norway has incubators in rural areas, the “Business Gardens” for small knowledge based enterprises linked to science parks.

research. Finally, the UK is carrying out 89 projects to strengthen partnerships between university and businesses.

New measures to promote the **employment of technologically qualified personnel** in SMEs include the “*IRON-P*” programme in Greece (employment of scientists in small enterprises), the “Innovation assistant” (*Innovationsassistentin*) project in Lower Austria, the “*QUADROS*” programme in Portugal (recruitment of scientific graduates in enterprises) and the “*SME Competence strategy*” in Norway (targeting SMEs with up to 100 employees).

A series of measures of a more general nature were launched.

Spain created the “*NEOTEC*” initiative (“*Iniciativa NEOTEC para la creación y consolidación de empresas de base tecnológica*”) to support the creation of technology-based companies.

Sweden launched the “*Regional growth through dynamic innovation systems*” programme to develop regional innovation and “Technopoles” to support young high-technology companies.

Finally, Italy revised its “*Technological Innovation Fund*” (“*Fondo per l’innovazione tecnologica*”) to facilitate SMEs’ applications and Spain’s “*PROFIT*” programme financed over 2 700 projects to facilitate technology uptake by enterprises in 2001, 40 % of which was in small enterprises. The Netherlands is providing funds to help SMEs’ uptake of technology.

Some Member States also created **regional target measures**. This was the case in Denmark’s initiative to improve cooperation between traditional companies and universities in the regions of Jutland and Fyn, and Sweden’s “*REG.IT*” to help companies in regional development areas adopt IT technology. **Tax incentives** to promote the intake of technology by enterprises were provided for in Denmark (new tax deduction on research investments by enterprises), Italy and Austria (10 % research allowance for SMEs).

Commission

The **Sixth Framework Programme for RTD**¹¹³ (FP6) attaches great importance to the participation of SMEs, including micro and craft enterprises in all research areas. It devotes the highest ever budget (nearly €2.2 billion) to them, becoming one of the largest support instruments in the world for SMEs in the field of research and innovation. At least 15 % of the budget allocated to the priority thematic research areas of the Integrating and Strengthening the European Research Area¹¹⁴ specific programme of FP6 will be dedicated to SMEs. The Sixth Framework Programme will improve on existing initiatives aimed at simplifying administrative procedures and helping SMEs. In particular, the **National Contact Points (NCPs)** network to provide information and assistance to SMEs, will be further developed to ensure a coherent approach and a high level of service. Efforts are undertaken to facilitate the participation of SMEs in the new instruments of the Sixth Framework Programme, the Network of excellence and the integrated projects.

¹¹³ Decision No 1513/2002/EC of the European Parliament and of the Council of 27 June 2002 concerning the Sixth Framework Programme of the European Community for research, technological development and demonstration activities, contributing to the creation of the European Research Area and to innovation (2002 to 2006), OJ L 232, 29.8.2002, p. 1.

¹¹⁴ More information on the European Research Area at http://europa.eu.int/comm/research/era/index_en.html

In January 2002, the Commission launched a free of charge Helpdesk on Intellectual Property Rights (IPR) to help European SMEs participate in Community funded RTD¹¹⁵.

The new generation of **innovative actions** for 2000-2006, financed under the European Regional Development Fund (ERDF), are particularly relevant for small enterprises and their involvement in the knowledge-based economy. Three themes have been chosen for this period: a regional economy founded on knowledge and technological innovation; eEurope-regio: the Information Society and regional development; and regional identity and sustainable development. During 2001, approximately 80 regions have begun implementing their regional programmes of innovative actions, mainly in the fields of technological innovation and the information society, with EU co-financing at over €200 million. For 2002, the Commission approved another approximately 40 regional programmes.

A **Best Procedure project on Technology Transfer Institutions** was launched in the autumn of 2002 to contribute to the improvement of technology transfer from research to enterprises. The project will cover various activities in the area of relations between industry and science, in particular issues on IPR, mobility of researchers, and spin-offs.

The Commission has extended for two additional years the 68 Innovation Relay Centres (IRCs) that offer Technology Transfer services to European SMEs. These are due to operate within the Sixth Framework Programme 2002-2006¹¹⁶.

Within its “PAXIS” action, in April 2002, the Commission organised in Stockholm the Third European Forum for Innovative Enterprises. The Forum discussed latest trends and successful approaches in innovative start-ups, as well as issues such as the role of academia as a business generator and cities as business incubators. Finally, the Commission launched 16 innovation strategy projects in the Newly Associated Countries with the aim of implementing regional innovation strategies. 14 Thematic Networks with more than 250 European innovation stakeholders have been set up to exchange good practice on regional innovation policy¹¹⁷.

9 Successful e-business models and top-class small business support

“The Commission and Member States should encourage small enterprises to apply best practice and adopt successful business models that enable them to truly flourish in the new economy.

We will co-ordinate Member States and EU activity to create information and business support systems, networks and services which are easy to access and understand, and relevant to the needs of business; ensure EU-wide access to guidance and support from mentors and business angels, including through websites, and exploit the European Observatory on SMEs.”

Since the previous report, several Member States launched **general action plans or strategies on e-commerce**. Five Member States have set up targets in this area¹¹⁸. Germany wants 20 % of its SMEs to have an e-strategy by 2005. France and Ireland want respectively 90 % and 95 % of their SMEs to have Internet access by 2006. The Netherlands wants 66 %

¹¹⁵ More information can be found on the web site www.ipr-helpdesk.org.

¹¹⁶ Additional information on the IRC Network can be found on the web site “irc.cordis.lu”.

¹¹⁷ More information can be found on the web site www.innovating-regions.org.

¹¹⁸ Source: Communication on “Better Environment for Enterprises”, COM(2002) 610 final of 7.11.2002.

of its SMEs to carry out on-line transactions by 2005 and Spain wants 99 % of its enterprises with over 10 employees to have Internet access by 2010.

The **Netherlands** developed the action plan “*SMEs in the Dutch Digital Delta*” to stimulate e-commerce in SMEs.

Spain introduced the “*PRINCE XXI*” initiative¹¹⁹ to support the use of e-commerce in small industrial enterprises with less than 25 employees.

In addition, Denmark launched its ebusiness action plan 2002 to raise awareness and improve infrastructure for e-commerce, and Styria in Austria launched an ebusiness programme “*Aktionsprogramm E-Business neu*” to strengthen e-business activities in micro and small enterprises. Sweden extended the “*SVEA*” project until 2006 to ensure that 80 % of companies with more than one employee make use of e-commerce by this date. The UK established a network of “*ebusiness clubs*” at its Chambers of Commerce and extended its scheme to help SMEs develop websites.

On-going programmes in this field include Belgium’s [eFl@nders](#) action plan in the Flemish region and Ireland’s “*e-business programme*” by the Chambers of Commerce to build e-business capacity amongst SMEs. Over 800 small enterprises developed websites as a result of the “*Empower*” initiative in Ireland (concluded at the end of 2001). In Belgium’s Walloon region, the “*eCapital Breakfasts*” for SMEs bring together entrepreneurs with e-commerce experts and financial institutions in order to raise awareness on ICT and to enhance their use.

Some Member States provide **financial support to e-commerce investments**. This can be said both of France’s “*UCIP*” procedure and Italy’s new funds to sponsor joint e-commerce initiatives by SMEs. Also the Belgium Walloon region¹²⁰ provides grants for the creation of e-commerce platforms in SMEs with less than 100 employees. New **analysis tools** include Denmark’s new ICT index to analyse how companies apply IT in business processes, and France’s e-commerce “*tableau de bord*” to analyse intake of ICT by national companies.

Some Member States report significant progress as regards **business support services**.

New services specifically targeting **small and micro enterprises** are Ireland’s “*Community Enterprise Centre Scheme 2002*” to provide facilities to support the creation and development of micro-enterprises, and Scotland in the UK’s planned support services to small businesses through the policy framework “*Smart successful Scotland*”.

¹¹⁹ PRINCE XXI is part of the INFO XXI 2001-3 programme reported in the 2002 Charter report. Source: Spain’s national report on the Charter.

¹²⁰ Law of July 2002 on the use of e-commerce. Source: Belgium’s national report on the Charter.

Recent measures include the planned consultancy vouchers for SMEs in Flanders in Belgium, the on-going creation of Centres for Business and Technological Development in Greece, and the planned extension of the “*Guichet Unique Transfrontalier des Entreprises*” which helps entrepreneurs to start up a company in Luxembourg, Belgium and France. In addition, Italy launched a programme for the creation of 30 incubators with an investment incentive fund¹²¹, and the UK launched the “Opportunity Wales” initiative offering business support services to SMEs in Wales’ objective 1 areas.

Finland has launched a “*Regional Business Services Project*” 2002–2007 to establish a network of 50 regional business service points. These will provide standardised and tailor made services to small enterprises and start-ups at regional level. Finland has also developed several modules of “*Branded Expert Services*” *inter alia* to help SMEs develop business activities, and craft enterprises become more competitive.

Support services are being provided increasingly on-line. For example Germany created an on-line service to provide entrepreneurs with advice on crisis management, insolvency procedures and re-start¹²². In Spain, different services such as business plan assistance and research of business opportunities are provided on-line through the “*Portal PYME*”. Finally, Belgium launched a study to analyse the visibility, coherence and efficiency of business support services¹²³. A recent Norwegian study revealed that 70 % of micro and small enterprises are not aware of such services, which are used by only 3 % of all enterprises.

Commission

For SMEs providing on-line services, further opportunities in the Internal Market should be provided as a result of the **E-commerce Directive**¹²⁴, for which the transposition deadline was 17 January 2002.

As a follow-up of the **eEurope 2002 Action Plan**, and more specifically, of the Commission’s Communication and Action Plan “**Helping SMEs to Go Digital**”¹²⁵, the Commission services have launched specific actions to address the needs of SMEs with regards to the adoption of ICT and e-business. A summary of the progress achieved in the different actions is outlined in the “Go Digital Progress Report 2001-2002”¹²⁶.

The Best Procedure project on national and regional policies in support of e-business for SMEs, concluded in June 2002, identified 19 examples of good national and regional policies for helping small businesses “go digital”. The final report¹²⁷ sets out 15 lessons on policy development and identifies more than 150 policy initiatives in support of e-business for SMEs. Promising e-business initiatives identified in the project include awareness raising actions, promoting SMEs’ support networks, and promoting Internet platforms for SMEs. The

¹²¹ 18 incubators with 665 companies have been created through this measure. Source: Italy’s national report on the Charter.

¹²² <http://www.aus-fehlern-lernen.info>. Source: Germany’s national report on the Charter.

¹²³ Study in the framework of evaluation and monitoring measures of “*4X4 pour entreprendre*”. Results are expected for spring 2003. Source: Belgium’s national report on the Charter.

¹²⁴ Directive 2000/31/EC of 8 June 2000 of the European Parliament and of the Council on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (‘Directive on electronic commerce’), OJ L 178, 17.7.2000, p.1.

¹²⁵ “Helping SMEs to Go Digital”, COM(2001) 136, 13.3.2001.

¹²⁶ Commission Staff working paper, “Go Digital Progress Report 2001-2002”, SEC(2002) 566, 13.5.2002.

¹²⁷ Final benchmarking report of national and regional policies in support of e-business for SMEs: <http://europa.eu.int/comm/enterprise/ict/policy/benchmarking.htm>

final report therefore recommends exchange of good practice in this field. This is why the Commission launched a “European e-business support network for SMEs” to bring together European, national and regional players with a view to strengthening actions in support of SMEs in this field¹²⁸.

On 13 May 2002 the Commission published the **"Go Digital Progress Report"** analysing the results of the **Go Digital Awareness Campaign**.¹²⁹ Launched in April 2001, this campaign aims to encourage multiplier organisations to launch Go Digital events and workshops at European, national and regional level. Such workshops should demonstrate the potential benefits of adopting e-business, to promote the efficient use of e-business by SMEs, and to provide them with practical assistance on how to take full advantage of the eEconomy.

Following the **Best Procedure project on business support services**¹³⁰, the Commission presented the results of the work on support services, with a focus on micro, small and sole proprietor businesses at a European seminar in Vienna in April 2002. This study provides a methodology for possible policy actions aimed at creating top class support services for small companies.

Support measures and initiatives are presented in the **SMIE database**¹³¹ which contains over 2 500 measures and 100 good practices from 25 countries (EU, EEA and six candidate countries). The database aims to facilitate comparative analysis, benchmarking and evaluation of support measures.

The **Best Procedure project on business incubators**¹³² concluded that 90 % of all start-ups set up inside a business incubator are still active three years later, and that the public cost of creating jobs inside incubators is very low compared with other public measures. A sustained effort to support business incubators over the next eight years, should allow incubators to contribute towards the Lisbon goal of achieving 15 million new jobs. Since the project ended in January 2002, the Commission services have presented its conclusions¹³³ and created a European-wide business incubator on-line database.

10 Develop stronger, more effective representation of small enterprises' interests at Union and national level

“We will complete a review of how the interests of small businesses are represented at EU and national level, including through the social dialogue.”

Member States

Very few Member States have launched new initiatives in this area since last year's report.

¹²⁸ This is an eEurope 2005 action; related information is available at: <http://europa.eu.int/comm/enterprise/ict/policy/e-bus-snfsme.htm>

¹²⁹ More information at http://europa.eu.int/information_society/topics/ebusiness/godigital/background/index_en.htm

¹³⁰ Commission Staff working paper, “Creating Top-class Business Support Services”, SEC(2001) 1937, 28.11.2001.

¹³¹ <http://europa.eu.int/comm/enterprise/smie/index.htm>

¹³² Benchmarking management of business incubators, final report available at: http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/incubators/index.htm.

Information on the Business incubators database at: <http://europa.eu.int/comm/enterprise/bi>.

¹³³ For example the ACE Forum in Paris in March 2002, and the annual 16th International American National Business Incubation Association (NBIA) conference in Toronto, Canada, in April 2002.

The Walloon region in **Belgium** signed a partnership charter with employers and workers' organisations on training, administrative simplification and business development.

Greece established the "*National Competitiveness Council*", an advisory body on enterprise policy and competitiveness to the Ministry of Development, which represents the business community and other stakeholders.

The **UK's** "*Small Business Council*" (SBC), an independent body of 20 entrepreneurs advising the executive, has been strengthened in 2002. Its chairman now attends ministerial committees discussing regulation and has access to the Prime Minister. The SBC consults small businesses and issues an annual report with recommendations to the Government.

A group of countries - Denmark, Finland, Sweden, the UK and Norway in particular – systematically consult small business representatives in the framework of their regular impact assessments. Informal consultations by the Ministry drafting legislation, public hearings, open written consultation and business test panels are the most used measures. In Finland, business representatives also participate in working groups preparing legislation and in Sweden business organisations are represented in permanent "reference groups".

In Spain, draft laws are distributed to stakeholder organisations for consultation. Moreover, both Germany and Luxembourg carry out compulsory consultation of stakeholders including small businesses prior to the adoption of legislation. Austria regularly consults its Chambers of Commerce prior to the adoption of legislation. Denmark interviews over 1 000 "model companies" every year on their opinion on administrative burdens. In Norway, the Forum for Simplification brings together government officials with business organisations to discuss how to reduce burdens on businesses.

Greece is creating an Observatory for SMEs to collect data at local, regional and national level on micro, small and medium sized companies. The Spanish Observatory for SMEs, which aims at monitoring national SME policies and carries out studies, is being restructured.

As regards developments with initiatives mentioned in last year's report, Ireland's Round Table for SMEs met regularly in 2002 to discuss matters ranging from the internal market to EU enlargement, and the UK's smallbusiness|europe liaison office in Brussels stepped up its activities. In Sweden, the group of small enterprises' representatives discussed policy issues from a small business perspective and recommended changes in legislation accordingly.

Commission

In the framework of the "e-Commission" initiative¹³⁴, but also linked to the Commission's governance and better regulation initiatives, the **Interactive Policy Making (IPM) initiative**¹³⁵ has introduced two new internet-based instruments, "Feedback Mechanism" and "On-line Consultations". The IPM initiative aims to enable stakeholders to actively participate in the Commission's policy-making process. The "Feedback Mechanism" has collected information from over 17 000 cases, mainly from small businesses, about different problems – such as lack of information, high compliance costs of legislation, inconsistent legislation, insufficient redress facilities and possible infringement cases – which small enterprises face regularly. This enables the Commission to make policy based on "hard" facts. With the On-

¹³⁴ Available at http://europa.eu.int/comm/di/pubs/e-comm/sec_2001_0924_en.pdf

¹³⁵ <http://ipmmarkt.homestead.com/>.

line Consultation mechanism, the general public, specific target groups as well as small enterprises are able to feed their views into the policy-making process.

In December 2001, the Commission nominated an **SME Envoy** in the person of Mr Timo Summa, Director in charge of the promotion of entrepreneurship and SMEs within the Enterprise Directorate-General. The SME Envoy function aims to establish an active interface with the SME Business Community, so that the interests and needs of these enterprises can be better and more clearly identified, highlighted to the relevant Commission services, and taken into consideration in Community programmes, policies and actions¹³⁶.

The Commission holds **regular meetings with European business organisations**, with particular emphasis on those who represent SMEs and have a horizontal approach. The purpose of the meetings is to generate an information exchange, whereby the Commission informs the European business organisations on current issues. This is done with a view to disseminating the information to their member organisations, and serves to consult them on forthcoming initiatives. The business representatives in return inform the Commission about the concerns and interests of their respective members.

As described above (see heading 3), the Commission is currently modernising the **Business Test Panel**, which will be expanded to include up to 4 000 businesses drawn from a wide range of sectors and all Member States. Small enterprises will constitute an important element of the panel.

SMEs' participation in the **European standardisation process** is crucial for their competitiveness. However, many decisions on standards are made without taking their needs into account. With this in mind, the Commission services have charged a contractor with providing information to SMEs and crafts businesses on standards, certification, quality and norms and with organising SMEs' participation in the standardisation bodies at national, European and international level¹³⁷.

Some of the many examples of Commission services' consultation of small businesses include the Committee of the Leonardo da Vinci programme and the Bruges process (see heading 4) where the Social Partners - including European SME organisations - participate actively. Likewise, for the Community Eco-label award scheme¹³⁸, considerable effort has been made to involve the participation of representatives of manufacturers in the working groups, via the various sector federations, in establishing criteria for a product group, and representatives of SMEs are specifically invited via UEAPME.

¹³⁶ See "The SME Envoy: an active interface between the Commission and the SME Community", SEC(2003) 60 of 21.1.2003

¹³⁷ This applies to a limited number of standards.

¹³⁸ The Eco-label award scheme aims to promote products that have a reduced environmental impact during their life cycle and to provide consumers with better information on the environmental impact of products.