

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

(2000/C 311 E/10)

(Text with EEA relevance)

COM(2000) 256 final — 2000/0107(CNS)

(Submitted by the Commission on 28 April 2000)

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

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

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

Whereas:

(1) The importance of enterprise and entrepreneurship for the achievement of Community objectives and the difficulties faced by enterprises and entrepreneurs have been the subject of a number of Communications, Decisions and reports⁽¹⁾, and most recently of the Communication 'Challenges for enterprise policy in the knowledge-driven economy'⁽²⁾. These have identified major areas for action at Community level.

(2) Small and Medium-sized enterprises (SMEs) make a significant contribution in terms of competitiveness, research, innovation and employment and face particular problems.

⁽¹⁾ For example, Communication on an Integrated Programme for Small and Medium-sized Enterprises (SMEs) and the craft sector (COM(1996) 329); Report of the Business Environment Simplification Task Force (BEST), vols. I and II, 1998; Communication on Fostering Entrepreneurship and Competitiveness (COM(1998) 550 final); Recommendation on improving and simplifying the business environment for business start-ups (OJ L 145, 5.6.1997, p. 29); Communication to the Council on Fostering Entrepreneurship in Europe: Priorities for the Future (COM(1998) 222 final); Report on the co-ordination of activities in favour of SMEs and the craft sector (COM(1997) 610 final); Decision on measures of financial assistance for innovative and job-creating small and medium-sized enterprises (OJ L 155, 29.5.1999); Communication on the transfer of small and medium-sized enterprises (OJ C 93, 28.3.1998, p. 2); Communication on European capital markets for small and medium-sized enterprises (COM(1997) 187); Communication on risk capital: a key to job creation in the European Union (SEC(1998) 552 final); Report on concerted action with the Member States in the field of enterprise policy (COM(1999) 569 final); Communication on the competitiveness of European enterprises in the face of globalisation (COM(1998) 718 final); Report of the Industry Council of 9.11.1999 on the integration of sustainable development and enterprise policy.

⁽²⁾ Commission Communication of (5 April 2000).

(3) Action is required to help overcome these difficulties. A series of Programmes, particularly the 3rd Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997-2000)⁽³⁾, which expires on 31 December 2000, have provided a framework for such action.

(4) On 29 June 1999, the Commission reported in its Communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions⁽⁴⁾ on the external evaluation of the 3rd Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997-2000).

(5) On 9 November 1999, the Council approved a report on the integration of sustainable development and enterprise policy in the European Union.

(6) It is necessary to adopt a further programme for the period beginning 1 January 2001 and to ensure that enterprise policy is endowed with sufficient resources to attain its objectives. The new programme should be targeted to meet a limited number of objectives.

(7) The possibility for the Commission to undertake actions in related areas under other measures which constitute a legal base should not be prejudiced by this Decision.

(8) Measures providing for specific activities should be adopted by the Commission. Statistical work and analysis in preparation for such measures and the diffusion of the results of activities should be undertaken by the Commission under its own responsibility.

(9) Since the measures necessary for the implementation of this Decision are management measures within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999⁽⁵⁾ laying down the procedures for the exercise of implementing powers conferred on the Commission, they should be adopted by use of the management procedure provided for in Article 4 of that Decision.

(10) This Decision constitutes the legal basis for specific complementary measures which are not part of other Community policies and which cannot be better carried out at Member State level.

⁽³⁾ Council Decision 97/15/EC of 9 December 1996 (OJ L 6 of 10.1.1997, p. 25ff).

⁽⁴⁾ COM(1999) 319 final.

⁽⁵⁾ OJ L 184, 17.7.1999, p. 23.

- (11) The Commission has adopted a Communication entitled 'Towards a European Research Area' ⁽¹⁾.
- (12) The additional protocols to the Association Agreements concluded with the countries of Central and Eastern Europe provide for participation of those countries in Community programmes.
- (13) Provision should also be made for participation by Cyprus, Malta and Turkey in the framework of the Association Agreements concluded with those countries.
- (14) It is recognised that the European business support networks are important to the implementation of Community policy and that their management and daily activities require that the Commission services be supported by external professional and specialised expertise housed in an appropriate infrastructure,

DECIDES:

Article 1

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

Article 2

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

Article 3

1. Measures for the implementation, under this programme, of the objectives listed in Article 2 will be adopted in accordance with the provisions set out in Article 4.
2. With reference to the European Statistical System, statistical work and analysis for the implementation of the

programme and the dissemination of the results of activities will be undertaken by the Commission, under its own responsibility.

Article 4

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

Article 5

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

Article 6

This programme shall be open to the participation of:

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

Article 7

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

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

⁽¹⁾ COM(2000) 6 final.

ANNEX 1

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

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

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

A number of existing Community initiatives tackle some of the problems identified in the Communication. These include the 5th Framework Programme for Research, Technological Development and Demonstration Activities ⁽¹⁾ and the Programme for the promotion of innovation and encouragement of SME participation ⁽²⁾; the Strategy for Europe's Internal Market ⁽³⁾; and actions targeted at SMEs under the structural funds. The Multiannual Programme for Enterprise and Entrepreneurship will complement these activities. The Cardiff Procedure and the Broad Economic Policy Guidelines ⁽⁴⁾ integrate the different initiatives.

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

1. To promote entrepreneurship as a valuable and productive life skill, based on customer orientation and a stronger culture of service

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

2. To encourage a regulatory and business environment that takes account of sustainable development, and in which research, innovation and entrepreneurship can flourish

The Business Impact Assessment system for proposed Community legislation will be further developed. Activities to foster better regulation in general will be undertaken in close co-operation with the Member States and the business community. Best practices will be identified through peer review and concerted actions, the use of benchmarking methodology and an effective monitoring of progress (new BEST procedures). Studies and statistical analysis will be used in support.

3. To improve the financial environment for SMEs

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

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

The SME guarantee facility and the ETF Start-up are actions initially carried out under the Growth and Employment Initiative ⁽⁵⁾. They will be continued in 2001. Any decision regarding further continuation will be subject, inter alia, to the results of an assessment of their effectiveness.

Business Angels networks will be developed.

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

⁽²⁾ Council Decision 1999/172/EC of 25 January 1999(OJ L 64 of 12.3.1999, p. 91).

⁽³⁾ COM(1999) 624 final.

⁽⁴⁾ COM(2000) 214 final.

⁽⁵⁾ Council Decision 98/347/EC of 19 May 1998(OJ L 155 of 29.5.1998).

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

4. To enhance the competitiveness of SMEs in the knowledge-based economy

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

5. To ensure that business support networks and services to enterprises are provided and co-ordinated

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

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

6. Other

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

ANNEX 2

COMMUNITY FINANCIAL INSTRUMENTS

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

1.1. Introduction

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

1.2. Intermediaries

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

1.3. Maximum Investment

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

1.4. Life of the Facility

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

1.5. Realisation of investments

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

1.6. **Reinvestment of proceeds from realised investments**

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

1.7. **Trust Account**

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

1.8. **Court of Auditors**

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

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

2.1. **Introduction**

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

2.2. **Intermediaries**

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

2.3. **Eligible SME lending**

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

2.4. **EIF guarantees**

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

2.5. **EIF's capped maximum cumulative losses**

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

2.6. **EIF pari passu with Intermediary**

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

2.7. **Trust Account**

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

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

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

2.9. Loss recoveries payable to the Trust Account

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

2.10. Duration of the Scheme

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

2.11. Court of Auditors

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

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

The Seed Capital action aims at:

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

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

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

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

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

At the end of a period of 10 years after the signature of the contract, the Commission will transform the reimbursable advance into a grant, with a deduction for the provisions made for capital gains from early exits which have to be reimbursed to the Commission. By this provision, the Commission favours long-term investments in small companies in order to increase their life span and support the creation of viable and lasting jobs.

The seed capital action will be managed by the EIF.

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

4.1. Introduction

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

4.2. Intermediaries

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

4.3. Eligible small enterprises lending

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

4.4. EIF guarantees

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

4.5. EIF's capped maximum cumulative losses

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

4.6. EIF pari passu with Intermediary

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

4.7. Trust Account

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

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

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

4.9. Loss recoveries payable to the Trust Account

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

4.10. Duration of the Scheme

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

4.11. Court of Auditors

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