

## Starting up a new enterprise quicker and cheaper

*The average cost for setting up a new company in the EU 15 has fallen to € 554 in 2007 compared to € 813 in 2002 and coping with the administrative procedures to register a company was reduced from 24 days in 2002 to about 12 days today. As they are also the biggest providers of new jobs in the EU, small and medium sized enterprises (SMEs) have become truly central to policy-making in the EU. This is the main conclusion of the European Commission's mid-term review on SME policy, published today. It takes stock of the progress achieved since 2005 in five main areas of the Commission's SME policy: cutting red tape, improving access to markets, promoting entrepreneurship and skills, improving growth potential and strengthening dialogue with stakeholders. The SME dimension is more and more integrated in EU initiatives and legislation. The Commission also adopted today a communication on the stigma of business failures, proposing action to prevent bankruptcy and to promote a fresh start for non-fraudulent bankrupts. Furthermore an action plan has been launched to help small companies to integrate environmental concerns into their production processes and products, in particular through a better compliance with legislation (see [IP/07/1457](#)).*

Commission Vice-President Günter Verheugen, responsible for enterprise and industry policy, said: *"The modern policy launched in 2005 has put small- and medium-sized enterprises high on the agenda of the new Lisbon Partnership for Growth and Jobs and we can already present results. Building on these achievements, we will look for ways to further strengthen the SME policy focus in the next cycle of the Growth and Jobs Strategy through concrete proposals."*

### 1. Two years of modern SME policy: SME mid-term review

Over the past two years, SMEs have been the main driver of employment growth in the EU, in particular in sectors like construction, transport, communication or tourism. **It has become easier to start up a company, entrepreneurship education is increasingly part of school curricula, and there is a growing awareness of entrepreneurship and SME issues.**

The coordinated European reform agenda put in place under the renewed Lisbon Partnership for Growth and Jobs has encouraged an increasing number of Member States to **integrate the interests of SMEs into their policy-making processes.** The Commission has supported this process by collecting and publishing more than 250 good practices from the Member States, e.g. in the areas of improving on-line access, taxation and better regulation.

The Commission has increased the SME focus within major **EU spending programmes** for the period 2007-2013. A significant share of the Structural Funds will be spent to support the creation and growth of SMEs, notably to improve their innovative capacity, their investment in RTD and skills. Also more than €1 billion has been earmarked for financial instruments within the **Competitiveness and Innovation Framework Programme (CIP)**.

The first results of the implementation of the “**Think Small First**” principle are also encouraging: the Commission has proposed the first ten fast-track actions in areas such as company law and employment relations to further reduce administrative burden and to save up to €1.3 billion in administrative costs. It is also pushing for the reduction of reporting and documentation requirements in particular for micro enterprises.

Building on these achievements, the Commission will continue implementing actions and policies already under way and encourages Member States to do the same. In addition, the Commission will further strengthen the SME policy in the next Lisbon cycle including through the presentation of new initiatives.

Portal for SMEs:

[http://ec.europa.eu/enterprise/entrepreneurship/sme\\_policy.htm](http://ec.europa.eu/enterprise/entrepreneurship/sme_policy.htm)

## **2. A second chance policy for non fraudulent bankrupts**

The age of industrialisation was possible thanks to the development of the steam engine, an invention which brought James Watt and his business partner close to bankruptcy. Very often learning, discoveries and research findings need stamina and making several attempts, as does entrepreneurship. Still today many people do not realise their entrepreneurial ambitions because they are afraid of the stigma of failure present in our society.

Despite evidence that re-starters usually do better second time round, business closure is not yet seen as an opportunity for a reinvigorated entrepreneurship and business renewal. Only 5% of bankruptcies are fraudulent, but public opinion makes a strong link between bankruptcy and fraud. "Stigma" is also present in the business environment and the legal framework.

In a new Communication the Commission invites EU Member States to engage more vigorously in reducing the stigma of business failure and putting in place a "**second chance policy**", while presenting recommendations for the future and national good practices (see [Memo/07/402](#)).

The Commission is also launching a [website on “second chance”](#) containing: testimonials of real restarters; a self-assessment tool for entrepreneurs in the danger zone; national contact points to find advice; communication material (leaflets, posters- and info clips) facts, figures and quotes; summaries of insolvency law; etc.

## **3. More than half of young Europeans keen to start their own business**

According to the latest Flash Eurobarometer on entrepreneurial mindset, there is hope for Europe's entrepreneurial future: **over half of the EU's young people** find it desirable to become entrepreneurs within the next five years. 42 % of young people consider it feasible to really establish a company. Education plays a crucial role in this respect: 44% of the 15-24 years old say that their school education made them interested to become an entrepreneur.

Citizens' attitude in the **new Members States** (NMS) is more entrepreneurial than in EU-15: 40% of all respondents and 62% of young people in the Member States which joined the EU in 2004 (NMS10) are keen to become self-employed, compared with 28% and 48 % in the EU-15. Young people in the NMS10 are even more entrepreneurial than their fellows in the US (15-24 age group in US: 57 %).

But why haven't all these people started a business already? The main problem is that Europeans fear business failure, to go bankrupt, to have no income and to lose everything. They are **less risk oriented than the Americans**. Framework conditions do also matter: more than 70 % of Europeans see financial support and complex administrative procedures as a problem.

More information can be found in [Memo/07/401](#)