Entrepreneurship Policy: a multi-dimensional and multi-level assessment

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Document Identifier

D6.1 Entrepreneurship Policy: a multi-dimensional and multi-level assessment

Version

1.0

Date Due

M18

Submission date

30 November

WorkPackage

6

Lead Beneficiary

KU Leuven

Grant Agreement Number 649378

Change log

Version	Date	Amended by	Changes
0.1	20 October	Philip de Man Ward Munters Axel Marx	Draft version submitted for internal review
0.2	7 November 2016	Boris Mrkajic	Comments through internal review procedure
0.3	14 November 2016	Gerarda Westerhuis	Comments through internal review procedure
1.0	30 November 2016	Axel Marx	Final version for submission

Partners involved

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Content

List of abbreviations

ABR – Administrative Burden Reduction Programme
BRG – Better Regulation Guidelines
BRT – Better Regulation Toolbox
CALRE – Conference of European Regional Legislative Assemblies
Cedefop – European Centre for the Development of Vocational Training
CF – Cohesion Fund
CIP – Competitiveness and Innovation Programme
CMU – Capital Markets Union
CoR – Committee of the Regions
COSME – Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises
CPR – Common Provisions Regulation for the European Structural and Investment Funds
CSR – Corporate Social Responsibility
CSRs – Country-specific Recommendations
CWP – Commission Work Programme
DG – Directorate-General
DG AGRI – Directorate-General for Agriculture and Rural Development
DG COMM – Directorate-General for Communication
DG CONNECT – Directorate-General for Communications Networks, Content and Technology
DG EAC – Directorate-General for Education and Culture
DG ECFIN – Directorate-General for Economic and Financial Affairs
DG EMPL – Directorate-General for Employment, Social Affairs and Inclusion
DG ENER – Directorate-General for Energy
DG ENTR – Directorate-General Enterprise and Industry
DG ENV – Directorate-General for Environment
DG FISMA – Directorate-General for Financial Stability, Financial Services and Capital Markets Union
DG GROW – Directorate-General for the Internal Market, Industry, Entrepreneurship and SMEs
DG HOME – Directorate-General for Migration and Home Affairs
DG JUST – Directorate-General for Justice and Consumers
DG MARE – Directorate-General for Maritime Affairs and Fisheries
DG MARKT – Directorate-General for Internal Market and Services
DG MOVE – Directorate-General for Mobility and Transport
DG REGIO – Regional and Urban Policy
DG RTD – Directorate-General for Research and Innovation
DG SANTE – Directorate-General for Health and Food Safety
DG TAXUD – Directorate-General for Taxation and Customs Union
DG TRADE – Directorate-General for Trade
DGE – Directorate-General for Coordination and European Affairs (Belgian Government)
EACEA – Education Audiovisual and Culture Executive Agency
EACI – Executive Agency for Competition and Innovation
EAFRD – European Agricultural Fund for Rural Development
EAP – Environment Action Programme
EaSI – Programme for Employment and Social Innovation

EASME – Executive Agency for SMEs
EC – European Community
EEC – European Economic Community
ECB – European Central Bank
EDIS – European Deposit Insurance Scheme
EDPS -European Data Protection Supervisor
EEA – European Economic Area
EEN – Enterprise Europe Network
EER – European Entrepreneurial Region
EFSI – European Fund for Strategic Investments
EGTB – European Grouping of Territorial Cooperation
EIB – European Investment Bank
EIF – European investment Fund
EIA – Environmental Impact Assessment
EIGE – European Institute for Gender Equality
EIT – European Institute of Innovation and Technology
EMFF – European Maritime and Fisheries Fund
ERDF – European Regional Development Fund
ESAs – European Supervisory Authorities
ESCF – European Smart Cities Framework
ESCSS – European Sustainable Chemicals Support Service
ESF – European Social Fund
ESIF – European Structural and Investments Funds
ESPD – European Single Procurement Document
ESPG – Enterprise and SME Policies Group
ESTAT – Eurostat
ETC – European Territorial Cooperation
ETF – European Training Foundation
ET2020 – Education & Training 2020
EU – European Union
EURES – European Job Mobility Portal
EuSEF – Regulation on European Social Entrepreneurship Funds
EuVECA – Regulation on European Venture Capital Funds
ExAC – Ex-Ante Conditionalities
FRIBS – Framework Regulation Integrating Business Statistics
GATT 1994 – General Agreement on Tariffs and Trade 1994
GDP – Gross Domestic Product
GOs – General Objectives
H2020 – Horizon 2020 Programme
IA – Impact Assessment
ICT – Information and Communications Tehcnology
IIW – Innovation and Infrastructure Window
INEA – Innovation and Networks Executive Agency
IOs – Information Obligations
IPA – Instrument for Pre-Accession Assistance

IPO – Initial Public Offer
JRC – Joint Research Centre
LRAs – Local and Regional Authorities
MFF – Multiannual Financial Framework
MLG – Multi-level Governance
MS – Member State(s)
NAs – National Agencies
NAUs – National Authorities
NGOs – Non-Governmental Organizations
ODA – Official Development Aid
OECD – The Organisation for Economic Co-operation and Development
REA – Research Executive Agency
RECONFIRM – Regional Cooperation Networks for Industrial Modernisation
REFIT – Regulatory Fitness and Performance Programme
REGLEG – Conference of European Regions with Legislative Power
SBA – Small Business Act
SCM Agreement – Agreement on Subsidies and Countervailing Measures (WTO)
SEA – Strategic Environmental Assessment
SME – Small and Medium-sized Enterprises
SMEW – SME Window
SOLVIT – Internal Market Problem Solving System
SSM – Single Supervisory Mechanism
TEU – Treaty on European Union
TFEU – Treaty on the Functioning of the European Union
TOs – Thematic Objectives
VAT – Value-added Tax
VET – Vocational Education and Training
WES – The European Network to Promote Women’s Entrepreneurship
WTO – World Trade Organization

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1. Executive summary

The aim of the FIRES project is to propose a reform strategy which would lead to a more entrepreneurial European society. In line with that objective, this study gives an account, as a preliminary measure, on the current state of play of EU policy on the promotion of entrepreneurship, as reflected in the various policy documents and related legislation adopted by EU institutions. Apart from avoiding overlap and ensuring innovative approaches where possible, this overview is also necessary in order to identify the key actors and stakeholders that need to be approached and engaged in order to ensure that the proposed reform agenda is workable and effective, and that the policy recommendations are addressed to the appropriate level of governance.

The multiple dimensions of an EU comprehensive entrepreneurship policy have only recently been identified and addressed as a truly distinctive policy area, mainly through the adoption in 2013 of the Entrepreneurship 2020 Action Plan, which sets out the initiatives to be undertaken by the Commission for the period until 2020. This explicit recognition of entrepreneurship as a distinct policy area in this key document is mirrored in its inclusion as one of the four key areas of the recently created Directorate-General for Internal Market, Industry, SMEs and Entrepreneurship (DG GROW).

By virtue of its tasks of devising the EU entrepreneurship policy and monitoring its implementation, by both the EU and the national, regional and local administrations of the Member States, the Commission is the central actor that needs to be addressed in the context of the reform agenda. However, the EU competencies on entrepreneurship policy are almost entirely either shared with Members States or supporting competences. Hence, nearly all proposals aiming to reform the European entrepreneurship policy must be in keeping with the principle of subsidiarity, which holds that in areas falling outside of the scope of the EU's exclusive competences, the EU shall act only when the proposed action cannot be satisfactorily achieved at Member State level. Therefore, the most appropriate level of governance for taking a specific action within the context of the entrepreneurship policy may be the EU, the central government of a Member State, or local authorities within Member States, depending on the policy area and type of action taken, as identified throughout this report.

The wide variety of policy areas pertaining to entrepreneurship promotion that do not fall within the scope of EU exclusive competence underscores the importance of optimising the existing channels for coordination between the supra-national and national levels of governance. Moreover, the devolvement, in varying degrees, of those competences to the regional and local levels throughout the Member States also calls for a significant degree of coordination between the EU and the subnational level. To be sure, even the most conspicuous top-down instruments used by the Commission in this area (*e.g.* European Structural Investment Funds) rely considerably on subnational actors and their political will for implementation. Thus, the inclusion in the proposed reform agenda, of bottom-up perspectives, initiatives and processes, will prove crucial in enacting effective and efficient structural reforms. In any case, ensuring optimal coordination will require not only significant resources and the cooperation of a very large group of varied and dispersed interlocutors, but also careful and inclusive political positioning at, and the enticement of, every relevant tier of governance throughout the European Union.

Although many different policy areas should be addressed comprehensively in order to effectively reform an entrepreneurship policy, the FIRES project proposes that the focus should be on the institutions of labour, knowledge and finance so as to. However, it appears that such institutions have thus far been only imperfectly integrated in the EU's approach to entrepreneurship. In spite of the fact that the current entrepreneurship policy of the EU has been expanded with a redirected emphasis on entrepreneurial skills in education, training and lifelong learning policies, this policy area has been met with relatively a scarce follow-up so far in the form of consolidated action.

Though subsumed by the overall coordinative task of DG GROW via integration with an overarching entrepreneurship policy, the knowledge prong must dovetail with the policy objectives of a string of different Commission departments, including the leading DG Education and Culture. As for labour, the key actor in this respect is the DG for Employment, Social Affairs and Inclusion, whose diverse set of roles in promoting the participation of large shares of the European population may require closer institutional ties with DG GROW in order to make more pronounced the entrepreneurial potential of employment initiatives. Though covered by a shared competence, the EU's role in employment is largely limited to coordinating the initiatives of the Member States in this area. Finally, the EU policy framework on entrepreneurship, even in its most recent iteration, does not give a prominent role to crucial initiatives in terms of the capital markets union and banking union.

Notwithstanding the fact that the power to regulate the internal market gives the EU broad policy room, it is apparent that the full potential of this competence has not been used for reforming the EU's approach to entrepreneurship, as recent legislative acts pertaining to the realization of the EU entrepreneurship policy only exceptionally rely on legal bases related to the internal market.

2. Introduction

A key aim of the FIRES project is to propose a reform strategy which would lead to a more entrepreneurial society. These reforms can address many different institutions on different levels of governance. A key focus area for the purpose of policy recommendations for reform concerns the EU policy on entrepreneurship.

Efforts to promote entrepreneurship in Europe have intensified after the 2007-2008 economic and financial crisis, which set back in part both the economic and social progress made in and through the EU in the decades before. The European Economic Recovery Plan detailed in a Communication of the European Commission to the European Council in November 2008 already identified the promotion of entrepreneurship, and the related issue of employment as one of the three focus areas of FIRES, as a means of protecting Europe's workers and entrepreneurs from future shocks in a volatile economic environment.[1]

The crucial importance of entrepreneurship for boosting the European economy is revealed by the prominent place given to the notion in the opening statement of the then-candidate for President of the European Commission Juncker presented to the European Parliament on 15 July 2014. Comprising 10 Political Guidelines corresponding to a number of General Objectives that guide the work of the present European Commission, the statement underlines the role of entrepreneurship in realising the very first objective for a new boost for jobs, growth and investment. In the words of the current Commission President, such jobs, growth and investment "will only return to Europe if we create the right regulatory environment and promote a climate of entrepreneurship and job creation. We must not stifle innovation and competitiveness with too prescriptive and too detailed regulations, notably when it comes to small and medium sized enterprises (SMEs)".[2]

This and other Political Guidelines are being implemented through the annual work programmes of the Commission and its various DGs until the year 2020. The 2016 Commission work programme is structured around the ten priorities outlined by President Juncker, and hence reiterates the primary focus of the Commission on creating a new boost for jobs, growth and investment. Elaboration of the key initiatives to be undertaken in 2016 in furtherance of the other political priorities also reveal specific priorities in terms of realising the entrepreneurship agenda of the EU. As such, the priority for a deeper and fairer internal market with a strengthened industrial base is particularly focused on helping SMEs and start-ups to grow "by addressing regulatory obstacles and facilitating access to finance", with emphasis on giving entrepreneurs a second chance after having faced bankruptcy, and developing a new capital venture culture.[3]

Both Guidelines are intrinsically linked, as "deepening the internal market in goods and services and sustaining the development of a high performing industrial base are essential to boost the competitiveness of the European economic actors and ultimately generate growth and jobs".[4] In

[1] European Commission, 2008d, p. 10.
[2] Juncker, 2014a, p. 4-5.
[3] European Commission, 2015n, 7.
[4] European Commission, 2016ah, p. 9.

addition, other General Objectives reflect aspects to be considered under a comprehensive entrepreneurship approach as well, in particular those on a deeper and fairer economic and monetary union and a connected digital single market. If the internal market provides the context in which successful businesses should operate, however, the current Commission's focus on entrepreneurship remains squarely on the creation of jobs and growth through innovative SMEs: "while the single market and investment in innovation can boost growth, this must be translated into jobs. Entrepreneurs and SMEs are the driving force of European economic growth and job creation; 85% of new jobs in the private sector are created by SMEs and more than 4 million new jobs are created each year by newly founded businesses".[5]

If many different policy areas should be tackled comprehensively in order to effectively reform an entrepreneurship policy, the FIRES project focuses on the institutions of labour, knowledge and finance in this broader process. In the sixth work package of this project we aim to compare this approach from both a legal and policy perspective to the current entrepreneurship policy as developed by the European Commission, and implemented by other actors at different levels. The present study represents the findings of a thorough mapping process performed under the first task of this work package. In so doing, the study will lay the legal and policy groundwork for the overarching FIRES objective to formulate specific proposals to enhance the allocation of talent, finance and knowledge to new value creation in the context of a legal analysis to see where competencies currently lie and what action could be taken. To understand the objectives of the current study, we should explain them in the context of the FIRES project.

The study's aims are threefold. First, it wants to give an exhaustive account of what the current approach to the promotion and stimulation of entrepreneurship is as advanced in the policy documents and implementing legislation adopted by the institutions of the European Union. The second objective of the present study is to identify, on the basis of this exhaustive account, the key actors that should be approached and included as stakeholders to ensure the reform agenda proposed by the FIRES project is workable and effective. This exercise will allow the researchers of the current study and other work packages of the project to closely interact with and aim their recommendations for reform to the right addressee at the governance level most appropriate for the implementation thereof, in accordance with the principle of subsidiarity. Finally, a third and related objective of the present study is to facilitate the dialogue between the FIRES researchers and policy makers by identifying the areas in which FIRES can make the most valuable contributions to the existing entrepreneurship policy approach in the EU.

Taken together, the above objectives of the present study are best served by an exercise that charts the EU's approach to entrepreneurship on the basis of a rigorous mapping exercise based predominantly on primary EU law, secondary EU law and Commission policy instruments on entrepreneurship. This will allow us to identify the various policy areas that need to be taken into account in order to arrive at a comprehensive and workable entrepreneurship policy as the horizontal intersection of different yet related fields, which in turn is necessary to identify both (i) the main actors involved in formulating and implementing the EU's entrepreneurship policy; and (ii)

[5] *Ibid.*, p. 11.

the legal bases codifying the competences for different aspects of entrepreneurship, so as to properly map the distribution of powers on the vertical plane.

The mapping objective of the study does not warrant exhaustive analysis on the basis of a critical literature review but rather considers the preparatory work undertaken on the present pages as a necessary and crucial step towards such a review in the second (legal) and third (policy) tasks of the sixth FIRES work package, in light of the refined proposals for reform that will by then have emerged from studies finalised in the other work packages in the project, in particular work packages four and five. More generally speaking, the exercise is a first and necessary step to guaranteeing optimal impact of the FIRES project by (a) avoiding overlap with the current policy proposals and actions of the EU in terms of entrepreneurship; and (b) optimising the effectiveness of the work done in related work packages; so as to (c) adopt a realistic and hence workable approach to the proposed reform agenda for a more entrepreneurial society.

The study is structured along the following lines. A first introductory chapter highlights the importance of coherence as a *leitfmotif* of the policies and legislation of the European Union (chapter 3). This brief chapter will serve as the broader backdrop against which the overview of institutions and mechanisms currently in place in order to ensure coherence and coordination in the adoption and implementation of the Union's entrepreneurship policy are discussed. The main body of the report is then divided into two chief segments, mapping entrepreneurship on the basis of a multi-dimensional and multi-level assessment.

The first of these (chapter 4) charts the wide diversity in terms of policy areas covered by the EU's entrepreneurship policy and the corresponding actors in the Union responsible for the respective policies. In line with the description of the work for the present study outlined in the FIRES project proposal, this section focuses on the European Commission and the various departments and services involved in entrepreneurship. The work in chapter 4 will help identify the various institutions that are important to foster entrepreneurship. On the basis of these findings, the second half of the study (chapter 5) describes and links the entrepreneurship policy areas with corresponding legislative competences of the EU as a means to map the vertical distribution of powers for tackling reforms in entrepreneurship policy, from the international level to the regional plane, with a strong focus on the level of the European Union.

First, chapter 5 maps the division of competences at EU level, between EU institutions and Member States, in the different policy areas identified as driving the Union' entrepreneurship policy. A second mapping exercise will cover the relationship between the EU and local and regional authorities in the Union's Member States. This is particularly important in the context of Member States with sub-national units that have legislative and policy powers in the policy areas mapped in chapter 4, including Germany, Italy and Belgium. A third dimension of vertical coordination, covering the implications of the EU's membership of the WTO in terms of policy space for entrepreneurial reform, is dealt with in a separate annex.

The study is guided by overarching concerns for a coherent reform agenda that takes into account the multiple dimensions and levels of a workable entrepreneurship policy. To that effect, the study in chapters 4 and 5 also identifies the main mechanisms, instruments and institutions that should be addressed in order to optimally merge the various elements of the EU's entrepreneurship policy and to increase the effectiveness of proposals and recommendations across different governance levels, in particular between the EU and its Member States, taking into account the principle of subsidiarity.

3. Coherence as a *leitmotif* of the European Union

Before going over the various institutions and actors responsible for elaborating and implementing the EU entrepreneurship policy, and the specific mechanisms that may contribute to the horizontal and vertical coherence of this policy, it is useful to sketch the broader context of EU policy coherence. Coherence (often also understood as consistency) is the absence of contradiction of one's own action. Furthermore, coherence may not only foresee measures to avoid contradiction, but also guarantee synergies of one's own action.

It has been argued that coherence is an obligation of the European Union. EU institutions – especially the Commission and the Council – are meant to guarantee coherence in the EU's action, that is in its law and policy-making and implementation. Laid down in the EU treaties, the obligation is seen as a device in a multi-actor and multi-level governance system like the EU. In fact, the quest for coherence in the EU cannot be understood without embracing the challenges that arise for coherent policy-making in multi-level and multi-level governance.

3.1. Multi-level governance and sharing sovereignty

The European Union is a multi-level governance system.[6] The system brings together institutions and actors of various levels – the subnational, the national and the European (supranational) level. It is at the same time embedded in a wider structure of global governance, most importantly the WTO for entrepreneurship matters (see Annex).

As every other governance system the EU is concerned with collective problem-solving, that is the active search for solutions that transnational problems create for society. A multi-level governance system can be seen as a federal-state in the making, with competences vested in the EU to solve problems that subnational and national Member State societies otherwise could not solve, though always guided by the principle of subsidiarity (see section 5.1.1.).

As a consequence, Member States of the EU have been actively engaged in continuously uploading competences to the EU. The move to share sovereignty has followed functional logics of spill-over, as the Member States' uploading of competences on the European level did not happen all at once, but gradually – the competence and decision-making in one issue area caused the necessity to foresee further decisions in related policy areas.

3.2 Complex multi-actor system

It can be argued that on the European Union level a complex system of multiple actors and balance of powers has emerged.[7] The executive agency on the European level is the European Commission, which has been mandated to implement the European treaties through initiating European legislation and overseeing its implementation. Within the European Commission exists a distribution of tasks, functions and responsibilities that requires internal coordination for comprehensive policies to emerge and be implemented. According to the Rules of Procedure of the Commission, its various departments are required to work in close cooperation and in coordinated fashion in the

[6] See G. Marks, L. Hooghe and K. Blank, 1996, 343–78.
[7] A. Benz and C. Zimmer, 2010, 1.

preparation or implementation of Commission decisions.[8] In practice, this requirement will be met by consultations carried out between the responsible department and other relevant departments "which are associated or concerned by virtue of their powers or responsibilities or the nature of the subject" before a document is submitted by the former to the Commission.[9] The responsible department, after informing the Legal Services and financial departments as required, endeavours to frame a proposal that has the agreement of all consulted departments.[10]

The department responsible shall endeavour to frame a proposal that has the agreement of the departments consulted. In the event of a disagreement it shall append to its proposal the differing views expressed by these departments, without prejudice to Article 12."

Other EU institutions have important tasks in ensuring coherence in EU policies and actions as well. Since the Lisbon Treaty, the European Council is a formal institution that provides the European Commission with general guidelines on the prioritization of policy solution and tasks. The executive structure faces a bicameral legislature, made of the European Parliament (consisting of directly elected Members) and the Council (consisting of government representatives of the Member States), which together decide on initiated European law proposals in a so-called co-decision procedure in most of the EU issue areas. However, in so-called intergovernmental areas of decision-making, Council decisions are adopted without the involvement of the European Parliament, which therefore remains limited (e.g. economic, security and defence). Finally, the European Court of Justice oversees that European law and its implementation is executed in the spirit of the European Treaties. The European Court of Auditors monitors the effective and cost-efficient implementation of EU policies.

3.3. Conferral of powers in a multi-level governance system

While the European Union level of decision-making has gained powers, increased supranational decision-making structures and empowered actors like the European Commission, the Court of Justice and the European Parliament, it nevertheless did not overcome its Member States. As shown, Member States remain represented through their governments in two key executive and legislative institutions on the EU level, the European Council and the Council. What is more, the transfer of competences to the EU level is based on the principle of the conferral of powers, that is: the EU must act within the limits that have been conferred upon it. Indeed, competences on the European Union level are not only exclusive competences, through which the EU has the exclusive ability to act and create European law and policies in respective areas. Shared and coordinative competences of the EU do enable Member States to act in various areas together with the EU.

Furthermore, the Member States are holding on to a couple of competences (which they did not transfer to the European Union) and that are at the heart of their own sovereignty – these relate, to name a few, social and economic, fiscal, educational, defence and security policies. Many of these relate to crucial aspects of entrepreneurship policy as well, as will be shown in section 5.1.2. In fact, some of these competences may not rest with the central level of Member States, but, if they are themselves federal systems, with the subnational level. What is more, Member States do implement European law through their national administrations – either they directly implement European Law through EU regulations or indirectly through European directives which are transferred into Member State law on the national level.

[8] Art. 21(1) of European Commission, 2000b.
[9] *Ibid.*, para. 2.
[10] *Ibid.*, para. 3.

3.4. Coherence

Given the special multi-layered character and institutional set-up of the EU, it has often been stated that the EU sees coherence as a way to bridge the EU level with that of the member states as well as the various institutions and institutional branches (Commission, Council, etc.) in its attempt to initiate, decide and implement effective and legitimate EU policies. As it has been stated elsewhere, the "EU considers coherence a particularly positive characteristic of its action because a coherent action is expected to be effective, legitimate and credible. Often a causal relationship is drawn between coherence and these 'great expectations', matching EU political aspirations […]".[11] In other words, coherence is not only a way to avoid contradiction, but a contribution to arrive at effective and legitimate policies.

There is a general acknowledgement within EU institutions that coherence is a 'virtue'.[12] Moreover, be a policy incoherent or coherent can have an impact the EU's ability to enhance its effectiveness, legitimacy and credibility in the EU domestically or in its international relations. However, reality of EU policies shows that "depending on who is the master of the game and which interests and objectives are pursued, coherence is given more or less priority".[13]

The Lisbon Treaty highlights the importance of coherence in the EU's overall action in and beyond the EU. Several articles of the Lisbon Treaty highlight this objective. As such, the Union shall have an institutional framework which shall aim to promote its values, advance its objectives, serve its interests, those of its citizens and those of the Member States, and ensure the consistency, effectiveness and continuity of its policies and actions (Article 13 TEU). Further, the Member States of the Union shall also work together to enhance and develop their mutual political solidarity. They shall refrain from any action which is contrary to the interests of the Union or likely to impair its effectiveness as a cohesive force in international relations (Article 24.3 TEU). Finally, the Council and the High Representative of the Union for Foreign Affairs and Security Policy shall ensure the unity, consistency and effectiveness of action by the Union (Article 26.2 TEU).

While the Lisbon Treaty hence gives ample opportunities to underline the EU's commitment to coherence, it ultimately remains a matter of interpretation what is meant by coherence in the EU. The definition of coherence has been dealt with extensively in scholarly literature.[14] According to the literature coherent is a given if there is "no contradiction between the different dimensions of this action and its primary objective and when there are instead synergies between its different dimensions in pursuit of a particular objective".[15] While EU actions can indeed be contradicting (turning EU policy into an incoherent policy), synergies of various policies are said to arrive from the bringing together of different instruments or policies (horizontal coherence), between different EU institutions (intra- and inter-institutional coherence) as well as between the EU and Member States (vertical coherence or coordination).[16] In other words, a policy can be incoherent (contradicting) or coherent (synergetic) and this, in turn, influences how coherent EU policies are.

[11] A.-C. Marangoni and K. Raube, 2014a, 476.
[12] *Ibid.*, 473-489.
[13] A.-C. Marangoni and K. Raube, 2014b.
[14] See, *inter alia*, C. Gebhard, 2011, 101–127; C. Portela and K. Raube, 2009; P. Gauttier, 2004, 23-41; C. Tietje, 1997, 211-233.
[15] A.-C. Marangoni and K. Raube, 2014b. See also A.-C. Marangoni, 2014; C. Hillion, 2008, 10–36; H.-G. Krenzler and H.C. Schneider, 1997, 133-152.
[16] See A.-C. Marangoni and K. Raube, 2014b; S. Nuttall, 2005, 91–112.

The notion of coherence has moreover been addressed in various policy documents. For example, in 2006, the Commission has developed ideas and practical proposals for greater coherence, effectiveness and visibility with a view to strengthen Europe in the World.[17] Moreover, the Communication on Policy Coherence for Development of the Commission in 2005 and the European Consensus on Development (2006) highlight the objective of coherence in the development field.[18] In the Commission's Policy Coherence for Development Work Programme 2010-2013, it specifies in greater detail the dual needs to integrate development policies in the planning and implementation of other policy areas, including peace operations, and to find a synthesis between development and financial instruments and other policy fields, such as security policy.[19]

3.5. Dimensions of Coherence

According to academic literature, there are four dimensions of coherence.[20] First, vertical coherence or coordination refers to the level between the EU and its member states, and the question whether the EU and Member States succeed in arriving at non-contradictory policies, for example in the field of development cooperation. As Marangoni and Raube observe, "it is for instance the case [that] the EU sets ambitious targets for official development aid (ODA), while its [Member States] include in the total ODA controversial elements such as the schooling of migrants children".[21]

On a second dimension of coherence, horizontal coherence highlights "the tensions that may arise between different policy areas".[22] In fact, it is not easy to guarantee the horizontal coherence amongst policies, let alone the targeted outcomes of specific policies. Moreover, it is quite difficult to guarantee the coherence of regional approaches of the EU.[23] As Marangoni and Raube have observed, "[a] well-known illustration of this dimension is the concept of 'policy coherence for development': it refers to the creation of synergies between different actions to pursue development-related objectives".[24] Hence, the EU aims to bring together different policies and policy objectives in an attempt to arrive at a horizontal development cooperation policy, which also takes notice of other policy objectives and policy fields.

Thirdly, institutional coherence can be seen as highlighting essentially two different challenges.[25] First, inter-institutional conflicts (so-called turf-battles) can emerge when a single policy area lies in the competence of two sets of actors (e.g. Commission and Council) and their different procedures (e.g. supranational and intergovernmental procedures). Second, in the previously described constellation, intra-institutional incoherence can emerge "when different actors within the same organisation — for instance two Directorates-General of the Commission — have different approaches to a dossier".[26]

Finally, external coherence can be seen as the last dimension of coherence. It refers to "an actor's capacity to present itself as acting coherently" in international affairs.[27] However, it also relates to how the EU is perceived by its counterparts and partners in international affairs. Closely related is

[17] European Commission, 2006c.
[18] European Commission, 2005a; European Commission, 2006d.
[19] European Commission, 2010b. See also S. Keukeleire and K. Raube, 2013.
[20] S. Nuttall, 2005, 96-107.
[21] A.-C. Marangoni and K. Raube, 2014a, 475. See also S. Nuttall, 2005, 106-108.
[22] A.-C. Marangoni and K. Raube, 2014a, 475.
[23] S. Nuttall, 2005, 103-106.
[24] A.-C. Marangoni and K. Raube, 2014a, 475.
[25] *Ibid.* See also J. Gaspers, 2008, 21; S. Nuttall, 2005, 98–103.
[26] A.-C. Marangoni and K. Raube, 2014a, 475; T. Christiansen 2001.
[27] A.-C. Marangoni and K. Raube, 2014a, 475.

the question if the EU should ensure internal-external coherence, that is the consistency between what the EU demands of others (externally) and what it decides and implements internally (e.g. vis-à-vis its member states).

3.6. Challenges remain

Given the EU's multi-layered character and institutional complexity, its policy-making is said to adhere to the notion of coherence. Treaty changes have tried to overcome differences in decision-making procedures (the 'end' of the so-called 'pillar structure'), but coordination problems between the EU and the Member States as well as across the board of EU institutions remain a daily challenge of the EU. How to arrive at effective (innovative) and legitimate policies under such circumstances? The notion of synergy and the dimension of (in-)coherences gives clues about the multiple challenges the EU faces. In fact, as it has been argued elsewhere, the EU faces similar problems as any other political organizational or system that has to produce effective policies.[28] However, in the shadow of the absence of clear hierarchical structures of EU leadership, the motivation for coherence needs to spring from various sources simultaneously. The legal obligation of coherence is therefore an important reminder for all EU institutions to aim for coherent policies, including in entrepreneurship matters.

[28] C. Portela and K. Raube, 2009.

4. Horizontal coherence

4.1. Entrepreneurship: policy areas

The present section does not set out to give an account of the entrepreneurship policy of the EU *per se*. In keeping with the task described in the project proposal, FIRES primarily aims to identify the full range of actors, both at the European level and at other governance levels that circumscribe and complement the competences of the EU, involved in conceiving and implementing the Union's entrepreneurship policy. We will do so on the basis of the most current policy documents promulgated by the European Commission and, where necessary, other EU actors, that identify the various policy areas, priorities and flagship initiatives deemed necessary for taking a comprehensive approach to reforming the EU into a more entrepreneurial society. This will allow us to determine, in subsequent sections of the present report, the competences, and their distribution among horizontal and vertical levels, that need to be invoked in order to put into practice the reforms that will be proposed at the end of the current project cycle.

The starting point for the entrepreneurship policy as being implemented by the current incarnation of the European Commission is the Small Business Act (SBA) adopted in 2008,[29] which builds on the framework and concepts elaborated in the 2005 Community Lisbon Programme for a Modern SME Policy.[30] In 2010, the Commission labelled the SBA "the main instrument for promoting SMEs' competitiveness and entrepreneurship within the Single Market and beyond".[31] The Act and the continued relevance it holds to this day for the realisation of the broader entrepreneurship policy of the EU demonstrates the pivotal importance of the SME concept as an anchoring point for most initiatives for entrepreneurial reform. Even if the societal actors addressed by entrepreneurship policy reforms encompass a wider range than enterprises and entrepreneurs, and most importantly also include students and employees, most concrete initiatives taken today for reforming the entrepreneurial society in Europe involve SMEs. Considering the role of the SME notion as one of the basic anchoring points for EU policy to promote entrepreneurship, it is useful to recall the Union's definition of what a small and medium-sized enterprise entails.

In EU parlance, the category of micro, small and medium-sized enterprises (SMEs) includes those enterprises that employ fewer than 250 persons, with an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million.[32] To clarify further, we may recall that an 'enterprise' is "considered to be any entity engaged in an economic activity, irrespective of its legal form".[33] This includes self-employed persons, family businesses and associations regularly engaged in an economic activity. Though it does not follow from the SME acronym, the activities of microenterprises - defined as an enterprise employing fewer than 10 persons with an annual turnover and/or balance sheet total not exceeding €2 million - are deemed particularly important for the development of entrepreneurship and job creation.[34]

The importance of SMEs for the European economy has long been recognised in European Commission policy. It was only with the adoption of the SBA, however, that the terminology of 'entrepreneurship' begun to be increasingly adopted as one of the main tools for promoting the competitiveness of European SMEs, and an overarching notion for a number of diverging yet

[29] European Commission, 2008a (hereinafter 'Small Business Act' or 'SBA').
[30] See European Commission, 2005c.
[31] European Commission, 2010c, p. 13.
[32] Art. 2.1 of the Annex to Commission Recommendation of 6 May 2003.
[33] Art. 1 of the 2003 Recommendation. See further European Commission, 2015r.
[34] Para. (8) of the 2003 Recommendation.

interrelated initiatives at EU and Member State level. The Commission page for the SBA links to a definition of the term 'entrepreneurship', which is conceived as "an individual's ability to turn ideas into action. It includes creativity, innovation, risk taking, ability to plan and manage projects in order to achieve objectives".[35]

Building on the European Charter for Small Enterprises[36] and the 2006 European Council Conclusions detailing the relaunched Lisbon strategy for jobs and growth[37], the 2008 SBA compiles 10 principles that should guide the conception and implementation of policies for SMEs, both at EU and Member State level. Chief among these principles is the need to create an environment in which entrepreneurship is rewarded. According to the SBA, the principle of entrepreneurship is considered essential to "bring added value at EU level, create a level playing field for SMEs and improve the legal and administrative environment throughout the EU".[38] Both EU and Member States are required to foster entrepreneurial interest and talent, devoting particular attention to young people and women, and simplify the conditions for business transfers.[39]

Table 1. SBA principles[40]

I. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
II. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
III. Design rules according to the Think Small First principle
IV. Make public administrations responsive to SMEs' needs
V. Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State aid possibilities for SMEs
VI. Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
VII. Help SMEs to benefit more from the opportunities offered by the Single Market
VIII. Promote the upgrading of skills in SMEs and all forms of innovation
IX. Enable SMEs to turn environmental challenges into opportunities
X. Encourage and support SMEs to benefit from the growth of markets

Key priority areas identified for the realisation of the objective of the first principle, some of which have been fleshed out in separate principles in the SBA as well, indicate the direction that would be taken by the European Commission in further developing its current entrepreneurship policy. This is reflected in the lead legal initiatives proposed by the Commission under the SBA, which relate, *inter alia*, to a General Block Exemption Regulation on State Aids and a Directive on reduced VAT rates.[41] Finally, major talking points identified in the Small Business Act under the first principle include education and training, gender imbalance and the underrepresentation of migrants in the entrepreneurial population. Hence, even though it ostensibly focuses on SMEs only, the SBA goes much further in identifying all main areas of attention for reforming Europe into a more entrepreneurial society.

[35] Definition taken from http://ec.europa.eu/growth/smes/promoting-entrepreneurship/index_en.htm.
[36] European Charter for Small Enterprises, endorsed at the Feira European Council on 19 and 20 June 2000. The Charter recognised entrepreneurship as "a valuable and productive life skill, at all levels of responsibility" (p. 8).
[37] Presidency Conclusions, Brussels European Council of 23-24 March 2006.
[38] SBA, p. 4.
[39] *Ibid.*, p. 5.
[40] Source: *ibid.*p. 4.
[41] See, for example, Commission Regulation 2014/651/EU.

The four priority areas of the SBA have been summarised in later EU policy documents as (i) encompassing the facilitation of SMEs' access to finance; (ii) facilitating their access to markets; (iii) reducing the administrative burden for SMEs; and (iv) promoting entrepreneurship.[42] A number of intensive rounds of pubic consultation initiated after the adoption of the SBA therefore centred on these four policy areas, as did the follow-up process of the Commission for implementing the Act.[43] The fourth priority to promote entrepreneurship as such received rather lacklustre attention in the implementation rounds, however, as illustrated by its conspicuous absence from the SBA Action Plan adopted by the Council in 2008.[44] Nevertheless, this follow-up process resulted in a comprehensive review of the SBA in 2011, which took stock of the progress made by the EU and the Member States in promoting entrepreneurship and realising the other nine principles of the 2008 Act. Noting that Member States could still do more in this respect, the 2011 Review of the SBA also identified good practices for stimulating the implementation of the ten principles.[45]

Though adopted as early as 2008, the rigorous follow-up to the SBA by the European Commission ensures a continuous relevance of the Act for the current entrepreneurship policy of the EU, which remains guided by a number of processes and actors set up specifically to monitor the implementation of the ten SBA principles. As such, the SBA is governed by a dedicated Performance Review mechanism and a specialised organisational structure for monitoring compliance at Member State level, headed by the Network of SMEs.[46] Moreover, the Think Small First principle of the SBA has been implemented as the key factor for determining the score of legislative proposals of the EU in the so-called SME Test. To this day, these mechanisms and actors remain central to the EU's approach to entrepreneurship, and their role will be covered in more detail later on in this report.[47]

During the 2011 SBA Review it was noted that, in the few years since the adoption of the Small Business Act, entrepreneurs and SMEs were already being put at the heart of the EU's approach to innovation and research in its industrial policy. Indeed, competitiveness of SMEs is one of the cornerstones of the EU's industrial policy, and, as such, the promotion of entrepreneurship has regularly surfaced in EU industrial policy documents of the past years. Continuing down the road of the 2008 SBA, the Europe 2020 Strategy for smart, sustainable and inclusive growth was developed in 2010 in an attempt to address the structural weaknesses in the economic and social fabric of the EU laid bare by the 2007-2008 financial crisis.[48] To catalyse progress in each of the three objectives for a smart, sustainable and inclusive growth, the 2020 Strategy formulated seven flagship initiatives focusing on innovation, youth employment, the digital economy and a reinvigorated industrial policy.

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[42] European Commission, 2015s.
[43] See European Commission, 2009b.
[44] The Council conclusions on "Think Small First – A Small Business Act for Europe" of 1/2 December 2008 did recognise the importance of actions for encouraging entrepreneurship, however: see p. 8 of the document. See also the Council Action Plan for a Small Business Act for Europe, annexed to the Council conclusions on "Think Small First – A Small Business Act for Europe" of 1/2 December 2008.
[45] European Commission, 2011a, p. 19-24.
[46] See the annual progress report on the situation of Europe's SMES, which marks progress across EU Member States in implementing the actions under the SBA, including access to finance, market and promoting entrepreneurship: see, for example, P. Muller, D. Gagliardi, C. Caliandro, N.U. Bohn and D. Klitou, 2014.
[47] See in particular section 5.2.2.1.
[48] European Commission, 2010a (hereinafter 'Europe 2020 Strategy').

Table 2. E2020 flagship initiatives[49]

1. "Innovation Union" to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs
2. "Youth on the move" to enhance the performance of education systems and to facilitate the entry of young people to the labour market
3. "A digital agenda for Europe" to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms
4. "Resource efficient Europe" to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise our transport sector and promote energy efficiency
5. "An industrial policy for the globalisation era" to improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally
6. "An agenda for new skills and jobs" to modernise labour markets and empower people by developing their of skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand, including through labour mobility
7. "European platform against poverty" to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society

Taken together, these seven initiatives significantly broaden the ambit and ambitions of the Europe 2020 Strategy as compared to the 2008 Small Business Act. Stressing the need to take action in a wide variety of policy areas, the 2010 document noted that "[a]ll EU policies, instruments and legal acts, as well as financial instruments, should be mobilised to pursue the strategy's objectives".[50] Still, the approach advocated by the 2020 Strategy is largely in line with the priorities of the SBA as it is being implemented today. As such, the 2011 Review of the SBA was initiated in order to make it congruent with the overarching priorities for economic and social reform presented in the Europe 2020 Strategy.[51] Moreover, one of the main goals of the Strategy is to improve access to the single market for SMEs, which was one of the four priority areas of the SBA. In that respect, the Commission notes that "[e]ntrepreneurship must be developed by concrete policy initiatives, including a simplification of company law (bankruptcy procedures, private company statute, etc.), and initiatives allowing entrepreneurs to restart after failed businesses."[52]

Six of the seven flagship initiatives that make up the Europe 2020 Strategy explicitly refer to SMEs, highlighting the overall importance of the Strategy for the stimulation of an entrepreneurial culture in Europe.[53] Indeed, several of the Europe 2020 flagship initiatives touch upon crucial aspects of Europe's policy for SMEs and entrepreneurial inclusion. A true 'Innovation Union' requires that we improve the framework conditions for businesses to innovate and streamline the administrative procedures for improving SME access to funding. In order to get 'Youth on the Move', mobility programmes should be set up for young professionals to unlock their entrepreneurial mindset. A 'Digital Agenda for Europe' needs to be mindful of the need to integrate advanced ICT technologies and skills in any entrepreneurial society. National education curricula and training programmes need to focus on entrepreneurship as a transversal skill. Most importantly, the EU must set up a modern industrial framework that can promote the competitiveness of and entrepreneurship among the

[49] Source: Europe 2020 Strategy, p. 5-6.
[50] *Ibid.*, p. 18.
[51] European Commission, 2010c, p. 13.
[52] Europe 2020 Strategy, p. 19.
[53] Para. (1) of Regulation of the European Parliament and of the Council 2013/1287/EU (hereinafter 'COSME Regulation').

European industries.

The 2010 Integrated Industrial Policy represents the most comprehensive attempt on behalf of the European Commission to draw up such a policy in support of entrepreneurship in Europe[54]. Reiterating the fundamental importance of SMEs for the economy of the EU, the 2010 document is clear in its statement that the promotion of the creation, growth and internationalisation of SMEs should be at the core of the Union's integrated industrial policy.[55] In pursuit of this central objective, the Industrial Policy gives a detailed overview of the variety of policy areas in which action should be undertaken by the EU and its Member States in the coming years. Most of these areas had already been identified in the 2008 SBA and under the various flagship initiatives of the Europe 2020 Strategy, and their importance for entrepreneurial reform need not be reiterated here. They concern both cross-sector and sector-specific initiatives, and include, most prominently, improving framework conditions for industry, facilitating businesses' access to finance, and reducing the mismatch between skills currently taught and those that are required for Europe's industry.[56]

The SBA, Europe 2020 and Integrated Industrial Policy Commission documents, taken together, are cited as the most important policy documents on which the current COSME Regulation is built[57]. Adopted by the Council and the European Parliament on the basis of Articles 173 and 195 TFEU, the COSME Regulation establishes a Programme for the Competitiveness of enterprises and small and medium-sized enterprises for the current 7-year period (2014-2020). It is the immediate successor to the Competitiveness and Innovation Programme (CIP) that ran from 2007 to 2013. Like COSME, the CIP was primarily geared towards supporting innovative SMEs and entrepreneurs by improving their access to markets, support services and finance, mainly through facilitated funding through risk capital.[58] For that purpose, the CIP established a specific Entrepreneurship and Innovation Programme that set out EU actions to support, encourage and promote (a) access to finance for the start-up and growth of SMEs and investment in innovation activities; (b) the creation of an environment favourable to SME cooperation, particularly in the field of cross-border cooperation; (c) all forms of innovation in enterprises; (d) eco-innovation; (e) entrepreneurship and innovation culture; (f) enterprise and innovation-related economic and administrative reform[59].

COSME is a key initiative to implement several flagship initiatives of the Europe 2020 Strategy, in particular through actions for realising the objective of smart, sustainable and inclusive growth, with a clear focus on employment (Art. 3 (4) COSME Regulation). As we will see, it does so in accordance with the overarching principles and priorities identified in the SBA and Industrial Policy documents, and in policy areas almost indistinguishable from those listed in the CIP Decision, though with a less visible focus on innovation as a goal in and of itself. The COSME programme represents the most comprehensive legal initiative at EU-level to address all relevant policy areas of the Union's approach to stimulating entrepreneurship, both as a means for competitiveness and as a direct aim of the Regulation. It is the only EU initiative currently in effect that focuses specifically on SMEs.[60]

[54] European Commission, 2010d (hereinafter 'Integrated industrial policy').
[55] *Ibid.*, 3.
[56] In 2014, a Commission communication for a European 'industrial renaissance' updated the entrepreneurial part of its industrial policy with a call for the decisive implementation of the existing policy instruments for competition and innovation of SMEs, and an updated Small Business Act: see European Commission 2014d, p. 18.
[57] See paras. (1) - (4) COSME Regulation.
[58] European Commission, 2005b, p. 6-7. See Decision of the European Parliament and of the Council 1639/2006/EC. The vision of the CIP was put into action in European Commission, 2007c.
[59] Arts. 2.2.a and 10.2 of Decision of the European Parliament and of the Council 1639/2006/EC.
[60] Para. (21) COSME Regulation.

The COSME programme aims to put into place the necessary institutional and policy arrangements for creating the conditions for achieving sustainable growth of enterprises, in particular SMEs.[61] One of the means of achieving a more competitive society in a sustainable manner is to take actions that directly address the need for a more entrepreneurial culture in Europe. Hence, the Regulation not only recognises that the Member States and the EU need to work together to create a favourable business environment, it also notes that SME competitiveness is affected by "the relatively weak entrepreneurial spirit in the Union". Particular reference is made in that regard to the requirement, already noted in the SBA, to address all situations that entrepreneurs may face and all stages in the life of an enterprise, "including start-up, growth, transfer and bankruptcy (second chance)". Other priority areas are the promotion of entrepreneurship education, as well as "coherence and consistency enhancing measures such as benchmarking and exchanges of good practices[62]."

With particular attention to SMEs, the COSME programme aims to contribute to two closely intertwined objectives, both directly and indirectly aimed at promoting a more entrepreneurial culture in Europe, namely:

(a) strengthening the competitiveness and sustainability of the Union's enterprises, particularly SMEs;
(b) encouraging entrepreneurial culture and promoting the creation and growth of SMEs.[63]

The indicators used to measure the progress in achieving these objectives not only reference economic growth, but also take into account sustainability and inclusiveness[64]. Generally speaking, progress is measured on the basis of five key indicators:

(a) performance of SMEs as regards sustainability;
(b) changes in unnecessary administrative and regulatory burdens on both new and existing SMEs;
(c) changes in the proportion of SMEs exporting within or outside the Union;
(d) changes in SME growth; and
(e) changes in the proportion of Union citizens who wish to be self-employed.[65]

Entrepreneurship is singled out as one of the key objectives for the actions to be taken under the COSME Programme, while the other three have been identified in other key policy documents as contributing to a competitive entrepreneurial society as well. As such, the specific objectives of the COSME programme are

(a) to improve access to finance for SMEs in the form of equity and debt;
(b) to improve access to markets, particularly inside the Union but also at global level;
(c) to improve framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, including in the tourism sector;
(d) to promote entrepreneurship and entrepreneurial culture.[66]

In addition, the COSME programme also promotes the need of enterprises to adapt to a low-emission, climate-resilient, resource- and energy-efficient economy.[67]

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[61] Para. (10) COSME Regulation.
[62] This and previous citations: para. 22 of the COSME Regulation.
[63] Art. 3 (1) COSME Regulation.
[64] For a list of all indicators, see the annex to the COSME Regulation.
[65] Art. 3 (2) COSME Regulation.
[66] Art. 4 (1) COSME Regulation.
[67] Art. 4 (2) COSME Regulation.

The four objectives mentioned above are crucial for determining the actors, institutions and competences involved, both at the European and national level, for they will determine the priority areas of the EU's entrepreneurship policy. The specific actions in execution of these objectives are elaborated in the annual work programmes of the European Commission, as per Article 13 of the COSME Regulation. These work programmes indicate the objective pursued as well as the type of measures to be taken and the budgetary implications thereof for the coming year. In terms of general budget, the financial envelope for the implementation of the COSME programme is set at €2,298.243 million. At least 60% of said budget is to be allocated to financial instruments.[68]

Judging by the budgetary cut of funds set aside for the realisation of this objective, the first objective of improving the access to finance for enterprises and entrepreneurs emerges as the primary policy focus of the current initiatives undertaken in support of the COSME programme. It also builds on a series of Commission proposals and legislative developments at Union level in the past couple of years.[69] Specific actions that may be taken by the Commission to promote entrepreneurship and an entrepreneurial culture in Europe include improving framework conditions affecting the development of entrepreneurship, including by reducing obstacles to the setting-up of enterprises. The Commission is asked to support a business environment and culture favourable to sustainable enterprises during all phases of the business cycle, including start-ups, growth, business transfer, second chance (re-start), as well as spin-offs and spin-outs (Art. 12 (1) COSME Regulation).

The COSME Regulation not only addresses enterprises, but also devotes particular attention to specific groups of entrepreneurs, specifically future, new, young, and female entrepreneurs, in addition to other specific target groups. Among these groups, the EU's task is greatest for those actions aimed at guiding new and young entrepreneurs. In this respect, the Commission may take actions such as mobility programmes for new entrepreneurs to improve their ability to develop their entrepreneurial know-how, skills and attitudes and to improve their technological capacity and enterprise management. Further, the Commission may also support Member States' measures to build and facilitate entrepreneurial education, training, skills and attitudes, in particular among potential and new entrepreneurs (Art. 12 (2)-(4) COSME Regulation).

The following table gives an overview of the initiatives in each of the COSME areas, indicating between brackets the budget allocated to it in 2016. For each of these initiatives, the relevant main actor (where appropriate relevant DG) is identified.

When reading Table 3, the reader should note that all references to the European Commission, if a particular department can or should be identified, are assumed to be to DG GROW, unless explicitly indicated otherwise. Likewise, the coordinating role of EASME in all matters SME also assumes the involvement of this agency as the implementing actor for the Commission in the policy areas and initiatives mentioned below. It is only mentioned for those initiatives that rely substantively on the implementing actions of the EASME.

The table does not take into account the involvement of DGs with cross-cutting responsibilities and tasks, such as budget, research and translation, unless they are particularly relevant for a specific initiative related to entrepreneurship. Initiatives where the importance of cooperation with authorities of Member States is highlighted have also been indicated.

The table includes references to the budget allocated to the realisation of the various priority areas under the 2016 work programme, and individual initiatives therein. It can be used to identify internal

[68] Art. 5 (1) COSME Regulation.
[69] See European Commission, 2011h; European Commission, 2011f; European Commission, 2011g; Directive of the European Parliament and of the Council 2004/39/EC; European Commission, 2011c.

priorities among the priority areas put forward by the overarching COSME programme. However, one must be careful not to draw overly broad conclusions from this information, as the budgetary allocation is closely related to the type of activities involved. As such, the overhaul of an e-portal will likely demand less intensive budgetary efforts than the establishment of a new fund, without such discrepancy bearing on the effectiveness of, or importance attached to, either initiative.

Finally, the budgetary information also indicates the initiatives for whose implementation the European Commission relies solely or heavily on grants to be awarded through calls for proposals. This information has been added to the table to better qualify the type of actions that will be undertaken by the EU in these activities, and to indicate the expected level of involvement of the main actors identified in the relevant column.

Table 3. COSME 2016 initiatives[70]

Priority area	Initiative		Actions	Main actor(s) by policy area and involvement
Access to finance *€167 mn*	Loan Guarantee Facility *€116.18 mn*		Operates with aim of facilitating access to finance for SMEs, in their start-up, growth and transfer phase, focusing on funds that provide venture capital and mezzanine finance to expansion and growth-stage enterprises, in particular those operating across borders	European Investment Fund (managing authority; set up by Parliament and Council); European Commission (ECFIN, GROW, FISMA)
	Equity Facility for Growth *€49.65 mn*		Operates with aim of facilitating access to finance for SMEs, in their start-up, growth and transfer phases, by providing counter-guarantees and other risk sharing arrangements for guarantee schemes; and direct guarantees and other risk sharing arrangements for any other financial intermediaries	European Investment Fund (managing authority; set up by Parliament and Council); European Commission (ECFIN, GROW, FISMA)
	Actions accompanying financial instruments for COSME *€1.47 mn*			European Commission
	1	Annual survey on SMEs' access to finance		European Commission (DG GROW); European Central Bank
	2	Promotional activities		European Commission
	3	Studies		European Commission + European Research Executive Agency
	4	Workshops		European Commission
	5	Disseminating information to SMEs about access to EU sources of financing		Your Europe portal (European Commission)
Access to markets *€52 mn*	Enterprise Europe Network *€45 mn*		Provides business support services by offering information, feedback and partnering services, innovation, technology and knowledge transfer services, in particular to SMEs, in various sectors	EASME, MS, European Commission (DG GROW + … :)
	1	Aeronautics, Space and Dual Use Technologies		DG MOVE, DG RTD
	2	Agrofood		DG AGRI
	3	Automotive, Transport and Logistics		DG MOVE, DG RTD
	4	Biochemtech		DG ENER, DG RTD
	5	Creative Industries		DG RTD

[70] Data to compile this table taken from European Commission, 2016c.

	6	Environment		DG ENV
	7	Healthcare		DG SANTE
	8	ICT Industry & Services		DG CONNECT
	9	Intelligent Energy		DG ENER, DG RTD
	10	Maritime Industry and Services		DG MARE
	11	Materials		DG RTD
	12	Nano and Micro Technologies		DG CONNECT, RTD
	13	Services and Retail		DG TRADE
	14	Sustainable Construction		DG ENV
	15	Textile & Fashion		DG RTD
	16	Tourism and Cultural Heritage		DG EAC
	17	Women Entrepreneurship		DG JUST
	Your Europe Business Portal *€450,000*		Reference public information portal for enterprises interested in cross-border activities within EU	Your Europe portal (European Commission; EASME)
	Support to SME Internationalisation *€2.35 mn* (call for proposals and tender)		Actions for strengthening cooperation among national agencies and between these agencies and European Commission in the form of exchange of experience, training, seminars, and staff exchange schemes	European Commission (DG GROW + TRADE); MS
	EU-Japan Centre for Industrial Cooperation *€2.8 mn*		Actions intended to significantly consolidate Centre's business support relevance, particularly for SMEs, by an enhanced use of Enterprise Europe Network, in synergy with training and industrial innovation/R&D activities	EU-Japan Centre for Industrial Cooperation (with cooperation of European Commission; set up by Council)
	Improved Points of Single Contact *€1 mn* (call for proposals)		Realise full potential of Points of Single Contact by focusing on actual needs of businesses and improving links with Your Europe Business Portal	European Commission (set up by Parliament and Council); MS
	Improving SMEs' access to public procurement *€800,000* (call for proposals)		Provide support to SMEs through co-financing actions of intermediate organisations supporting SMEs' participation in public procurement, especially cross border, as complement to EEN activities	European Commission; MS
Framework conditions for enterprises *€37 mn*	SME Policy *€4.5 mn*		Actions designed to carry out tasks under SME Performance Review, Small Business Act implementation programme and outreach tools to SMEs	European Commission; MS
	Implementing social business initiative key actions *€1.6 mn* (call for proposals)		Create favourable ecosystem and framework for public authorities to encompass specific issues faced by social enterprises nationally or locally, through training and sharing best practices of national and local	European Commission (DG GROW + EMPL); MS (including regions)

		authorities in the EU	
	EU REFIT platform for regulatory burden reduction *€500,000*	Advise European Commission on issues of regulatory burden at all levels of government in the EU	EU Stakeholder Platform
	Integration and Competitiveness Report 2017 *€800,000* (external contracts)	Background studies on competitiveness and integration to support integrated report 2017 and strengthen evidence base for contribution to European Semester process	(Advice to) European Commission + MS
	Cluster internationalisation programme for SMEs *€4.92 mn* (call for proposals)	Shape new European Strategic Cluster Partnerships established in EU Member States to develop joint 'European' strategic vision, which would contribute to better support European SMEs in global competition	European Cluster Collaboration Platform (European Commission, MS)
	Worth Partnership Project *€5.5 mn* (call for tender)	Actions for promoting integration of creativity, design and new technologies in SMEs, and cross-EU cooperation between SMEs from more traditional industry sectors	European Commission (DG GROW + RTD + DIGIT)
	Tourism *€4.5 mn* (external contracts)	Actions of diversification and increased visibility for leveraging competitiveness of tourism sector and increasing its general contribution to economic growth and jobs in the EU	European Commission, in close cooperation with OECD
	European Sustainable Chemicals Support Service (ESCSS) *€500,000* (call for proposal)	Extend and deepen advisory services provided by ESCSS to increase investment and employment in bio-refineries and chemical sector in general	European Sustainable Chemicals Support Service (EASME); European Chemicals Agency; European Commission (DG GROW + ENER + EMPL)
	Nanomaterials Observatory *€800,000*	Collect relevant information on nanomaterials and present it in a way as to ensure confidence in application of this new technology	Nanomaterials Observatory; European Chemicals Agency; European Commission (DG GROW + JRC + RTD + CONNECT)
	Modernisation of industry *€8.5 mn*	Focusing on cities and regions in Europe	European Commission(DG GROW + RTD + REGIO); MS; European Observatory for Clusters and Industrial Change; RE-CONFIRM
	Potential for servitisation of EU SMEs *€500,000* (calls for proposal)	Complement actions for regional industrialisation and digital transformation via promotion of addition of innovative services to companies' core activities; provide analytical background to better exploit results to actions under the "modernisation of industry" action	European Commission (DG GROW + RTD + REGIO)
	New skills for digital transformation of enterprises, manufacturing and key enabling technologies *€2.5 mn* (calls for proposal)	Key actions for addressing skills shortages and mismatches to spark enduring competitive advantage based on digital and key enabling technologies	European Commission (DG GROW + RTD + CONNECT + EMPL + EAC)

	Raising awareness of civil drones' operators about privacy and data protection obligations *€450,000* (calls for proposal)	Actions geared towards creating training material and deliver training across Europe in close cooperation with National Data Protection Authorities, the EDPS and industrial associations	European Commission (DG GROW + HR + DIGIT); European Data Protection Supervisor; MS
	Implementation of action plan 'Construction 2020' *€810,000* (calls for proposal)	Implementation of recommendations following from Action Plan Construction 2020 to create coherent policy and regulatory framework for development of construction enterprises and cooperation, both between them and with developing countries	European Commission; Construction 2020 High Level Forum and Thematic Groups; EU Observatory on Construction (to be established)
	Promotion of corporate social responsibility (CSR) *€1.5 mn* (calls for proposal)	Actions aimed at enhancing entrepreneurship education with CSR to equip entrepreneurs with know-how on how to use CSR to increase competitiveness and strategically manage risks	European Commission
Entrepreneurship and entrepreneurial culture *€12 mn*	Erasmus for Young Entrepreneurs *€7.4 mn*	Mobility scheme allowing potential or newly established entrepreneurs to spend time collaborating with experienced entrepreneurs in another participating country, as an opportunity for learning and networking	European Commission; (participating) MS; Intermediary Organisations
	Eurobarometer on Entrepreneurship *€1 mn*	Flash survey to establish evolution of attitudes of European population to entrepreneurship, willingness to become self-employed and problems relating to that choice	European Commission (DG GROW + COMM
	Migrants entrepreneurship support schemes *€500,000* (call for proposal)	Best practice seminar to bring together Member States and local actors in Member States to share actions on how to effectively support migrants in efforts to become entrepreneurs	European Commission (DG GROW + HOME); MS
	European Network for Early Warning and for Support to Enterprises and Second Starters *3.8 mn* (call for proposals)	Establish network of support services to enterprises in difficulties on the basis of experiences of existing support services for companies in distress in EU Member States	European Commission; European Network for Early Warning and for Support to Enterprises and Second Starters (to be established); MS

If the overview so far demonstrates that the EU has for some time now recognised the importance of taking action on many different aspects of what generally should be included in any entrepreneurship policy, it long lacked a concerted policy basis for elaborating a comprehensive approach in all these different areas guided by the singular objective of creating a more entrepreneurial society in Europe. This changed in 2013 with the adoption of the Entrepreneurship 2020 Action Plan 'Reigniting the entrepreneurial spirit in Europe'.[71] The Action Plan was announced in the 2012 Commission Communication on a 'Stronger European Industry for Growth' as a policy tool for setting out recommendations for Member States on how to improve the framework conditions and support measures for entrepreneurship, including measures for stimulating the uptake of digital technologies and e-commerce.[72]

The central role of the Entrepreneurship 2020 Action Plan is illustrated by the Commission's intention to conceive it as the "blueprint for decisive joint action to unleash Europe's entrepreneurial potential, to remove existing obstacles and to revolutionise the culture of entrepreneurship in Europe".[73] It explicitly builds on the Europe 2020 agenda, the 2008/2011 SBA and the Integrated Industrial Policy to formulate a comprehensive response to the question of how to increase levels of enthusiasm among Europeans for going down a more entrepreneurial career path. In particular, the plan continues to call for a consistent application of the SBA's think small first principle, which must become the "touchstone of European and national policies".[74]

In keeping with the heritage of the document, the Action Plan proposes three areas for immediate intervention that substantively overlap with the policy areas identified in the COSME programme and SBA agenda, though with a clearer focus on education and training. These areas reflect many of the preoccupations and priority concerns identified in the FIRES project related to employment, knowledge and financial institutions:

1. Entrepreneurial education and training to support growth and business creation;
2. Strengthening framework conditions for entrepreneurs by removing existing structural barriers and supporting them in crucial phases of the business lifecycle; and
3. Dynamising the culture of entrepreneurship in Europe: nurturing the new generation of entrepreneurs.

While these areas have been singled out as subject to 'immediate intervention', they relate to policy areas and actions that have been a long time in the making, and fit in with a spate of legislative initiatives at EU level started over the course of the past decade. The connection between regulatory simplification and the promotion of entrepreneurship, in particular, has been front and centre of the EU answer to the recent financial crises. This follows from the 2008 European Economic Recovery Plan, which focused on removing administrative burdens for start-ups and micro-enterprises as a means of helping more people to become entrepreneurs.[75] The 2009 Action Programme for Reducing Administrative Burdens in the EU also pays attention to the particularities of EU legislative impact on SMEs.[76] Since 2011, it has been standard Commission policy to exempt micro-enterprises from EU legislation when possible, or to introduce special regimes in order to minimise regulatory burden on these businesses.[77]

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[71] European Commission, 2013a (hereinafter 'Entrepreneurship 2020 Action Plan').
[72] European Commission, 2012e, p. 18.
[73] Entrepreneurship 2020 Action Plan, p. 5.
[74] *Ibid.*, p. 5.
[75] European Commission, 2008d, p. 12.
[76] European Commission, 2009a.
[77] See European Commission, 2011e. This Communication is complemented by European Commission, 2012a.

As to the first priority area, closely connected to the FIRES focus on knowledge, lifelong learning was already identified as a crucial competence in the Entrepreneurship 2020 Action Plan.[78] The current policy of the EU on this important entrepreneurial building stone has its origins in the European Key Competence Framework.[79] The entrepreneurial importance of this competence has since long been recognised by the EU, for example in the European Councils of Stockholm (23-24 March 2001) and Barcelona (15-16 March 2002), which endorsed the concrete future objectives of the Education and Training 2010 Work Programme.[80] The 2006 Framework recognised eight key competences, among which featured 'a sense of initiative and entrepreneurship'. The Framework describes the competence as "the ability to turn ideas into action. It involves creativity, innovation and risk-taking, as well as the ability to plan and manage projects in order to achieve objectives. The individual is aware of the context of his/her work and is able to seize opportunities that arise. It is the foundation for acquiring more specific skills and knowledge needed by those establishing or contributing to social or commercial activity. This should include awareness of ethical values and promote good governance."[81]

The strong emphasis of the 2020 Action Plan on education and training is a result of the realisation that entrepreneurship was not included in the national standardised tests of key competences in any of the EU's Member States, though it was submitted that it may be implicitly assessed through other methods.[82] Only 6 Member States have a specific strategy for entrepreneurship education.[83] Hence, the Commission demands particular attention for the development of the transversal skill of entrepreneurship, because it contributes at the same time to new business creation and the employability of young people.[84] The 2020 Action Plan specifically refers to the need for universities to become more entrepreneurial, and highlights the role of the European Institute of Innovation and Technology to help bridge the gap between education and innovation for industry by further promoting the role of entrepreneurship.[85]

Education and lifelong learning are also recognised by the Europe 2020 Strategy as a key element of the flagship initiative 'An agenda for new skills and jobs'. They are also mentioned in the 2011 Council Resolution on adult learning as contributing to the additional flagship initiatives 'The European platform against poverty' and 'Innovation Union'.[86] The Resolution recognises the importance of adult learning as a means of contributing to economic development in the EU "by strengthening productivity, competitiveness, creativity, innovation and entrepreneurship".[87] The Council therefore called for the adoption of a strategic framework that would, *inter alia*, foster greater awareness among employers that adult learning indeed contributes to entrepreneurship. The attached 'European Agenda for Adult Learning' identifies entrepreneurship as a pivotal transversal competence that should be promoted by applying the European Key Competence

[78] Entrepreneurship 2020 Action Plan, p. 6.
[79] Recommendation of the European Parliament and of the Council 2006/962/EC. Before the 2020 Action Plan, it had already been elaborated in, among others, European Parliament Resolution 2007/2114; Council conclusions of May 2008 on adult learning; Resolution of the Council and of the Representatives of the Governments of the Member States of 21 November 2008; Council conclusions of 12 May 2009; 2010 Joint progress report of the Council and the Commission on the implementation of the 'Education & Training 2010' work programme; Council conclusions of 11 May 2010; Council Decision 2010/707/EU; Council conclusions of 18-19 November 2010 on enhanced European cooperation in vocational education and training (VET).
[80] See para. 23 of Presidency Conclusions, Stockholm European Council of 23-24 March 2001; para. 15 of Presidency Conclusions, Barcelona European Council of 15-16 March 2002.
[81] Recommendation of the European Parliament and of the Council 2006/962/EC.
[82] European Commission, 2012h, p. 16.
[83] EACEA, 2012, p. 8.
[84] European Commission, 2012f, p. 3-4.
[85] Regulation of the European Parliament and of the Council 2008/294/EC.
[86] Para. (6) of Council Resolution 2011/C 372/01.
[87] Council Resolution 2011/C 372/01, p. 3.

Framework.[88] Further, the 2012 Commission Communication on education also emphasized the importance of entrepreneurial skills, for they both contribute to new business creation and to the employability of young people in a versatile economy[89]. In 2015, the Council adopted conclusions containing a number of recommendations for Member States to promote entrepreneurship in education and training.[90] Finally, a new Entrepreneurship Competences Framework was launched in June 2016, with the explicit intention of clarifying the distinctive elements of what entrepreneurship as a competence encompasses.[91]

The second area of the Entrepreneurship 2020 Action Plan focuses on strengthening the framework conditions for entrepreneurs by removing existing structural barriers and supporting them in crucial phases of the business lifecycle. The priority is divided into six policy areas which overlap with at least two of the four areas identified in the COSME regulation. Moreover, most of them had already been identified in the European Charter for Small Enterprises thirteen years earlier[92], and the Modern SME Policy of 2005.[93] They cover the following issues:

- Access to finance;
- Support for entrepreneurs in the crucial phases of the business lifecycle and their growth;
- Unleashing new business opportunities in the digital age;
- Transfers of businesses;
- Bankruptcy procedures and second chance for honest entrepreneurs;
- Regulatory burden reduction.

If the COSME regulation treated access to finance and improving the framework conditions for entrepreneurs as two distinct priority areas, the Entrepreneurship Action Plan restructures access to finance as one of the six focal points for the overarching requirement to improve the regulatory context in which entrepreneurs have to operate. Indeed, the Action Plan refers to the COSME programme, as well as Horizon 2020, as providing essential support for this area of the EU's entrepreneurship policy. Further, the facilitation of business transfers was already addressed in a 2006 Commission Communication, and is one of the focal points of the SBA, as reviewed in 2011.[94] Finally, the importance of reducing the social and economic stigma attached to honest bankruptcies is mirrored in a 2012 Communication of the Commission presaging the 2013 Action Plan on Entrepreneurship.[95]

Regulatory burden reduction, too, has been a focal point of EU entrepreneurship policy for a long time. Though the issue is one of cross-cutting policy areas, we may find some indications as to the institutions at EU level that need to take action under this priority based on the results of a consultation on the top 10 most burdensome pieces of EU legislative acts, addressed at both individual SMEs (Table 4) and organisations (Table 5) representing the interests of entrepreneurs in Europe:

Table 4. Top 10 most burdensome EU legislation (individual SMEs)[96]

[88] Council Resolution 2011/C 372/01, p. 6.
[89] European Conmission, 2012f, p. 4.
[90] Council conclusions 2015/C 17/02. See further Opinion of the European Economic and Social Committee 2015/C 332/03.
[91] See the report of the Joint Research Centre, 2016.
[92] European Charter for Small Enterprises.
[93] See the list of the five main areas of progress in reforming Europe's approach to SMEs and entrepreneurs in European Commission, 2007b, p. 3.
[94] European Commission, 2006b.
[95] European Commission, 2012k.
[96] Source: European Commission, 2013d.

	Policy area	Legislation	SMEs
1	Taxation	VAT	175
2	Taxation	Direct taxes	134
3	Customs	Customs controls and formalities	123
4	Environment	Waste	122
5	Product safety	Labelling obligations	114
6	Product safety	Demonstrating conformity in the absence of harmonised standards	113
7	Environment	Chemicals	110
8	Employment and social affairs	Health and safety at work	109
9	Product safety	Information obligations	109
10	Product safety	Use of standards	105

Table 5. Top 10 most burdensome EU legislation (organisations)[97]

	Policy area	Legislation	SMEs
1	Environment	VAT	50
2	Taxation	Direct taxes	48
3	Environment	Customs controls and formalities	46
4	Consumer protection	Waste	46
5	Business environment	Labelling obligations	44
6	Employment and social affairs	Demonstrating conformity in the absence of harmonised standards	43
7	Product safety	Chemicals	35
8	Energy	Health and safety at work	32
9	Customs	Information obligations	31
10	Environment	Use of standards	29

The third and final priority area refers to the promotion of entrepreneurship. The least tangible of all three priorities, this area of the EU's current approach to entrepreneurship mainly focuses on the organisation of activities at EU and Member State level to change the perception of entrepreneurship by promoting entrepreneurial role models. In addition, the policy in this respect focuses on specific demographic groups that are underrepresented in the entrepreneurial population, notable women, seniors, migrants, the unemployed and young people. This is in line with the demographic groups identified as the main addressees of actions under the fourth objective of the COSME programme. Initiatives under this priority have mainly taken the form of building entrepreneurial mindsets through concerted efforts to disseminate good practices on education and training among EU Member States.[98] The 2014 Council Conclusions on the promotion of youth entrepreneurship almost solely addressed the EU Member States to take action in this respect, with the Commission merely being invited to raise awareness of youth entrepreneurship, launch research on how to increase knowledge about youth entrepreneurship, and promote initiatives such as Erasmus+.[99]

The promotion of entrepreneurship should also be achieved through EU-level research and development support for innovative entrepreneurs and innovation in SMEs. The overarching framework for this aspect of the European entrepreneurship policy for the current period is the Horizon 2020 programme (H2020).[100] The 2013 Regulation setting up the programme identifies the

[97] *Ibid.*
[98] See, for example, European Commission, 2012l.
[99] Council conclusions of 20 May 2014, paras. 26-28.
[100] Regulation of the European Parliament and of the Council 2013/1291/EU (hereinafter 'H2020 Regulation').

European Institute of Innovation and Technology as the key actor for integrating higher education and entrepreneurship with research and innovation "as links in a single innovation chain across the Union and beyond, which should lead, inter alia, to an increase of innovative services, products and processes brought to the market".[101] H2020 supports and encourages the participation of SMES through a dedicated Innovation in SMEs programme, which provides support to stimulate all forms of innovation in SMEs, in particular by targeting those enterprises with high growth and internationalisation potential.[102] It encompasses, first, the SME Instrument, which aims to increase the innovation potential of European SMEs by filling the gap in funding for early stage high-risk research and innovation and promoting the commercialisation of research results.[103] Second, the Eurostars programme targets research-intensive SMEs with promising capability for a commercial exploitation of their project results.[104]

Though not specifically identified as a separate priority area, the manifold references to the social sector and social dimension in the 2020 Action Plan also establish social entrepreneurship as a keystone of the EU entrepreneurship policy. As such, the plan recognises that "[s]ocial economy actors and social enterprises are important drivers of inclusive job creation and social innovation. While they face similar problems as most SMEs, they may encounter additional difficulties accessing finance […]"[105]. For this reason, a dedicated EU Programme for Employment and Social Innovation was set up for the period until 2020[106], and uniform conditions have been set out for collective investment undertaking to be recognised as Social Entrepreneurship Funds.[107]

Social cohesion and social entrepreneurship form an intrinsic part of the 2012 Single Market Act II.[108] It is also singled out in general Guideline 7 of the 2010 Council Decision on employment policies, which encourages Member States to "remove barriers to labour market entry for newcomers, promote self-employment, entrepreneurship and job creation in all areas including green employment and care and promote social innovation."[109] As noted in the Council Decision establishing the EaSI programme, "social entrepreneurship [constitutes] an integral part of Europe's pluralist social market economy, and play an important role in ensuring greater social convergence in Europe."[110] The Decision includes the requirement of entrepreneurial management in its definition of what a social enterprise constitutes for the purposes of EU legislation.[111]

The entrepreneurship potential of most of the policy areas and actions put forward in the Entrepreneurship 2020 Action Plan had already been identified in Commission papers and proposals a decade earlier,[112] and policy documents adopted by the various European legislative actors since the formulation of the Action Plan continue to refer to these same areas. The Summer 2014 European Council Conclusions reiterate the need to promote "a climate of entrepreneurship and job creation, not least for SMEs", through a variety a by now familiar actions, including facilitating access to finance and investment, ensuring more resilient financial regulation, improving the functioning of labour markets and by shifting taxes away from labour, and reducing unnecessary administrative burdens.[113]

[101] *Ibid.*, p. 171.
[102] See Part II of Annex I to the H2020 Regulation.
[103] See further Decision of the European Parliament and of the Council 2014/553/EU.
[104] See further *infra* 3. DG RTD.
[105] Entrepreneurship 2020 Action Plan, p. 9.
[106] Announced in European Commission, 2011h, p. 10. For more on this EaSI programme, see *infra* 1. DG EMPL.
[107] Regulation of the European Parliament and of the Council 2013/346/EU.
[108] European Commission, 2012d, p. 16.
[109] Guidelines for the employment policies of the Member States, annexed to Council Decision 2010/707/EU, p. 49.
[110] Para. (25) of Regulation of the European Parliament and of the Council 2013/1296/EU.
[111] Art. 2 (1)(c) Regulation of the European Parliament and of the Council 2013/1296/EU.
[112] See European Commission, 2005b; European Commission 2006a.
[113] June 26/27 European Council Conclusions, p. 15.

4.2. Commission departments and coherence

4.2.1. Introduction

As the basis for the flagship initiatives of the EU, including the industrial policy, for the years until 2020, the division of competences and tasks as set out in the Europe 2020 programme and Entrepreneurship 2020 Action Plan is of particular importance for identifying the most crucial players for realising the related and partially overlapping objective of the creation of an entrepreneurial culture in Europe. Europe 2020 in this respect attaches specific importance to a coordinated performance by all European actors, where the traditional troika of Parliament, Council and Commission is complemented by marked references to the European Council, the Economic and Social Council and the Committee of the Regions.[114]

In keeping with its competences and tasks as set out by the constitutive treaties of the EU, the various formations of the Council of Ministers will implement the Europe 2020 programme, with the European Parliament acting as the co-legislator. After the elaboration of the programme, the Commission is now tasked with the annual monitoring of the situation based on a set of indicators listed in the main document, to track progress towards the objective of smart, sustainable and inclusive growth. In addition, the European Council is granted full ownership over Europe 2020, as it is tasked with both keeping a 'horizontal watching brief' on the implementation of the programme, and guiding the realisation of specific themes thereof. Finally, the Economic and Social Council and the Committee of the Regions are both identified as crucial actors for ensuring the continued participation of stakeholders and civil society in the programme.

By virtue of its task of formulating and monitoring the implementation of the Europe 2020 programme and composite flagship initiatives, in particular the industrial policy, by both the EU and the national, regional and local administrations of the Member States, the Commission is the central actor in developing and executing the EU's entrepreneurship policy. However, as demonstrated by the great divergence in competence areas of this entrepreneurship policy, made up of numerous SBA principles, flagship initiatives, the integrated industrial policy, the priority areas of the COSME programme and the Entrepreneurship 2020 Action Plan, many departments of this single/singular actor may be called upon to realise the overarching objective of an entrepreneurial society.

The following sections will discuss the competences and tasks of the most important Commission departments and units in this respect, and their relation with other key actors at European level. The selection of DGs has been informed primarily by the three areas identified by FIRES as having the largest potential for reinvigorating the entrepreneurial spirit in Europe, namely knowledge, employment and financial institutions. In addition, the DGs responsible for the implementation of various aspects of the existing entrepreneurship policy of the EU will be covered as well, for their current involvement in the Union's policies also singles them out as particularly important addressees of future recommendations by the current study (see Table 6).

[114] Europe 2020 Strategy, p. 27-28.

Table 6. Entrepreneurship 2020 Action Plan initiatives by DG[115]

Priority	Commission initiative	Policy area	Main DG
Entrepreneurial education and training	Pan-European entrepreneurial learning initiative	Education and training	EAC (managed by EASME, DG GROW)
	Guidance framework to encourage development of entrepreneurial schools and VET institutions (with OECD)		EAC
	Disseminate 2012 EU-OECD entrepreneurial university guidance framework		EAC
	Endorse successful mechanisms of university-driven business creation		EAC
Improving entrepreneurial framework conditions	Increase access to resources for micro-financing	Access to finance for SMEs	GROW, EMPL
	EU regime for exchanges trading in shares and bonds issued by SMEs		GROW, FISMA
	Promote best practices of Member States' fiscal policies	Support business life cycle SMEs	GROW, FISMA
	Revise rules prohibiting certain misleading marketing practices		GROW
	Assist Member States in developing integrated support schemes and actions for new (young) entrepreneurs, through education and training		GROW, EAC
	Fostering build-up of knowledge base on major trends and innovative business models	Make better use of digital opportunities	GROW, RTD
	Europe-wide information campaign for SMEs on the benefits from ICT		GROW, CONNECT
	Creation of European Mentors Network for training, advice and partnerships		GROW
	Start-up Europe Partnership		GROW, CONNECT
	Web Entrepreneurs Leaders Club to strengthen web entrepreneurial culture		CONNECT
	Strengthen E-skills, managerial and entrepreneurial skills		GROW, CONNECT
	Guidelines on most effective programmes and best practices to facilitate business transfers	Business transfers	GROW
	Public consultation on issues identified in the Communication on a new European approach to business failure and insolvency	Bankruptcies	GROW, FISMA
	Propose legislation abolishing burdensome authentication requirements for SMEs	Regulatory burden reduction	GROW
	Establish working group to assess specific needs of		GROW

[115] Table based on table from Annex 'Key Commission Actions' of Entrepreneurship 2020 Action Plan, p, 28. It has been updated with additional details on competent Commission DGs.

	liberal profession entrepreneurs		
	Improve chances of businesses through SOLVIT portal		GROW
Promoting entrepreneurial role models and targeting demographic groups	Organise 'EU Entrepreneurship Day' for students	Entrepreneurs as role models	EAC
	Europe-wide on-line mentoring, educational and business networking platform for women entrepreneurs	Women	GROW, EAC, EMPL, JUST
	Assist senior executives and entrepreneurs to mentor new entrepreneurs	Seniors	GROW, EMPL
	Propose policy initiatives to attract migrant entrepreneurs and to facilitate entrepreneurship among migrants	Migrants	HOME
	Propose legislation to remove legal obstacles to qualified immigrant entrepreneurs		GROW, HOME
	Launch micro-finance facility targeting vulnerable groups	Unemployed	EMPL
	Technical assistance to focus on support schemes for young business starters and social entrepreneurs		EMPL, FISMA
	Organise micro-finance and social entrepreneurship stakeholders' forum		GROW, EMPL, FISMA
	Organise dissemination event on contribution of Public Employment Services to job creation		EMPL
	/ [Category omitted from annex to Entrepreneurship 2020 Action Plan]	Youth	EAC, EMPL

4.2.2. Commission departments

4.2.2.1. DG GROW

The varied list of priorities, flagship initiatives, general objectives and political guidelines listed in section 4.1. reveals a diverse list of policy areas that need to be addressed in a comprehensive reform agenda for a more entrepreneurial society. These policy areas correlate to a broad list of departments, agencies and Directorates-General in the Commission whose patchwork of diverse yet overlapping competences dictate that they should all, at one point or another, become involved in implementing recommendations for a revamped entrepreneurship policy at Union level. Even if that is the case, some DGs are undoubtedly more important than other departments in this regard, for their competences directly related to a variety of policy areas revealed by the current entrepreneurship policy documents.

Given the importance of the steppingstone notion of SMEs, it is only appropriate that the DG entrusted with the coordination of the entrepreneurship policy of the EU should be DG GROW, responsible for Internal Market, Industry, Entrepreneurship and SMEs. It is only since the recent structural overhaul of the Commission's organisation, merging DGs Enterprise and Industry (ENTR) and Internal Market and Services (MARKT), that entrepreneurship was explicitly added to the name of a specific DG. Its pivotal role in the implementation of the current incarnation of the Union's approach to entrepreneurship entails an equally central role for this department in the variety of actors addressed by the recommendation of the current project. This role is confirmed in the Entrepreneurship 2020 Action Plan, which notes that

"This Action plan and its key actions will be followed up by the Commission through the competitiveness and industrial policy and the Small Business Act governance mechanisms, including in their external dimension with the candidate, potential candidate and neighbourhood countries."[116]

The identification of the above policy areas and mechanisms as determining the implementation of the 2020 Action Plan corresponds to the key objectives circumscribing the current mission statement of DG GROW, which is to "develop a deeper and fairer internal market and help European enterprises, in particular Start-ups and SMEs, and manufacturing and services industries, to be globally competitive, innovative and sustainable and to create more jobs, growth and value for all[117]". To realise this objective the DG contributes through its actions to the two General Objectives set out by the current Commission President that are most closely related to entrepreneurial reform, namely 'a new boost for jobs, growth and investment', and 'a deeper and fairer internal market with a strengthened industrial base'.

Specific actions undertaken in the current period until 2020 by DG GROW towards the first General Objective predominantly focus on:

- facilitating the implementation of the newly established European Fund for Strategic Investments (EFSI) (see *infra*) by removing barriers to investment;
- creating a business-friendly environment to help enterprises, in particular start-ups and SMEs, grow and boost jobs and make full use of all better regulation tools;
- enhancing better access to finance for enterprises, in particular start-ups and SMEs;

[116] Entrepreneurship 2020 Action Plan, p. 28.
[117] European Commission, 2016ah, p. 3.

- making Europe one of the most entrepreneurial regions in the world and increase EU business competitiveness in the single Market and beyond;
- managing EU programmes, so that they help promote innovation and competitiveness in Europe: COSME, Horizon 2020 (though only for aspects related to innovation in SMEs, in addition to raw materials and space research).[118]

This indicative list of priority actions illustrates the central role of DG GROW for many of the policy areas identified in the Entrepreneurship 2020 Action Plan, in particular as they relate to the six key initiatives listed under the second area for immediate intervention under that plan. This role is further bolstered by the various contributions to be made by the DG to strengthening the industrial base of the EU. Among others, these initiatives address the need to create more opportunities in the single market for EU consumers, professionals and businesses, especially SMEs and start-ups, devising smart regulation and policies for various sectors to create the right framework for enterprises and citizens, and ensuring that EU industrial property rights are amenable to SMEs.[119]

The intrinsic link between entrepreneurship, industrial policy and SMEs, as evident from the title and mission statement of DG GROW, justify the department's focus on those policy areas and regulatory initiatives singled out in the SBA and COSME, while leaving out other aspects that were brought to the fore in the 2020 Action Plan. With regard to the former, the DG notes that it "will continue to implement the Small Business Act for Europe focusing on the following priority areas: burden reduction, access to finance, access to markets, entrepreneurship promotion and skills development".[120] A crucial component of this implementation is a rigorous application of the Think Small First principle developed in the SBA, which DG GROW has accomplished through the adoption of the SME Test in the Commission Impact Assessment procedures.[121] In addition, DG GROW plays a crucial role in the continued development and refinement of the REFIT programme to make sure that EU legislation is as simple as possible for entrepreneurs.[122]

Apart from following up the implementation of the SBA, DG GROW also is the central DG for coordinating efforts to realise the COSME programme. Concerning the objective to increase access to finance for entrepreneurs, DG GROW has been implementing the COSME financial instruments since 2014 to ensure that appropriate financing is made available to SMEs, including start-ups. DG GROW uses two key mechanisms to increase the overall finance for SME. First, the DG pools the Loan Guarantee Facility set up by the COSME Regulation using resources made available by Member States under the EU structural funds. Second, DG GROW uses the SME window of the European Fund for Strategic Investments in order to provide finance to SMEs at a much earlier point in time. Finally, DG GROW also screens proposed EU legislation with a potential impact on access to finance for SME to make sure that its own actions in this respect do not suffer setbacks.[123]

Actions to help SMEs grow currently being undertaken by DG GROW include the launching of a start-up initiative that will assess ways to reduce administrative requirements or assist in complying with them, enact legislation on business insolvency, including early restructuring and second chance for entrepreneurs, initiatives that would facilitate the use of digital technologies and cross-border mergers and divisions for enterprises, as well as increasing accessibility for SMEs to public

[118] *Ibid*., p. 3. These priorities are also highlighted on the DG's website, at http://ec.europa.eu/growth/about-us/index_en.htm.
[119] *Ibid.*, p. 3.
[120] *Ibid.*, p. 11.
[121] See http://ec.europa.eu/smart-regulation/guidelines/ug_chap3_en.htm, last accessed on 23 November 2016.
[122] For more on the SME Test and REFIT, see *infra* section 4.2.3.3.
[123] European Commission, 2016ah, p. 11.

procurement procedures, and help equip (young) people with transversal entrepreneurial skills and competences.[124]

A little over €270 million is set aside for the main political priorities to be realised through the COSME deliverables of DG GROW's work programme for 2016. The focus of DG GROW's actions in this respect is to boost investment and create jobs in Europe in the 4 areas identified in the COSME Regulation, *i.e.* providing enhanced access to SMEs in all stages of the business lifecycle; improving access to markets; improving the framework conditions in which SMEs operate; and promoting entrepreneurship and an entrepreneurial culture in Europe. The financial envelope for 2016 allocates roughly 5% of the total budget to the last initiative directly targeting entrepreneurship in the EU[125]. However, we have seen that a comprehensive entrepreneurship policy also requires, and perhaps predominantly, tackling the regulatory environment of SMEs, including self-employed people, as a more indirect means of promoting entrepreneurship.

Table 7. DG GROW performance table 2016 General Objective 1[126]

Relevant general objective(s): A New Boost for Jobs, Growth and Investment		
Specific objective 1: To support SME creation and growth		**Related to spending programme(s) COSME**
Main outputs in 2016:		
Main expenditure outputs		
Description	Indicator	Target
Financial Instruments for access to finance for SMEs (equity and debt): € 167.3 million	Full implementation of the COSME Work Programme	End 2016
Access to markets for SMEs: € 52.4 million.		
Framework conditions for competitiveness: € 37.8 million		
Promoting entrepreneurship: € 12.7 million		
Specific objective 2: To support research and innovation related to enterprises		**Related to spending programme(s) H2020**
Main outputs in 2016:		
Main expenditure outputs		
Description	Indicator	Target
Space research: € 165,7 million	Start of the actions in the Work Programme of Horizon 2020	End 2016
Raw Materials: € 75,9 million		
SME and Innovation: € 41.2 million		

In addition, the following table shows the link between the entrepreneurial objectives of DG GROW with the related general objective of the European Commission on jobs, growth and investment.

[124] *Ibid.*, p. 12.
[125] European Commission, 2016ag, p. 3.
[126] Source: *ibid.*, p. 11.

Table 8. DG GROW entrepreneurship aims and General Objectives[127]

General objective 1: A New Boost for Jobs, Growth and Investment		
Impact indicator 1: Employment rate population aged 20-64 **Source of the data**: Eurostat		
Baseline 2014	**Interim Milestone**	**Target** (Europe 2020 Strategy)
69.2%	./.	at least 75%
Impact indicator 2: Percentage of EU GDP invested in R&D (combined public and private investment) **Source of the data**: Eurostat		
Baseline 2012	**Interim Milestone**	**Target** (Europe 2020 Strategy)
2.01%	./.	3.0%
Specific objective 1.1: To support SME creation and growth		**Related to spending programme COSME**
Result indicator 1: Financing mobilised and number of firms benefiting from debt financing **Source of data:** EIF (European Investment Fund) reports		
Baseline 2013	**Interim Milestone 2017**	**Target 2020** (target from the COSME legal base)
As of 31 December 2013, €16.1 billion in financing mobilised, reaching 312,000 SMEs (SMEG)[4] under the former CIP programme	Financing mobilised from guarantees ranging from €7 billion to €10.5 billion; number of firms reached ranging from 108,000 to 161,000 under the current COSME programme	Financing mobilised from guarantees ranging from €14 billion to €21 billion; number of firms reached ranging from 220,000 to 330,000 under the current COSME programme
Result indicator 2: Exchanges between new and experienced entrepreneurs and resulting creation of companies **Source of data:** EASME internal monitoring and reporting data		
Baseline 2015	**Interim Milestone 2017**	**Target 2020** (target set at DG level)
3.600 exchanges over the last 5 years created around 1.300 companies	5.500 exchanges by 2017, resulting in the creation of around 1.600 companies	10.000 exchanges by 2020, resulting in the creation of around 3.000 companies
Result indicator 3: SME receiving business and innovation support services to increase their competiveness in the Single Market and beyond via the Enterprise Europe Network (EEN) **Source of data:** Enterprise Europe Network implementation reports (EASME)		
Baseline 2014	**Interim Milestone 2017**	**Target 2020**
As of 31 December 2014, 3.1 million SME received support services	number of SME receiving support services from the EEN: 475.000 per year	number of SME receiving support services from the EEN: 500.000 per year
Planned evaluations: Interim evaluation of COSME to be finalised by 2018. Evaluation of the Enterprise Europe Network was completed in Q4/2015		
Specific objective 1.2: To support research and innovation related to enterprises		**Related to spending programme Horizon 2020**
Result indicator: Patent applications in the different enabling and industrial technologies for Space Projects **Source of data:** Internal monitoring		
Baseline	**Interim Milestone 2015**	**Target 2020** (target from the Horizon 2020 legal base)
This indicator is a new approach, therefore no baseline	40% of the budget is allocated to activities potentially generating patents	3 patent applications per €10 million funding
Planned evaluations: Interim evaluation of Horizon 2020 to be finalised by 2016		

Though DG GROW is the coordinating entity in the EU tasked with implementing the bulk of the Union's initiatives to boost jobs, growth and investment and strengthen Europe's industrial base, only a few units within the DG are directly concerned with the promotion of an entrepreneurial

[127] Source: European Commission, 2016ah, p. 15-16.

culture. In particular, an interview with DG GROW officials identified units H1 and F2 as having crucial functions for realising the EU's entrepreneurship policy:

Tables 9 and 10. DG GROW units for entrepreneurship[128]

H1/ COSME Programme, SME Envoys and Relations with EASME: Mission Statement - Manage the Competitiveness and SME programme (COSME) and the relations with EASME. - Develop, manage and mainstream SME policy principles set out in the Small Business Act (SBA), in particular the "Think Small First" (including transfer of business). - Monitor the application of the SME Test in the Commission's impact assessments. - Monitor the implementation of the SBA, prepare the annual country fact-sheets, the EU report and economic analysis on SME issues, e.g. employment creation by SMEs, second chance. Feed the relevant information into the European Semester. Manage the Start-up Initiative. - Manage and give political steering to the SME Envoys network, the SME Assembly and the SME Week ; prepare the SME Envoys annual reports for the Competitiveness Council. - Ensure a proper consultation of the SME stakeholders. - Manage the Commission recommendation on the SME definition and its guide. - Manage the Directive on Late Payments. - Carry out outreach activities to promote SME policies and principles: European Enterprise Promotion Awards (EEPA), management of the SME portal etc. - Coordination and focal point for COSME and SME issues with other institutions. - Conception and organisation of the Single Market Forum events.

F2/Clusters, Social Economy and Entrepreneurship : Mission Statement The mission of the Unit is to contribute to the reindustrialisation of the European economy and the competitiveness of SMEs by i) helping them to unlock growth opportunities through clusters; ii) supporting the social economy; and iii) building and fostering an entrepreneurial culture in Europe. These tasks include in particular: - tapping into the cross-sectorial growth potential within clusters notably promoting entrepreneurship, triggering new industrial value chain, enabling SMEs to turn environmental challenges into business opportunities and supporting the development of more world-class clusters in the EU; - better connecting regional clusters and smart specialization strategies across the EU; - strengthening joint cluster internationalization efforts; implementing the Green Action Plan for SMEs; - facilitating the creation of the appropriate environment for competitive social enterprises; and - implementing the Entrepreneurship 2020 Action Plan.

At the same time, the broad approach to entrepreneurship advocated by the 2020 Action Plan entails that quite some tasks required for achieving the objective of a more entrepreneurial society rely on close coordination between DG GROW and other DGs, agencies and funds. Indeed, DG GROW has extensive relations with other EU bodies, though only two of those have functions directly related to the implementation of the Union's entrepreneurship policy. Most other bodies have been set up for carrying out tasks considered to require particular technical expertise, such as for space. As such, DG GROW has delegated a number of tasks for implementing COSME to the executive European Agency for Small and Medium-sized Enterprises (EASME). In addition, the financial instruments are entrusted to the European Investment Fund (EIF), which stands alone as an independent body.

128 Source: email communication with DG GROW officials on 13 September 2016.

The portfolio of the Commissioner for the Internal Market, Industry, Entrepreneurship and SMEs underscores these institutional links. As such, the duties of Commissioner Bieńkowska include the services related to the former DGs MARKT and ENTR, as well as the relevant parts of the EASME. In addition, the Commissioner is also responsible for the relevant parts of the Research Executive Agency (REA). Though these relevant parts only relate to space activities under the Horizon 2020 programme, the institutional connection is relevant for the link between DG GROW and DG RTD. Under COSME, the EASME directly manages the grants and tenders, while the financial instruments are indirectly managed by DG GROW, with implementation entrusted towards the European Investment Fund.[129]

The EASME has been set up by the European Commission to manage on its behalf a number of specific programmes, most of which relate to aspects of the EU's entrepreneurship policy. The agency's portfolio also includes programmes on environment and climate action.[130]

The EASME was established in 2013[131] as the successor to the Executive Agency for Competition and Innovation (EACI) with the specific intention to achieve a more cost-effective management of various entrepreneurship programmes, to coincide with the merging of DGs ENTR and MARKT. The EACI was established in 2007[132] as a general successor to the specialised Intelligent Energy Executive Agency', which had been entrusted with the management of Community actions in the field of renewable energy and energy efficiency.[133] The EACI was made responsible for the management of all new projects and programmes in the field of innovation, entrepreneurship and mobility. Informed by efficiency considerations as well as requirements of coherence, increasing recourse has been taken in recent years to the management of specific EU programmes set up by Commission DGs.[134]

Specifically for the new EASME, a cost-benefit analysis performed in 2013 by the then DG Enterprise showed that pooling the implementation of various SME and entrepreneurship programmes, along with other related programmes, into one executive agency would result in net efficiency gains of €104 million, equalling savings of more than 1/4 of the entire budget.[135] Before the EASME, COSME was partly managed in-house by the Commission and partly by the EACI. Moreover, it was argued that "the alignment of more coherent programme portfolios with the Agency's core competences and its brand identity will lead to significant qualitative benefits". Hence, it was found that, by "assembling the management of [Horizon 2020, COSME and related programmes], [the EASME] will profit from synergies, simplification and economies of scale. The pooling of all aspects of the Horizon 2020 'SME instrument' will additionally provide a single point of access to potential beneficiaries and guarantee consistent service delivery[136]".

The Agency is a composed of members of different DGs, in part overlapping with the members of the project team on Jobs, Growth, Investment and Competitiveness (see *infra*). Under the leadership of the Director, Patrick Lambert, the EASME is composed of different Departments, the first of which (Department A) is responsible for all matters COSME and H2020 SME, as well as the European Maritime and Fisheries Fund (EMFF). Other departments are responsible for LIFE, the EU programme for fostering green growth and the circular economy. In turn, each of these programmes is managed by a separate unit, with Units A1 and A2 dedicated to COSME and H2020 SME, respectively. In Unit

[129] European Commission, 2016ah, p. 7.
[130] European Commission, 2015c, p. 4.
[131] Comission implementing decision 2013/771/EU.
[132] Commission Decision 2007/372/EC.
[133] Commission Decision 2004/20/EC.
[134] European Commission, 2011b.
[135] See ICF GHK, 2013, p. 246-249.
[136] Para. (8) of Comission implementing decision 2013/771/EU.

A1, ‘subunit’ A.1.4 on entrepreneurship is under the guidance of a member of DG GROW, currently Ramunas Kuncaitis.[137]

It follows from the nature, structure and competences of the EASME that the Agency is a specialised actor whose very establishment is liable to ensure coherence in promoting entrepreneurship, since it does not specifically relate to any one DG, though its personnel is made up of DG members. As revealed by the annual DG management plans, the parent DGs involved in the work of the EASME are diverse. However, matters relating to entrepreneurship in the context of COSME and Horizon 2020 are nearly all overseen by DG GROW as the responsible parent.

The EASME is responsible for the following programmes central to the promotion of entrepreneurship:

- COSME, for actions under all four priority areas (finance, markets, framework, entrepreneurial culture)[138]
- Horizon 2020 programmes related to SMEs, most importantly
    ° Innovation in SMEs
    ° The SME Instrument
- Enterprise Europe Network
- Your Europe: Business Portal[139]

The annual work programmes of EASME show the priorities and budget allocated to the various objectives of the COSME as well as the Horizon 2020 programme. The COSME work programme for 2016 gives a detailed overview of the actions to be undertaken this year for each of these four objectives, along with a source for their funding.[140] For the actions completed in 2015 that were overseen by parent DG GROW, see the following table:

Table 11. Contribution EASME to DG GROW objectives[141]

[137] Information based on the EASME orgranigramme, at https://ec.europa.eu/easme/sites/easme-site/files/documents/easme-organigramme-web.pdf.
[138] European Commission, 2015c, p. 10. The following pages detail the roadmap used for attaining each of these objectives for 2015.
[139] Art. 3 of European Commission, 2016b.
[140] *Ibid.*
[141] Source: European Commission, 2015c, p. 73-75.

Parent DG GROW		
COSME		
Relevant General Objectives:	**To strengthen the competitiveness and sustainability of the Union's enterprises, particularly SMEs.**	
	To encourage an entrepreneurial culture and promote the creation and growth of SMEs.	
Baseline	*Milestone*	*Target (2020)*
Specific Objective:	**To improve framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, including in the tourism sector.** **Spending Programme**	
RESULT INDICATOR: Tourism – Participation in transnational cooperation projects		
3 countries covered per project in 2011 4 countries (on average) in 2014	2017: 5 countries per project	2020: Increase in the number of Member States participating in transnational cooperation projects funded by the Programme
RESULT INDICATOR: Tourism - Number of destinations adopting the sustainable tourism development models promoted by the European Destinations of Excellence		
98 (on average 20 per year)	2017: More than 150	2020: More than 200 (about 20 every year).
RESULT INDICATOR: New Business Concepts - Number of new products/services in the market		
As this was restricted to analytical work of limited scale, the baseline will be 5 in 2017	15 in 2018	Increase in the cumulative number of new products/services (initial measurement)
Specific Objective:	**To promote entrepreneurship and entrepreneurial culture.** **Spending Programme**	
RESULT INDICATOR: Number of Member States implementing entrepreneurship solutions based on good practice identified through the programme		
22 (2010)	25 (2017)	All Member States (2020)
RESULT INDICATOR: Number of Member States implementing entrepreneurship solutions targeting potential, young, new and female entrepreneurs, as well as other specific target groups		
2010: European Network of Mentors for Women Entrepreneurs – 12; Strategy for Entrepreneurship Education – 6 MS and 2 regions;	By 2017: 12 Member States implementing new initiatives in this area New data on entrepreneurship education anticipated in 2015; new	Marked increase in number of Member States

Incorporation of objectives in broader strategies – 10; Entrepreneurship strategies under discussion – 8	information on women entrepreneurs expected late 2014	
Specific Objective:	**To improve access to markets, particularly inside the Union but also at global level.** **Spending Programme**	
RESULT INDICATOR: Enterprise Europe Network - Number of partnership agreements signed		
2475/ year 2012	7500 signed by 2017	2500/ year 2020
RESULT INDICATOR: Enterprise Europe Network – Clients satisfaction rate (% SMEs stating satisfaction, added-value of specific service provided by the Network)		
78% (2012)	80% (2017)	>82% (2020)
RESULT INDICATOR: Enterprise Europe Network – Recognition of the Network amongst SME population		
To be measured in 2015-2016	Milestone to be determined once baseline has been set in 2015-2016	Increase in the recognition of the Network amongst SME population compared to baseline
RESULT INDICATOR: Enterprise Europe Network – Number of SMEs receiving support services		
435 000 (2011)	1 400 000 (2017)	500 000/ year (2020)
RESULT INDICATOR: Enterprise Europe Network – Number of SMEs using digital services (including electronic information services) provided by the Network		
2 million SMEs (2011)	2,2 million (2017)	2,3 million SMEs/ year (2020)
H2020		
Relevant General Objective:	**To build a society and an economy based on knowledge and innovation across the whole Union by leveraging additional research, development and innovation funding and contributing to attaining R&D targets.**	
Baseline	*Milestone*	*Target (2020)*
Specific Objective:	**To stimulate sustainable economic growth by means of increasing the levels of innovation in SMEs, covering their different innovation needs over the whole innovation cycle for all types of innovation, thereby creating more fast-growing, internationally active SMEs.** **Spending Programme**	
RESULT INDICATOR: Number of SMEs receiving directly innovation support services from the activities financed by 'Innovation in SME		
This indicator is a new approach, therefore no baseline	2000 in 2014 6000 in 2015 7500 further on	By 2020: 45.500

Specific Objective:	To achieve a resource - and water - efficient and climate change resilient economy and society, the protection and sustainable management of natural resources and ecosystems, and a sustainable supply and use of raw materials, in order to meet the needs of a growing global population within the sustainable limits of the planet's natural resources and ecosystems. Spending Programme	
RESULT INDICATOR: Share of projects with activities on the road to innovation measured by the Technology Readiness Level (TRL) indicator13 (Source: Internal monitoring)		
This indicator is a new approach, therefore no baseline	80% of the 2015 budget to be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input)	End 2015: 80% of the budget for the annual work programme will be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input

The EASME hence implements a work programme that crosses DG borders. In this respect, it should be noted that DG GROW, as the lead parent DG in the EASME for many programmes, also relies heavily on cooperation with other DGs in the Commission for the implementation of a number of programmes and flagship initiatives, most importantly the Digital Single Market and the Circular Economy. However, the lead in these and other programmes vital for activating entrepreneurship priority areas not directly related to SMEs is taken by other DGs, whose competences will therefore be discussed in the following subsections of this report.

4.2.2.2. Other DGs

The priority areas for immediate action identified in the Entrepreneurship 2020 Action Plan reveal an agenda dictated by two concerns that are complementary to the general objective of increasing economic growth and investment. These concerns relate to the need to reinvigorate entrepreneurial education and training in support of growth and business creation, and to dynamise a culture of entrepreneurship in Europe, mainly through concerted efforts to ensure increased involvement of a number of underrepresented demographic groups in the entrepreneurial society. This dovetails with two of the three FIRES priority areas, namely knowledge and employment.

It follows that the most appropriate DGs for taking action to address these issues as making up the current approach to entrepreneurship by the EU, are the Directorate-General for Employment, Social Affairs and Inclusion (EMPL) and the Directorate-General for Education and Culture (EAC). In addition, the objective of including specific demographics in the entrepreneurial society, if in general targeted by DG EMPL in terms of social affairs and inclusion, duties for specific entrepreneurial groups are laid down for the DG for Justice, consumers and Gender Equality (JUST) and the DG for Migration and Home Affairs (HOME).

Furthermore, specific aspects of the suggested financial and institutional reforms for a more entrepreneurial Europe will touch upon subjects resorting under the competence of other DGs as well. As such, the role of the Directorate-General for Economic and Financial Affairs (ECFIN) in the implementation of the European Fund for Strategic Investments is revelatory of the general importance of this DG for future entrepreneurial reforms. Likewise, the FIRES focus on the financial institutions in Europe as a fundamental building block for a more entrepreneurial society require that we take a closer look at the competences, tasks and initiatives of the DG for Financial Stability, Financial Services and Capital Market Union (FISMA).

Moreover, the EU's flagship initiatives for a digital single market and an innovative, green and circular economy decidedly impact on the means through which entrepreneurship should be promoted, both according to the current plans of the Commission, and in potential agendas for further reform of this existing policy. Such an agenda should hence also take into account the duties and programmes of the Directorates-General for Communications Networks, Content and Technology (CONNECT), Research and Innovation (RTD) and the Environment (ENVIRONMENT).

In addition to the above list, many other DGs may at one point also become involved in actions taken to promote entrepreneurship in Europe, for instance when considering legislation burdening SMEs in cross-border operations (DG TRADE), or targeting businesses in specific industrial sectors, such as energy (DG ENER). However, a perfunctory analysis of the competences and programmes of these DGs reveals that their involvement is not likely to rise to a coordinating level pertaining to the conception or development of a key component of a comprehensive entrepreneurship policy. Hence, it was decided, in the interest of clarity and concision, to exclude such ancillary DGs from this report.

The same goes for those DGs whose cross-cutting nature of competences necessarily requires their involvement in the implementation of any entrepreneurship policy, for they also lack a distinct connection with such policy that would justify their inclusion (COMM, ESTAT, etc.). The only exception in this respect was made for the Directorate-General for Regional and Urban Policy (REGIO). Though the DG's mission is cross-cutting to the extent that it aims for "lasting improvement in the economy and quality of life for everybody, wherever they live”,[142] the nature and objective of the present report dictates that the competences of DG REGIO also be discussed, as its duties will help inform our analysis of the division of competences between the EU and its Member States for those States that have sub-national legislative entities that may enact regulations for the promotion of entrepreneurship.[143]

A. Developing key aspects of an inclusive EU entrepreneurship policy

1. DG EMPL

The Europe 2020 strategy for smart, sustainable and inclusive growth reveals the need for close cooperation between DG GROW and the DG for Employment, Social Affairs and Inclusion, for the latter is responsible not only for stimulating employment as a means of economic growth, but also to make sure that such increase in employment is done in an inclusive way by involving all demographic groups and promoting social entrepreneurship. This dovetails with the role of initiatives for promoting social entrepreneurship in the work programme of DG GROW and the overarching entrepreneurship policy of the EU.[144] In line with these overlapping competences and duties, it stands to reason that the mission statement of DG EMPL would bear a close resemblance to the strategic plan of DG GROW. As such, the work programme of DG EMPL focuses, *inter alia*, on creating a more entrepreneurial workforce:

“The Employment, Social Affairs and Inclusion DG pursues policy, legislative and financial initiatives to build a highly competitive social market economy in the European Union. Through the implementation of the Europe 2020 Strategy it aims to create more and better jobs, promote skills and entrepreneurship, improve the functioning of the labour markets, confront poverty and social exclusion, modernise social protection systems including pensions, health and long-term care, facilitate the free movement of workers, promote workers' rights, health and safety at work, and protect against discrimination in the work place, as well as the rights of persons with disabilities.”[145]

The importance of DG EMPL for entrepreneurship affairs is evident from the organisational chart of the directorate-general, which attributes duties related to employment and social governance, employment, skills, investment and the European Semester to distinct entities (EMPL. A, EMPL. B, EMPL. E, EMPL. F and EMPL. A1, respectively)[146]. Notably, DG EMPL also recognises separate sub-units for specific countries, making it a valuable partner for relaying input from EU Member States on issues related to entrepreneurship directly at the level of the Commission.

The strategy of DG EMPL is focused on implementing three of the Commission’s General Objectives, the first one of which providing a new boost to jobs, growth and investment. This overarching objective is, in turn, concretised by six specific objectives, which include, importantly, the goal of developing a skilled and more entrepreneurial workforce in the EU. Other specific objectives through which DG EMPL contributes to the general Commission objective of boosting jobs, growth and investment in the EU, and which touch upon issues pivotal to a comprehensive EU approach to entrepreneurship, include: (1) supporting Member States in their structural reforms, notably in the

[142] European Commission, 2016t, p. 3.
[143] The basic competences of DG REGIO will be introduced briefly in this section. Formore detailed description of the DG’s importance in the EU’s entrepreneurship policy, see section 5.2.1.1.
[144] See also the role of DG FISMA in reviewing the capital markets framework of the fund on social entrepreneurship, *infra*, 2. DG FISMA.
[145] European Commission, 2016l, p. 4.
[146] See the chart at http://ec.europa.eu/social/BlobServlet?docId=2796&langId=en.

context of the European Semester; and (2) creating better functioning labour markets with as particular priorities the inclusion of the young generation and the long term unemployed.[147]

Indeed, the focus on young people underscores much of the entrepreneurial actions undertaken by DG EMPL. DG EMPL notes in this respect that the constantly evolving labour market in the EU entails that the required skills, competences and knowledge quickly change over time, increasing the importance of not only sound basic skills such as literacy and digital skills, but also of transversal skills, including the ability to learn and take initiatives. Such transversal skills ”are essential to help people deal with today's varied and unpredictable career paths. Entrepreneurial skills contribute to employability of young people in particular, as well as supporting new business creation”.[148] In keeping with this focus, DG EMPL's mandate to further develop the skill of the EU workforce (and of third country nationals arriving in the EU) should be implemented through vocational education & training (VET) and lifelong learning.

The work programme of DG EMPL in this respect is focused on updating and realising the European Skills Agenda, the current phase of which revolves around the implementation of the Adult Learning Agenda and the Council Conclusions on VET deliverables.[149] According to DG EMPL's strategic plan for 2016-2020, the European Skills Agenda promotes life-long investment in people, "from vocational training and higher education through to digital and high-tech expertise and the life skills needed for citizens' active engagement in changing workplaces and societies, including entrepreneurial skills".[150] Additional supporting work to promote entrepreneurship operates along the known axes that support the general entrepreneurship policy of the EU, notably (a) access to microfinance; (b) assistance for social enterprises; and (c) improvement to framework conditions for companies, specifically with a view to create jobs.[151]

One of the most significant programmes through which DG EMPL contributes to these objectives is the EU Programme for Employment and Social Innovation (EaSI), established in 2013.[152] The programme is set up for the period 2014-2020 by the European Parliament and the Council with the aim of establishing a veritable "'one-stop shop' for microfinance providers at Union level, providing financing for micro-credits and social entrepreneurship, facilitating access to borrowing and providing technical assistance".[153] It is directly managed by DG EMPL and consists of three so-called axes: PROGRESS, EURES, and Microfinance and Social Entrepreneurship.[154]

The entrepreneurial objective of the EaSI programme is revealed as the promotion of employment and social inclusion, most notably through an increase in the availability and accessibility of so-called 'microfinance', in particular for vulnerable people involved in 'micro-enterprises', and by increasing access to finance for social enterprises.[155] The Microfinance and Social Entrepreneurship axis of the programme devotes at least 45% of its budgetary allocation, which is 21% of the overall EaSI programme budget of €919.469 mn, to actions underpinning social entrepreneurship.[156] Its specific objectives are varied but all ultimately aim at increasing access to and availability of microfinance for vulnerable persons and micro-enterprises.[157]

[147] European Commission, 2016l, 10-13.
[148] *Ibid.*, p. 14-15.
[149] *Supra* note 79.
[150] European Commission, 2016l, p. 16.
[151] *Ibid*, p. 15.
[152] Regulation of the European Parliament and of the Council 2013/1296/EU.
[153] Para. (13) of Regulation of the European Parliament and of the Council 2013/1296/EU.
[154] Art. 3 (1) Regulation of the European Parliament and of the Council 2013/1296/EU.
[155] Art. 4 (1)(e) Regulation of the European Parliament and of the Council 2013/1296/EU.
[156] Arts. 5 (1) *jo.* (2)(c) and 25 Regulation of the European Parliament and of the Council 2013/1296/EU.
[157] Art. 26 Regulation of the European Parliament and of the Council 2013/1296/EU. For a list of specific actions under the social entrepreneurship axis of the EaSI programme, see European Commission, 2016ai, p. 18-19.

As means of contributing to the entrepreneurship policy of the EU, DG EMPL has a number of areas of intervention, means of management and executive agencies at its disposal. Policy activities typically take the form of guiding, coordinating and governing reforms of national employment and social policies. It can also directly undertake regulatory activities in specific areas such as labour law, health & safety, workers' rights and the free movement of workers.[158] The DG can rely on a range of funding instruments to take these and other actions, the management of which is either direct, indirect or shared with other actors. Most important for our purposes are the funds with direct and shared management:

- Shared: the European Social Fund;
- Direct: EU Programme for Employment and Social Innovation, Erasmus+ and other funds for social dialogue, mobility, analysis of the social situation, demographics and the family, and contributions to decentralised agencies.[159]

The European Social Fund was established in 2013 with the specific aim to provide support to "workers, enterprises, including actors in the social economy, and entrepreneurs, as well as to systems and structures with a view to facilitating their adaptation to new challenges including reducing skill mismatches and promoting good governance, social progress, and the implementation of reforms, in particular in the fields of employment, education, training and social policies".[160] Self-employment, entrepreneurship and business creation including innovative SMEs are among the chief investment priorities of the ESF.[161] The Fund incorporates a dedicated Youth Employment Initiative, targeting all persons under 25 currently not in employment, education or training with specific programmes.[162]

Regarding the funding instruments directly managed by DG EMPL, the work of two of the four decentralised agencies supervised by the DG with particular relevance for the promotion of an entrepreneurial culture in Europe[163]. First, the European Centre for the Development of Vocational Training (Cedefop) assists in providing lifelong learning to the EU population. If originally without a clear mandate to include entrepreneurial skills in such training, the Riga Council adopted conclusions on a new set of medium-term deliverables in the field of Vocational and Educational Training (VET) for 2015-2020. These deliverables point to the importance of promoting work-based learning "in all its forms, with special attention to apprenticeships, by involving social partners, companies, chambers and VET providers, as well as by stimulating innovation and entrepreneurship".[164]

Second is the European Training Foundation (ETF), established in 1990 and more recently based on a 2008 regulation.[165] While the Cedefop works toward the entrepreneurial skills of the European populace, the ETF aims to improve coordination between the EU and countries from the European Neighbourhood to assist in their vocational training so as to improve the skills and competences of third country nationals that may want to move to the EU.[166] Though entrepreneurship is not part of the formal mandate of the Foundation as defined in the relevant regulations, the ETF has a specific programme tailored to entrepreneurial learning, focused on three core areas considered critical for

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[158] European Commission, 2016l, p. 4.
[159] See *infra* for more on these funds.
[160] Art. 2.3 of Regulation of the European Parliament and of the Council 1304/2013/EU.
[161] Art. 3.1.iii of Regulation 1304/2013/EU.
[162] Arts. 16-23 of Regulation 1304/2013/EU.
[163] See further the European Foundation for the Improvement of Living and Working Conditions and the European Agency for Safety and Health at Work.
[164] Presidency Conclusions, Riga European Council of 22 June 2015, p. 4.
[165] Council Regulation 1360/90/EEC; Regulation of the European Parliament and of the Council 1339/2008/EC.
[166] Art. 1 of the 1990 Council Regulation.

employment and growth: (i) training for young entrepreneurs; (ii) training and mentoring for women entrepreneurs; and (iii) improved skills for growth enterprises.[167] As such, the work of this Foundation is of nature to realise the focus in EU policy on improving the inclusion of migrants in the entrepreneurial workforce.

If DG EMPL is logically preoccupied with the working conditions and social inclusion of the employed workforce of the EU, the transversal nature of entrepreneurial skills and competences elevates the VET and other education and training programmes of the DG to a position with obvious relevance for enterprises and self-employed people, both within the EU and in the neighbouring countries. These tasks hence closely connect the duties of DG EMPL not only with those of DG GROW, but also with the competence of DG Education and Culture, a third key player in the Commission for promoting entrepreneurship. Moreover, the duties of DG EMPL in terms of social inclusion raise the department's stature for particular demographic groups that have been identified as being disproportionately excluded from the entrepreneurial population, such as women and migrants. These duties, as for example exercised by the European Training Foundation, provide a clear link with other DGs, such as DG HOME.

2. DG EAC

As indicated in the previous segment, the work performed by the DG for Education and Culture (EAC) is a natural complement to the actions of the DG for Employment, Social Affairs and Inclusion. Both departments are vital actors for strengthening the industrial base of the EU, which in turn functions as a key building block for a sustainable move towards a more entrepreneurial society. Moreover, its central role is highlighted in the Entrepreneurship 2020 Action Plan, which lists education and training of young and future entrepreneurs as the first priority area for both the EU and the Member States.

The DG's mission statement for the current period until 2020 notes that the efforts of DG EAC aim to "support young people, students, teachers, researchers and artists by creating opportunities to improve their skills, mobility and to take advantage of jobs and growth", with a view to creating an inclusive society.[168] Through the implementation of this objective, the DG will contribute to the flagship initiatives and cross-cutting policy areas assembled under the competitiveness and social inclusion prongs of the Jobs, Growth and Investment political guideline of the current Commission. Indeed, as per the DG's own submission, all policy areas in the remit of DG Education and Culture contribute simultaneously to the two prongs of the jobs and growth General Objective on jobs, growth and investment: competitiveness and inclusiveness.[169]

Any agenda for a comprehensive rethinking of how to create a more entrepreneurial society through investment and competitiveness must indeed take into account the competences of the Commission directorate-general for education. Under this priority area of the 2020 Action Plan, DG EAC is in particular involved in the promotion of digital literacy and other key competences identified in the Framework (*supra*), including entrepreneurship education, across all its programme actions. The nature of the task calls for close collaboration with DG EMPL, with whom DG EAC "will pursue inter-service collaboration […] to maintain consistency between policies and programme funding as regards the skills and qualifications recognition […], vocational education and training and adult learning as well as overall coherence of education and training policies."[170]

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[167] See http://www.etf.europa.eu/web.nsf/pages/Education_and_business.
[168] European Commission, 2016p, p. 4.
[169] *Ibid.*, p. 11.
[170] *Ibid.*, p. 27.

Key programmes to be taken into account for realising this objective are the flagship DG EAC programmes Erasmus+, Creative Europe and Marie Skłodowksa-Curie. In particular, the competitiveness objective of the political priority for jobs and growth may be pursued by the DG EAC's focus on "aspects related to the modernisation of education and its infrastructure, research and knowledge dissemination in the digital economy, integration of education, research and innovation, culture as a catalyst of innovation and contributor to Jobs and Growth, in particular through SMEs."[171] Particular importance should be attached in this respect to the realisation of the ET2020 agenda, which represents the strategic framework for DG EAC actions in terms of education. As a crucial transversal skill, DG EAC actions for entrepreneurship education should specifically build on its programmes of country mapping and the Erasmus+ Key Action 3 policy experimentation.[172]

Moreover, DG EAC already has set up a number of institutions that should be included, at the European level, in rethinking the entrepreneurial society. First, the EAC has established the University-Business Forum to open up a European dialogue between innovation and education. Second, specific duties of DG EAC are being realised through programmes such as Knowledge Alliances and HEInnovate. Knowledge Alliances are supported under Key Action 2 of the DG EAC Erasmus+ programme on cooperation for innovation and the exchange of good practices. They establish alliances between higher education institutions and enterprises with the aim to "foster innovation, entrepreneurship, creativity, employability, knowledge exchange and/or multidisciplinary teaching and learning".[173] In comparison, HEInnovate is a self-assessment tool established by the EU and OECD for higher education institutions looking to increase their entrepreneurial potential.[174]

The work of DG EAC is not only vital for contributing to the first priority area for education and training, however. It also holds crucial importance for the promotion of entrepreneurship through activation of key demographics currently missing from the entrepreneurial society - the third priority area. As such, the DG's work programme for the current year focuses on initiatives that tackle youth unemployment and lack of mobility among vulnerable groups. In this regard, the DG recognises that "Europe 2020 clearly calls for more innovation in Europe, which not only from a growth but also from a social inclusion perspective requires individuals to develop key competences such as digital (including new media literacy), learning to learn, social and civic competences, creativity and entrepreneurship, and cultural awareness and expression. This requires adequate support to the teaching profession".[175]

The importance of education for revitalising the entrepreneurial society in Europe is reflected in the funding at the disposal of the DG EAC. No less than €35.5 billion has been set aside for the period 2014-2020 under the general theme of education and vocational training, taken from the European Structural and Investment Funds for education, training, lifelong learning and skills development.[176] Management of these funds is shared between DG EAC and other DGs in charge, to make sure that investments therefrom are implemented in line with the various EU policy priorities and country-specific guidance that steers the activities of these departments. One of those DGs is DG EMPL, with whom DG EAC collaborates to manage the Youth Employment Initiative, to establish so-called Youth Guarantee Schemes, "which inter alia provide for the up-skilling of young unemployed people (e.g.

[171] *Ibid.*, p. 4.
[172] *Ibid.*, p. 21.
[173] Art. 8 (1)(b) of Regulation of the European Parliament and of the Council 2013/1288/EU. See also European Commission, 2016a, p. 13.
[174] See OECD, 2015. See also https://heinnovate.eu/.
[175] European Commission, 2016p, p. 36.
[176] See *infra* fore more on these fund in the context of vertical coordination.

entrepreneurship education, digital skills), an increasing number of traineeships, measures to address early school leaving and the validation of informal and non-formal learning”[177].

Like DG GROW and DG EMPL, the DG for Education and Culture exercises political supervision over a number of bodies and agencies with direct relevance for one or more issues to be taken into consideration when contemplating reforms for an entrepreneurial society. One of the key bodies in this respect is the European Institute of Innovation and Technology (EIT), whose important role was already highlighted in the Entrepreneurship 2020 Action Plan. The Institute entrepreneurship is visualised in the tag cloud on the EIT website, which most prominently features the tags ‘innovation’ and ’entrepreneurship’.[178] The mandate of the EIT is to create a more favourable environment in Europe for talent and entrepreneurship-driven innovation to flourish. Chief actions undertaken by the EIT for achieving this objective consist in facilitating cross-learning meetings on entrepreneurship, providing platforms and stimulating the entrepreneurial spirit through the organisation of the EIT Awards.[179]

EAC actions are managed through one of four implementation modes. They range from (i) direct management of programmes through the Education Audiovisual and Culture Executive Agency (EACEA) and the Research Executive Agency (REA), where the responsibility of DG EAC is assumed through the respective steering committees; indirect management through National Agencies (NAs) appointed and supervised by the National Authorities (NAUs) of the participating countries to the Erasmus+ programme; (iii) indirect management through the EIT and the European Investment Fund (EIF), mainly for the Erasmus+ Student Loan Guarantee Facility or Cultural and Creative Sectors Guarantee Facilities; and (iv) implementation of programmes by DG EAC itself under direct management, though this mode represents only a fraction of EAC expenditure, and is mainly concerned with pilot projects and politically sensitive new actions[180].

The key executive agency of the DG EAC is the EACEA.[181] It is responsible for managing the Commission’s programmes on education, training and lifelong learning, including some of those that are carried out under the umbrella of the DG for Employment (Erasmus+), in addition to EAC-specific programmes such as Eurydice.[182] By delegating the executive management of the EU programmes on education and training to one central agency, the institutional creation of the EACEA in 2009 was a vital step towards increasing coherence between the various DGs whose competence includes the promotion of entrepreneurship as a transversal skill and key competence in the 2006 Framework. Moreover, the EACEA has recently been made the executive agency for the Europe for Citizens programme, which is part of the DG HOME package, further connecting ostensibly unrelated Commission departments through overarching management arrangements.

3. DG HOME

We already noted that DG EMPL is competent for stimulating entrepreneurial skills in the nationals of pre-accession countries and States part of the European Neighbourhood, as part of a broader entrepreneurship policy. Though this reveals a close connection between DG EMPL and the DG for Migration and Home Affairs (HOME), the formal mission statement of the latter reveals little that directly relates to this objective. Indeed, the work of DG HOME is only indirectly concerned with

[177] European Commission, 2016p, p. 27.
[178] https://eit.europa.eu/.
[179] https://eit.europa.eu/activities/entrepreneurship/2016-awards.
[180] European Commission, 2016p, p. 8.
[181] Commission Decision 2009/336/EC.
[182] See the complete list of programmes in Art. 4.1 of Commission Decision 2009/336/EC.

stimulating entrepreneurship, as a means for promoting integration of migrants in the EU by facilitating the inclusion of this traditionally underrepresented demographic group in the entrepreneurial society. The recently adopted European Agenda on Migration underscores the importance of this aspect entrepreneurship, by noting that “Europe should continue to be a safe haven for those fleeing persecution as well as an attractive destination for the talent and entrepreneurship of students, researchers and workers”.[183]

Unlike the other DGs responsible for key aspects of an entrepreneurial reform agenda, DG HOME’s contributions should not be sought under the General Commission Objective for a new boost for jobs, growth and investment. Rather, its focus is on other political priorities, most notably the development of a new policy on migration, and striving for a deeper and fairer internal market with a strengthened industrial base. Taken together and viewed through the proper lens, these objectives provide ample entry points for entrepreneurial actions. As such, one of the specific objectives for achieving the former General Objective has been to adopt a new policy on legal migration to address skill shortages in the EU, and to enhance effective integration by offering an attractive EU-wide scheme for highly-qualified nationals of third countries.

Actions to be undertaken by DG HOME towards reaching this objective include an on-going revision of the so-called Blue Card Directive, adopted in 2009 to regulate the conditions of entry and residence for more than three months in the territory of EU Member States of third-country nationals for the purpose of highly qualified employment.[184] Taking into account the suboptimal implementation of this Directive by the Member States, the Commission initiated a revisal procedure that culminated in a recent proposal for a more lenient blue card framework that would allow it to be used, in part, for putting to use highly skilled employees as innovative entrepreneurs. As such, EU Blue Card holders would be allowed to exercise a self-employed activity, in parallel with their Blue Card occupation, “as a possible gradual path to innovative entrepreneurship”.[185] In addition, DG HOME plans a review of the existing legal migration instruments, to look into possible ways “for facilitating the entry of migrant entrepreneurs and service providers”.[186]

Structural links and overlapping executive agencies institutionalise the existing substantive connection between DG HOME and other DGs, thereby firmly embedding it into the patchwork of Commission departments with entrepreneurship competences. DG HOME’s work on integration of migrants requires particularly close coordination with a host of other DGs, including various DGs with important entrepreneurial tasks, namely DG EMPL, EAC, REGIO, CONNECT, ECFIN and RTD. To facilitate coordination between these DGs on the matter of integration, a new Inter-service group for the integration of third-country nationals chaired by DG HOME was established at the end of 2015.[187] Moreover, DG HOME is supported by the work of a number of decentralised EU agencies and two executive agencies, including the Education, Audiovisual and Culture Executive Agency. As noted, this agency manages the Europe for Citizens programme which has been integrated in the DG HOME portfolio since 2014.[188]

[183] European Commission, 2015f, p. 2.
[184] Art. 1 (a) of Council Directive 2009/50/EC.
[185] European Commission, 2016ad, 17.
[186] European Commission, 2016ac, p. 19. See also European Commission, 2015f, p. 15. See further Directive of the European Parliament and of the Council 2016/801/EU, discussed *infra* in D. Entrepreneurship through inclusion of specific demographic groups.
[187] For more on the EU action plan for integration of third-country nationals, see https://ec.europa.eu/migrant-integration/the-eu-and-integration/eu-actions-to-make-integration-work.
[188] European Commission, 2016ac, p. 7.

4. DG JUST

Finally, though not included in the formal title of the Commission Department, the DG for Justice and Consumers also bears specific responsibilities for ensuring gender equality and as such is an important player for guaranteeing the continued and enhanced inclusion of women in Europe's entrepreneurial society. If the name of the DG does not directly reveal its pertinence for women entrepreneurs, it does clearly indicate the lens through which the involvement of female EU citizens will be viewed, which is through the core values and principles of the Union of freedom, democracy, rule of law, tolerance, respect for human rights, and, most importantly for the present purposes, equality. From this perspective we should also look at the current mission statement guiding the daily work and policies of DG JUST, which is to "uphold and strengthen the rights of people living in the European Union, whether they are acting as consumers, entrepreneurs or workers and the rights of EU citizens in the European Union and abroad".[189]

The Directorate-General is organised by way of distinct Directorates for its divergent duties and responsibilities, among which a dedicated Directorate D for Equality. The Directorate has three departments, the first of which, D.1, comprehensively deals with Equality legislation, while the remaining two deal are required to ensure equal treatment through EU policies and daily work for specific demographics, with D.2 on Gender equality being a pertinent channel through which the involvement of female entrepreneurs may be promoted. The organisational arrangements in Directorate D give expression to the various tools which may be used by the DG JUST for achieving its stated goal of strengthening the position and rights of, among others, entrepreneurs in Europe, with particular focus on women.

DG JUST manages a large set of EU legislation that deals with issues of justice, citizenship, equality and consumer policies. Though not all of these have immediate bearing on the Union's entrepreneurship policy, the tasks of DG JUST provide an operational framework that is steadily expanding ever since the abolishment of the formal pillar structure that constrained EU activities in the field of justice, allowing for a more comprehensive approach to gender equality in all fields of Union competences by way of its direct correlation with fundamental principles of justice and democracy. More important even than managing this set of EU legislation is the coordinated implementation thereof, which requires a concerted effort on the part of both the Commission and the EU Member States, the last of which bear the primary responsibility in this respect, in order to ensure that all EU "citizens and businesses enjoy the rights and opportunities provided by EU law including in a cross border context[190]".

DG JUST prepares a number of documents that assists the Commission in measuring whether its policy objectives are achieved. For gender equality and entrepreneurship, the most important tool is the Annual report on equality between women and men which measures progress through a series of indicators that focus on, *inter alia*, the gender pay gap, labour market participation of women and women in decision-making positions. The report provides data that contributes to the preparation of the European Semester and includes such information as on EU-funded projects aimed at promoting the social and labour market integration of women, for example the support provided through the European Social Fund and the Regional Development Fund for giving training and grants to unemployed women in EU Member States that want to start up new businesses.[191]

Specifically in terms of contributions to the Commission's political guidelines, the work of DG JUST in the current period up to 2020 is connected with the General Objectives for, among others, a

[189] European Commission, 2016o, p. 3.
[190] *Ibid.*, p. 4.
[191] European Commission, 2014c, p. 10.

connected Digital Single Market and a deeper and fairer internal market with a strengthened industrial base. Few activities of the DG under these objectives specifically focus on women entrepreneurs, however, and more generally aim to secure the rights and improve the position of citizens and businesses as entrepreneurs/enterprises in Europe. In this regard, the political priority for creating a deeper and fairer internal market is concretised in specific objectives of DG JUST that mirror DG GROW activities, such as those aimed towards minimising the differences between national insolvency regimes, reducing the time and cost of insolvency proceedings and giving second chances to honest bankruptcies; a better business environment for investors, stakeholders and companies in the EU, in particular SMEs, and easier resolution of disputes and recovery of claims, including across borders, for consumers and individuals, which should give SMEs access to swift, efficient, low-cost procedures to recover claims[192].

Given the substantial congruence of objectives between both departments, it stands to reason that DG JUST cooperates closely with DG GROW, as well as DG CONNECT, in the context of a number of programmes. Other partners for DG JUST include the European Institute for Gender Equality (EIGE), an EU Agency that promotes gender mainstreaming in all EU policies and the resulting national policies. Such activity is fundamentally one of horizontal policy coherence, for it entails the "(re)organsiation, improvement, development and evaluation of policy processes, so that a gender equality perspective is incorporated in all policies at all levels and all stages, by the actors normally involved in policy-making".[193] One of the main policy areas in which the EIGE is active is entrepreneurship, and activities of the Institute revolve around a number of specific gender inequalities in entrepreneurship, namely: access to credit, finance and capital; horizontal gender segregation; reconciling work and family life; prejudices and stereotypes about women in business; and networking opportunities for women entrepreneurs.[194]

As to the last barrier, three networks have been established in recent years that are specifically dedicated to connecting women entrepreneurs throughout Europe. The European Network to Promote Women's Entrepreneurship (WES) was established by the European Commission to collect information about the activities of national and regional governments in the EU to promote women's entrepreneurship, with the aim to follow the development of the number of women entrepreneurs and of gender segregated statistics, thereby (a) making the contribution of women entrepreneurs to society more visible and (b) increasing awareness of the large proportion that women entrepreneurs represent in the area of entrepreneurship.[195] The European Network of Female Entrepreneurship Ambassadors contributes to the objective of the Entrepreneurship 2020 Action Plan by inviting female entrepreneurs to act as role models for women around Europe to start their own businesses.[196] Finally, the European Network of Mentors for Women Entrepreneurs provides advice and support to women entrepreneurs on the start-up, management and growth of their businesses in the early phases.[197]

[192] For more information on the initiatives of DG JUST, see European Commission, 2016n.
[193] http://eige.europa.eu/gender-mainstreaming/concepts-and-definitions, 'gender mainstreaming'.
[194] http://eige.europa.eu/gender-mainstreaming/sectoral-areas/entrepreneurship.
[195] European Commission, 2013b, p. 3.
[196] See the reference to this network in European Parliament resolution 2010/2275(INI), para. 28.
[197] The role of this Network is acknowledged in various EU documents on entrepreneurship policy: see, for instance, the Annex to the COSME Regulation and the Entrepreneurship 2020 Action Plan, p. 23.

B. Framing the entrepreneurship policy: supporting departments

The Directorates-General for Internal Market, Industry, Entrepreneurship and SMEs, for Employment, Social Affairs and Inclusion, for Education and Culture, for Justice and Consumers, and Migration and Home Affairs are central to the development of a comprehensive entrepreneurship policy in the EU. In addition, developing a comprehensive and workable entrepreneurship policy at EU level also requires the involvement of a number of other departments, for their competences will be vital for implementing actions under a number of priority areas for a more entrepreneurial Europe.

FIRES has set out to analyse in detail the potential for recommendations and policy changes in the areas of financial institutions, employment and knowledge in order to help increase the entrepreneurial potential of Europe. The present section will therefore focus on the tasks and contributions of the Directorates-General for Economic and Financial Affairs, for Financial Stability, Financial Services and Capital Markets Union, for Communications Networks, Content and Technology, and for Research and Innovation. Furthermore, existing policy documents of the EU reveal a role to be played by DG Environment.

Finally, considering the importance of Local and Regional Authorities and the relationship between the EU and subnational legislative entities in Member States as per the project proposal of FIRES, the present segment will also briefly introduce the Commission DG for Regional and Urban Policy, before discussing the role of this department in more detail in section 5.2.1.1. Where relevant, we will highlight the institutional and programmatic connections of all the above DGs with DG GROW, as the leading Commission department on entrepreneurship.

1. DG ECFIN

The current search for concrete means to boost entrepreneurship in Europe is a direct consequence of the economic and financial crisis of 2007-2008, illustrating the close ties between the work of the DGs developing a policy for a more entrepreneurial Union and the competences of the DG for Economic and Financial Affairs. Though the competences of this Directorate-General, in alliance with the Member States through the Council, focus on avoiding macroeconomic imbalances and streamlining monetary policies, these efforts find their policy basis in the same documents as the current entrepreneurship policy of the Commission, namely the Europe 2020 strategy and the European Semester for economic policy coordination launched one year after that.[198]

As the EU's system of economic policy coordination is becoming more comprehensive and better integrated, DG ECFIN is increasingly working in close partnership with other services of the Commission “to promote the achievement of the Union's objectives in areas such as employment and social policy, environment, energy, industry and SME policy, research and development, etc.”.[199] A crucial partner for most of the DGs responsible for developing the entrepreneurship policy of the EU, DG ECFIN takes on a leading role for some implementing tasks, including the European Semester, where it is one of the three core DGs working under the coordination of the Secretariat General, together with DGs GROW and EMPL.

[198] See European Commission, ‘DG Economic & financial affairs - Mission statement 2016-2020’, at http://ec.europa.eu/dgs/economy_finance/organisation/mission_en.pdf. See the most recent report of DG ECFIN on macroeconomic imbalances and government deficits for 2016 at http://ec.europa.eu/economy_finance/graphs/2016-03-09_macroec_imb_gov_deficits_en.htm.
[199] European Commission, 2016v, p. 3.

DG ECFIN is required to work in particular close cooperation with DG EMPL as a result of the intrinsic connection between the way the EU competences on economic and employment policies have been framed. Both policies are singled out in Article 5 TFEU as the only principal areas covered by shared competence in which the EU is responsible for the coordination of the national policies of its Member States by adopting guidelines, which should be mutually consistent with each other. In particular, it is required that the realisation of the objectives of the EU's employment policy be consistent with the broad guidelines of the economic policies of the Member States and of the Union.[200]

The coherent approach to these and other issues is facilitated by the fact that the actions of DG ECFIN are working towards the same finality as other DGs involved in developing the Union's entrepreneurship policy, namely achieving the Commission's General Objective for a new boost for jobs, growth and investment, in addition to creating a deeper and fairer European Monetary Union. To achieve these objectives, the DG has established a strategy based on five objectives, at least two of which can also assist in creating a more entrepreneurial society in Europe. These objectives relate to the promotion of growth and employment enhancing policies, as well as investment, in the EU.[201]

Key duties of DG ECFIN include designing and implementing the EU investment programmes[202]. As such, the DG occupies a crucial position in the overall management and use of the financial means set aside for performing the actions identified as priorities under the entrepreneurship policy of the EU. It bridges the competences of the Commission in this respect with other key actors at European level, such as the European Investment Bank (EIB), European Investment Fund (EIF) and, to a lesser extent, the European Bank for Reconstruction and Development.

Hence, actions aimed at achieving the Commission's General Objective for boosting jobs and growth not only include supporting the pursuit of growth and employment enhancing policies, most notably the EU 2020 Strategy and European Semester, but also, most crucially, mobilising the European Investment Plan towards increased private sector participation and enhancing the efficient use of EU resources via financial instruments, with a specific focus on SMEs.[203] These initiatives represent the primary means through which the EU is hoping to increase access to finance for entrepreneurs in Europe over the next coming years.

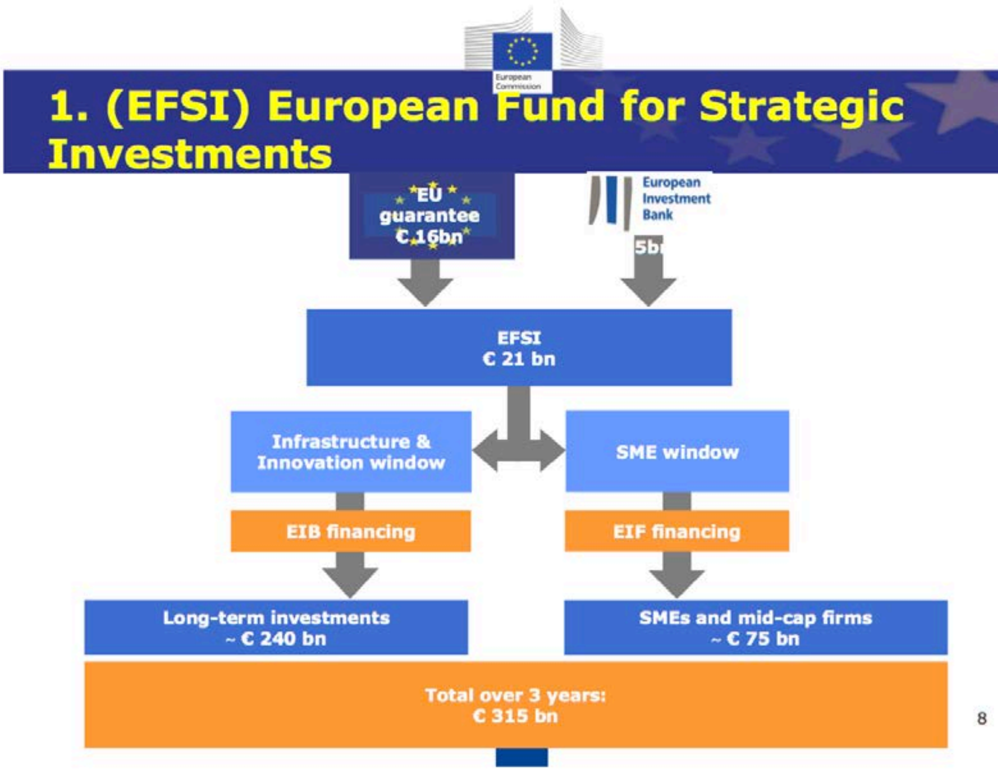
The European Investment Plan is currently being implemented through its first pillar made up by the European Fund for Strategic Investments. Initiated in 2015, the Fund aims to support investments and increased access to financing for entities with up to 3,000 employees, focusing on SMEs and small mid-cap companies, throughout the EU, depending on the supply of risk-bearing capacity to the European Investment Bank.[204] Set up by the Commission and the EIB Group, the EFSI contributes to the general entrepreneurship policy of the EU though its objective of giving "an immediate boost to the Union economy and to improve access to financing", "with the aim of reducing unemployment levels and boosting growth in the Union"[205].

Though the management of the EFSI is delegated to the European Investment Bank, the Commission retains a vital role in regulating the working of the Fund, with a central role laid out for DG ECFIN in this respect. In particular, the DG is responsible, in the current period, for the following four key

[200] Art. 146.1 TFEU.
[201] European Commission, 2016v, p. 4.
[202] *Ibid.*, p. 3.
[203] *Ibid.*, p. 6.
[204] Art. 3 of the Regulation of the European Parliament and of the Council 2015/1017/EU (hereinafter 'EFSI Regulation').
[205] Para. (13) of the EFSI Regulation.

actions to increase financing for entrepreneurs through the EFSI: (i) mobilising €100 billion of investment under the European Fund for Strategic Investments; (ii) finalising the EFSI Equity Window; (iii) providing technical assistance for project promoters supporting investment in the EU; and (iv) providing visibility to potential investment projects in the EU through the European Investment Project Portal.[206]

Figure 1. EFSI structure[207]



Through the EFSI, the Commission hopes to inject €315 billion in the economy by the end of 2017, working through an initial investment of €21 billion provided by the EU Guarantee and the European Investment Bank, distributed through the Innovation and Infrastructure Window (IIW), and the SME Window (SMEW).[208] DG ECFIN aims to mobilise €75 billion through the IIW, and €25 billion through the SMEW in 2016. So far, as of July 2016, 97 infrastructure and innovations projects and 192 SME financing agreements benefitting more than 200,000 start-ups, SMEs and mid-caps had been approved under the EFSI for a total of €20.4 billion, triggering expected investment totalling €115.7 billion.[209]

DG ECFIN is responsible within the Commission to finalise the establishment of the EFSI SME Equity Window, which specifically aims at improving access to finance for SMEs, particularly for equity financing, to counter high levels of indebtedness for some of the enterprises. The third task, providing technical assistance to project promoters, relates to the activation of the European Investment Advisory Hub, while the European Investment Project Portal, DG ECFIN's fourth key action area, is the EFSI Regulation's third and final prong intended to bring project promoters in the

[206] European Commission, 2016,u p. 8.
[207] Source: A. Robles, 2015, p. 8.
[208] For more on these EFSI window, see the EFSI Investment Guidelines in Annex II to the 2015 EFSI Regulation.
[209] European Commission, 2016ae, p. 1.

EU in touch through an online portal with investors worldwide. Hence, DG ECFIN is central to realising all key elements of the EFSI, as the first pillar of the ambitious Commission initiative for an Investment Plan for Europe.

2. DG FISMA

The existing entrepreneurship policy of the EU approaches reform and recommendations to the European economy predominantly from the micro point of view of the small and medium-sized enterprises, including individual entrepreneurs, as well as students and employees. The present study also aims for recommendations on the reform of financial institutions in Europe as an integral part of a comprehensive entrepreneurship policy, however. A mapping of EU entrepreneurship policy from this perspective would be thoroughly incomplete without also highlighting the objectives and initiatives of the Union in recent years in terms of institutional measures for strengthening finance and banking, considering the roots of the crisis the entrepreneurship policy aims to address.

Complementing the efforts undertaken by DG ECFIN and DG GROW in setting up and managing funds for the stimulation of specific projects and instruments tailored to SMEs, are the significant strides made since 2012 under the auspices of the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) towards an integrated finances and banking sector. If the capital market objective has been included, albeit fragmentary, in the 2013 Entrepreneurship Action Plan, the plan and subsequent actions based upon it have largely glossed over the merit of a European banking union. If this may be due in part to the recent nature of the most important developments in this area, the policy instruments put forward so far still make ample links with the Union's entrepreneurship policy aims and objectives.

Though framed within the overarching needs for financial stability and supervision of financial markets, actions undertaken by DG FISMA are ultimately geared towards ensuring a "well-regulated, stable and globally competitive financial markets in the interest of businesses and consumers", in particular SMEs.[210] The top priorities of the DG aim to contribute to three of the Commission's Genera Objectives, namely the creation of growth and job creation by improving the investment environment in Europe, creating a deeper and fairer internal market and moving towards a deeper and fairer economic and monetary union.[211] Of these, the actions envisaged under the first and third objective offer the closest links with the EU's more narrow entrepreneurship policy.

FISMA actions in pursuit of the first General Objective on shoring up investment for growth and jobs are mainly focused on strengthening and implementing the Capital Markets Union (CMU) as a complement to the EFSI. The CMU is considered by the Commission to be a central component of its strategy to improve Europe's business environment, in particular for SMEs.[212] Though still in its early stages, plans for the establishment of a veritable CMU have already been developed, and they would build on earlier blocks adopted across various regulations. In this respect, the Commission offered a detailed overview of its planned initiatives in the form of its Action plan on building a Capital Markets Union of 2015.[213]

The proposed initiatives are grouped around six major objectives guided by the desire to better connect financing to investment projects across the EU, deepen financial integration and increase competition. The proposed priority areas of action concern (i) financing for innovation, start-ups and

[210] European Commission, 2016x, p. 3.
[211] *Ibid*., p. 6.
[212] *Ibid*.
[213] See European Commission, 2015l.

non-listed companies; (ii) making it easier for companies to enter and raise capital on public markets; (iii) investing for long term, infrastructure and sustainable investment; (iv) fostering retail and institutional investment; (v) leveraging banking capacity to support the wider economy; and (vi) facilitating cross-border investing. Table 12 below gives a more detailed overview of the actions under each of these objectives, as well as the timetable for implementing them.[214]

Table 12. Commission initiatives for a CMU[215]

Financing for innovation, start-ups and non-listed companies		
Support venture capital and equity financing	Proposal for pan-European venture capital fund-of-funds and multi- country funds	Q2 2016
	Revise EuVECA and EuSEF legislation	Q3 2016
	Study on tax incentives for venture capital and business angels	2017
Overcome information barriers to SME investment	Strengthen feedback given by banks declining SME credit applications	Q2 2016
	Map out existing local or national support and advisory capacities across the EU to promote best practices	2017
	Investigate how to develop or support pan-European information systems	2017
Promote innovative forms of corporate financing	Report on crowdfunding	Q1 2016
	Develop a coordinated approach to loan origination by funds and assess the case for a future EU framework	Q4 2016
Making it easier for companies to enter and raise capital on public markets		
Strengthen access to public markets	Proposal to modernise the Prospectus Directive	Q4 2015
	Review regulatory barriers to SME admission on public markets and SME Growth Markets	2017
	Review EU corporate bond markets, focusing on how market liquidity can be improved	2017
Support equity financing	Address the debt-equity bias, as part of the legislative proposal on Common Consolidated Corporate Tax Base	Q4 2016
Investing for long term, infrastructure and sustainable investment		
Support infrastructure investment	Adjust Solvency II calibrations for insurers' investment in infrastructure and European Long Term Investment Funds	Q3 2015
	Review of the CRR for banks, making changes on infrastructure calibrations, if appropriate	On-going
Ensure consistency of EU financial services rulebook	Call for evidence on the cumulative impact of the financial reform	Q3 2015
Fostering retail and institutional investment		
Increase choice and competition for retail	Green Paper on retail financial services and insurance	Q4 2015
Help retail investors to get a better deal	EU retail investment product markets assessment	2018

[214] For the analysis underpinning these proposed actions, see European Commission, 2015m.
[215] Source: European Commission, 2015l, p. 29-30.

Support saving for retirement	Assessment of the case for a policy framework to establish European personal pensions	Q4 2016
Expand opportunities for institutional investors and fund managers	Assessment of the prudential treatment of private equity and privately placed debt in Solvency II	2018
	Consultation on the main barriers to the cross-border distribution of investment funds	Q2 2016
Leveraging banking capacity to support the wider economy		
Strengthen local financing networks	Explore the possibility for all Member States to authorise credit unions outside the EU's capital requirements rules for banks	On-going
Build EU securitisation markets	Proposal on simple, transparent and standardised (STS) securitisations and revision of the capital calibrations for banks	Q3 2015
Support bank financing of the wider economy	Consultation on an EU-wide framework for covered bonds and similar structures for SME loans	Q3 2015
Facilitating cross-border investing		
Remove national barriers to cross- border investment	Report on national barriers to the free movement of capital	Q4 2016
Improve market infrastructure for cross-border investing	Targeted action on securities ownership rules and third-party effects of assignment of claims	2017
	Review progress in removing remaining Giovannini barriers	2017
Foster convergence of insolvency proceedings	Legislative initiative on business insolvency, addressing the most important barriers to the free flow of capital	Q4 2016
Remove cross-border tax barriers	Best practice and code of conduct for relief-at-source from withholding taxes procedures	2017
	Study on discriminatory tax obstacles to cross-border investment by pension funds and life insurers	2017
Strengthen supervisory convergence and capital market capacity building	Strategy on supervisory convergence to improve the functioning of the single market for capital	On-going
	White Paper on ESA's funding and governance	Q2 2016
	Develop a strategy for providing technical assistance to Member States to support capital markets' capacity	Q3 2016
Enhance capacity to preserve financial stability	Review of the EU macroprudential framework	2017

The overview highlights the ambitions of DG FISMA to contribute to the long-standing objectives of the SBA and E2020 Strategy, as more recently reiterated in the 2013 COSME Regulation, to facilitate SME access to markets and finance. The revision of the aforementioned rules on European Venture Capital and social entrepreneurship funding stand out as the most direct connections between the work of DG FISMA and other DGs under the current entrepreneurship policy. Though many actions proposed and undertaken so far have been of a preparatory nature, the strategic plan for the period until 2020 emboldens the Commission to undertake a number of crucial steps that would further consolidate the creation of a veritable Capital Markets Union.

With target dates running from 2017 to 2020, such future steps principally aim to realise six Specific Objectives under the first General Objective of DG FISMA, and are geared towards (i) helping companies raise more equity in public and private markets; (ii) diversify debt funding for the corporate sector, in particular for SMEs; (iii) simultaneously reduce fragmentation of funding for SMEs; (iv) incentivise banks, insurance companies and pension funds to invest in and lend to the real economy in a sustainable way, including investing in long-term European projects; (v) identify and eliminate barriers to the free movement of capital; and (vi) increase the cross-border investment flow.[216]

[216] European Commission, 2016x, p. 11-15.

Apart from making major contributions to the first General Objective of the Commission on jobs, growth and investment, DG FISMA is arguably the most important actor for helping realise the third Objective on deepening the economic and monetary union in Europe. Action being considered in this respect are a continutation of a process started in 2012 with the adoption of a Roadmap towards a Banking Union, the rationale for which was found in the need to place the banking sector on a more solid footing in order to restore confidence in the euro currency.[217] If such a Banking Union would go a long way towards creating a better environment for SMEs and other companies in Europe, the connection between this objective and the promotion of entrepreneurship is rarely made explicit in the Union's policy documents.

The current developments for moving towards a Banking Union for Europe build on two important developments in this field in recent years. In 2013, the EU adopted two regulations that together established a bank single supervisory mechanism (SSM) under the auspices of the European Central Bank (ECB). Since then, the ECB has been conferred with "specific tasks concerning policies relating to the prudential supervision of credit institutions, with a view to contributing to the safety and soundness of credit institutions and the stability of the financial system within the Union and each Member State".[218]. This SSM has been followed up by the creation of a Single Resolution Mechanism and Single Resolution Fund, which became operational at the end of 2015.[219]

The Commission is currently focusing its efforts to complement the above regulation through a proposal for a Regulation to establish a European Deposit Insurance Scheme (EDIS). This regulation would create a common system for deposit protection as the third pillar of the European Banking Union. The proposal aims to "increase resilience against future financial crises by making national schemes less vulnerable to large localised shocks" and to "contribute to severing the link between banks and their home sovereign".[220] Other initiatives being considered as a means of deepening the economic and monetary union in Europe focus on increasing the coherence between the existing EU mechanisms for ensuring that banks hold a sufficient amount of bail-in-able liabilities to allow for smooth recapitalisation, and amendments to the rules on net-stable-funding ratio.[221]

The nature of the tasks and functions of DG FISMA as described above require that it works in close cooperation with a number of internal and external stakeholders. Internal coordination with other departments of the Commission is ensured by the close cooperation of DG FISMA with the other DGs working on the Project Teams for Jobs, Growth, Investment and Competitiveness, and Euro and Social Dialogue (see further *infra* on Project Teams). By virtue of its tasks, DG FISMA is the Commission department that works in closest cooperation with the European Central Bank. Moreover, the DG also interacts with national parliaments and other EU institutions.[222]

More so than other policy areas comprised in the EU's entrepreneurship policy, progress in realising the Banking Union and Capital Markets Union as institutional elements of a more encouraging environment for businesses and investors is particularly subject to political sensitivities. The interaction of DG FISMA with the European Parliament and the Council, as legislating institutions asked to act on Commission proposals, is therefore singled out as an important external factor that may end up diluting the content of the Commission's proposal. As noted by the DG, "[t]he final texts adopted by those institutions may differ from the Commission's proposal which may affect their

[217] European Commission, 2012c, p. 3.
[218] Art. 1 of Council Regulation 1024/2013/EU. See further Regulation of the European Parliament and of the Council, 1022/2013/EU.
[219] Regulation of the European Parliament and of the Council, 806/2014/EU.
[220] European Commission, 2016aa, p. 22.
[221] *Ibid.*, p. 23.
[222] European Commission, 2016x, p. 4.

ultimate impact".[223]

3. DG RTD

Sustainable entrepreneurship requires continuous dedication to innovation that builds on research and creativity. An entrepreneurial Europe hence cannot go without activating the competences of the Commission's DG responsible for Research and Innovation (RTD). The foundations of the EU's approach to innovation are laid down by the Horizon 2020 programme, whose close connection with entrepreneurship was already covered in a previous section of this report. For the development and implementation of this programme, the coordinating role is laid out for DG Research and Innovation, which oversees the shared management of Horizon 2020 by a diverse group of Directorates-General, including DG GROW.[224] Moreover, DG RTD assists DG ECFIN in optimising the use of the European Fund for Strategic Investments.

Like the other DGs central to entrepreneurship, DG RTD also contributes to General Objective 1 for a new boost for jobs, growth and investment. Its key contributions in this respect are mainly to be found in Specific Objective 1.2, which is dedicated to establishing the right framework conditions to capitalise on the results of European research and innovation by involving all actors in the innovation process (so-called "Open Innovation"). One of the five pillars for realising this specific objective relies on boosting investment and innovation, "especially ensuring access to finance and advice, which is about facilitating access to funds and advisory mechanisms for innovative ideas, and especially with Small and Medium-Sized enterprises".[225] The key actions on which this pillar rests are (i) optimal use of the EFSI; (ii) increasing synergies with structural funds; (iii) the European Fund of Funds; (iv) and the European Innovation Council[226].

The various initiatives of DG RTD amount to alternative paths that will be tested over the current period until 2020, when the most effective option will be determined and further elaborated. The European Innovation Council in particular should prove promising for entrepreneurs, as it is conceived as a one-stop shop for innovators, with specific focus on innovative SMEs.[227] DG RTD's task related to increasing synergies with structural funds of the EU are important to ensure coherence between this DG and other actors in the Commission and at EU level that are involved with entrepreneurship, including DG CONNECT, DG REGIO and the European Investment Bank. This task aims to maximise synergies between H2020, the EFSI and the European Structural and Investment Funds (ESIF). Of these DGs, coordination with DG REGIO is further increased through the creation of a so-called Knowledge Exchange Platform between the Commission and Committee of the Regions, which aims to "valorise and increase the impact of Europe's R&I programmes and initiatives on innovation at local and regional level".[228]

As coordinating actor of the Commission's so-called Research & Innovation Family, DG RTD plays a central role in connecting the actions of a wide range of DGs involved in developing and implementing the EU's entrepreneurship policy. These include DG GROW, DG EAC and DG HOME, as well as DG CONNECT, all of which develop policies that support or complement DG Research and Innovation policies[229]. Other internal stakeholders of DG RTD include the four executive agencies

[223] *Ibid.*, p. 5.
[224] European Commission, 2016ah, p. 7.
[225] European Commission, 2016i, p. 19.
[226] *Ibid.*
[227] For the latest on this option, see European Commission, 2016ab.
[228] European Commission, 2016i, p. 22.
[229] *Ibid.*, p. 6.

part of the Research family in the Commission, and which implement parts of the Horizon 2020 programme. They are the European Research Council Executive Agency (ERCEA), the Innovation and Networks Executive Agency (INEA), the Research Executive Agency (REA) and, crucially, the Executive Agency for SMEs. While DG RTD is the leading partner DG of the ERCEA and REA, DG GROW is chairs the Steering Committee of the EASME, through which most coordination between DG GROW and DG RTD occurs.

In this respect, though Horizon 2020 is coordinated by DG RTD, DG GROW acts as the co-managing department within the Commission for a number of programmes related to entrepreneurship. These programmes are mainly to be found in the area of Industrial leadership and cover, first of all 'Innovation in SMEs', where managerial responsibilities and financial contributions are shared 50/50 between DG GROW and DG RTD. The GROW budget for this programme supports the development and provision of innovation-related services to SMEs, while the budget provided by DG RTD is dedicated to support SME projects by the so-called Eurostars programme. Established in 2007, Eurostars is the first European funding and support programme dedicated to support research-performing SMEs in their innovative R&D projects.[230] Further, DG GROW also co-manages the Horizon 2020 Programme Committee 'Innovation in SME and Access to risk finance', which governs the SME Instrument of Horizon 2020. Finally DG GROW contributes about 1/5 of the budget for the Societal Challenges initiative on raw materials under Horizon 2020, which aims to ensure sustainable access to natural resources as a means of boosting competitiveness for European SMEs.[231] The contribution by DG GROW to this programme is implemented by EASME[232].

4. DG CONNECT

One of the six areas identified in the Entrepreneurship 2020 Action Plan for improving the framework conditions of entrepreneurs all over Europe covers actions aimed at unleashing new business opportunities in the digital age. Moreover, many other initiatives rely for their smooth implementation and operation on well-functioning digital technology. The crucial role of the Commission's DG for Communications Networks, Content and Technology (CONNECT) for entrepreneurship action in the modern age is thus undisputed. It is also clear from the DG's own mission statement for 2016, which recalls the department's duties to conceive and implement the policies for the creation of a Digital Single Market for more growth and jobs, and the promotion of a veritable digital transformation of European industry and public services through the use of innovative digital technology. Moreover, the DG has an important responsibility for providing support for the development of digital skills.[233]

The current duties of DG CONNECT are framed by the 2015 Digital Market Strategy, which itself is founded on three pillars, aiming for (a) better access for consumers and businesses to online goods and services; creating the right conditions for digital networks and services to flourish; and maximising the growth potential of our European Digital Economy.[234] The first objective in particular shows ample potential for entrepreneurial benefits, which has indeed been tapped as such in the entrepreneurship policy documents of the Commission. In that regard, the Commission notes that "[t]he Digital Single Market will provide businesses, particularly entrepreneurs, with new opportunities to scale up across Europe. Immediate action is therefore required to break down

[230] For more information, see https://www.eurostars-eureka.eu/about-eurostars.
[231] European Commission, 2008c.
[232] See European Commission, 2016ah, p. 7.
[233] European Commission, 2016z, p. 3.
[234] European Commission, 2015e, p. 3-4.

barriers to cross-border online activity including differences in contract and copyright law between Member States and reducing VAT related burden."[235]

The creation of a connected digital single market was identified by the Commission President as one of the General Objectives that underpins the work of all DGs for the current period. DG CONNECT acts as the central directorate for realising this objective, which both relies on and is itself crucial for a more entrepreneurial society: indeed, "[i]nnovative entrepreneurs are central to the digital economy[236]". DG CONNECT in this regard focuses on the need to increase access to finance for innovative entrepreneurs in particular, including equity and venture capital. While many of the means for the activation of this capital are managed by other actors, the DG in particular refers to the use of European venture capital funds. The importance of venture capital funds for supporting small enterprises that are in their very first stages of development and show significant potential for innovative growth is well known. To maximise the contribution of these funds for stimulating entrepreneurship, innovation and competitiveness, the designation of funds as 'European Venture Capital Fund' has been streamlined and is dependent on specific conditions and requirements being met.[237]

The importance of DG CONNECT for entrepreneurship does not only lie in its actions towards the realisation of the Digital Single Market. The DG also has secondary responsibilities for directly contributing to the General Objective for creating a new boost for jobs, growth and investment". As regards this objective, it should be acknowledged that an optimal use of digital technologies can greatly contribute to job creation, growth and investment in Europe. Hence, the capability of enterprises to make better use of the opportunities and challenges presented by the increased reliance on digital technologies needs to be increased. DG CONNECT contributes to this goal by boosting "investment opportunities in research and innovation towards achieving potential scientific and technology breakthroughs, in particular through the Horizon 2020 programme and the use of Public Private Partnerships[238]".

A particularly relevant aspect of DG CONNECT's activities toward a more entrepreneurial Europe in this respect concerns its Specific Objective 2.1 for 2016-2020, which aims to retain Europe's position as world leader in the digital economy, through the development and implementation of "an effective strategy for mainstreaming a start-up and digital entrepreneurship friendly approach in the activities of the DG". Concrete actions to realise this objective include carrying out an intermediate evaluation of the eHealth Action Plan 2012-2020,[239] developing a blueprint on Digital innovation for active and healthy ageing,[240] developing the European Smart Cities Framework (ESCF) and realising the potential of Horizon 2020 as a centre of innovation for young companies and dynamic SMEs in pursuit of excellence.[241]

As far as institutional links between DG CONNECT and other Commission actors for entrepreneurship is concerned, one should note that DG CONNECT is a key member of the Commission's Research & Innovation Family, headed by DG RTD. As member of this family, DG CONNECT sets the strategy for ICT-related research and innovation activities in Horizon 2020. The ICT part of the H2020 programme is supported by a number of executive agencies that share operational responsibilities with other DGs, including the EASME and the REA. Relevant internal partners of DG CONNECT go beyond the

[235] *Ibid.*, p. 4.
[236] *Ibid.*, p. 18.
[237] See Regulation of the European Parliament and of the Council 2013/345/EU. For more on the on-going revision of the EU rules on ventural capital funds in the context of reform for a Capital Markets Union, see 2. DG FISMA.
[238] European Commission, 2016z, p. 8.
[239] European Commission, 2012i.
[240] See European Commission, 2015a.
[241] European Commission, 2016m, p. 17.

DGs and executive agencies of the RTD family, and also include all DGs involved in the Digital Single Market, in particular DG GROW. According to the DG, CONNECT also cooperates closely "with major policy initiatives and partnerships, such as the Grand Coalition for Digital Jobs".[242] Priorities of this coalition include offering training packages co-designed with the ICT industry to ensure that people learn the digital skills required by enterprises, and innovative learning and teaching at vocational and university level so that students obtain the skills for success in a digital entrepreneurial environment.[243] These duties imply a close working relationship between DGs EAC and EMPL with DG CONNECT. Finally, DG CONNECT is also working with DG ECFIN for the implementation of the Investment Plan for Europe and its EFSI pillar.[244]

5. DG ENVIRONMENT

The EU's current commitment to entrepreneurship is embedded in the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth, promoting, *inter alia*, a green economy. Actions to stimulate the entrepreneurial spirit in the EU should therefore keep in mind the requirement for healthy, continuous growth as a means of protecting against regressions due to short-sighted initiatives. In order to ensure respect for the environmental policy of the EU throughout the development of an entrepreneurial policy guided by boosting jobs and growth, the Commission Directorate-General for Environment should be included in prospective recommendations for reform.

The mission statement of DG Environment underpinning the department's strategic plan for the current period is defined by the Union's 7th Environment Action Programme (EAP)[245], and aims to develop and facilitate the implementation of policies and legislation "that contribute to enabling EU citizens to live well, within the planet's ecological limits, based on an innovative, circular economy, where biodiversity is protected, valued and restored and environment-related health risks are minimized in ways to enhance our society's resilience, and where growth has been decoupled from resource use."[246] The requirement of an innovative, circular economy where growth is no longer intrinsically linked with resource use adds requirements to the conditions in which a future entrepreneurial society should take root, and hence informs the direction to be taken by the EU's entrepreneurial policy.

Much of DG Environment's work contributes to the general Commission objective to boost the creation of jobs, growth and investment in Europe, as well as the objective for a deeper and fairer internal market with a strengthened industrial base.[247] Indeed, DG Environment aims to exercise its competences in a way that will "stimulate jobs and growth and improve the sustainability of economic processes and the health and well-being of citizens".[248] The key indicators used by DG Environment for measuring progress towards these overarching objectives and other, more specific goals include the percentage of SMEs that consider the environment is a top priority for their company.[249]

DG Environment works together with a number of services to develop and implement environment policy, including GROW on its actions for a circular economy. In addition to DG GROW, DG REGIO

[242] European Commission, 2016z, p. 3.
[243] See https://ec.europa.eu/digital-single-market/en/grand-coalition-digital-jobs.
[244] European Commission, 2016z, p. 4.
[245] Decision of the European Parliament and of the Council 2013/1386/EU.
[246] European Commission, 2016r, p. 3.
[247] *Ibid.*, p. 6.
[248] *Ibid.*, p. 3.
[249] *Ibid.*, p. 32.

and DG RTD, among others, are identified as crucial partner for helping to achieve environmental goals and ensuring the integration of environmental considerations in the development of their respective policies.[250] A concrete implementation of the collaboration between DG Environment and DG GROW relates to the management of the key financial instrument of the EU dedicated to the environment and the green economy, LIFE, which has been delegated to the EASME. Under the LIFE programme, funding priority will be given to projects implementing new business models for resource efficiency in SMEs.[251]

The programme supports activities that, given their nature, would not be financed at national level. They focus on relatively small-scale projects which catalyse broader actions, in line with the catalyst intentions behind the EFSI Regulation.[252] Indeed, the LIFE Programme creates synergies across Union and national funds while leveraging additional private sector funds, "thereby increasing the coherence of Union intervention and promoting a more homogeneous implementation of the *acquis*".[253] It has therefore been argued that the programme may be more effective in implementing the Member States' environmental policies, as it pools resources and expertise, and offers a platform for exchanging best practices, building capacity, and supporting private actors, in particular SMEs, in testing small-scale technologies and solutions.

6. DG REGIO

Occupying a special position in the collective of Commission DGs with competences for developing and implementing a comprehensive entrepreneurship policy, the Directorate-General for Regional and Urban Policy and its associated funds are included here for the particular importance they hold for ensuring coherence between the EU's efforts towards a more entrepreneurial society and the sub-national legislative units of its Member States, whose pivotal role has been singled out in various interviews with Commission officials.[254] This dovetails with the prominent role of the DG as called for in its mandate formulated by the President of the Commission.

DG REGIO's contribution is particularly significant for realising five of the Commission's priorities, starting with a new boost for jobs, growth and investment. In addition, the DG has crucial duties for the General Objective related to a connected Digital Single Market (2); a resilient energy Union with a forward-looking climate change policy (3); a deeper and fairer internal market with a strengthened industrial base (4); and a new policy on migration. Its activities in support of these goals focus on funding, the European Semester, providing support to Member States and following up ex-ante conditionalities for the 2014-2020 programmes of the Commission[255].

The broad range of Commission priorities, all of which have been identified as bearing direct or indirect relevance on the development of an EU entrepreneurship policy, confirm DG REGIO as a crucial addressee of recommendations for reforming the entrepreneurial society in Europe. Given the importance of the DG for activating the entrepreneurial potential of regions in Europe, and coordinating efforts in that respect, we refer to the section on the relation between the EU and sub-national entities further on in this report for a more detailed assessment of the importance of the DG in the framework of the entrepreneurial society in Europe (see section 5.2.). By deferring an analysis of DG REGIO to that section, we can also ensure a more comprehensive account of the most

[250] *Ibid.*, p. 4.
[251] See Regulation of the European Parliament and of the Council 1293/2013/EU (hereinafter 'LIFE Regulation'); Commission Implementing Decision 2014/203/EU.
[252] Art. 3.1 (b) LIFE Regulation.
[253] Para. (47) LIFE Regulation.
[254] Interviews with various officials of the European Commission performed on site in October 2015.
[255] European Commission, 2016t, p. 6.

relevant actors whose actions contribute to realising the entrepreneurial potential of Europe's regions, such as the Committee of the Regions.

4.2.3. Coherence

4.2.3.1. Introduction

Given the numerous departments involved in the development and implementation of the existing European entrepreneurship policy, overarching suggestions for reform need to also take into account and address the ways in which the different players at Union level internally coordinate their policy approaches. In addition to the general context sketched in section 3., the above overview of the competences and policy areas of the various DGs also identified several ways in which specific DGs work together in specific programmes and overlapping policy areas relevant to EU entrepreneurship. The following section adds to this cluster of piecemeal coherence mechanisms by identifying, in a first segment, specific institutions, actors and persons at EU level that have been tasked with increasing coherence of either the general entrepreneurship policy of the EU, or salient components thereof. A second section will then identify the major mechanisms that contribute to the horizontal coherence objective among Commission actors.

Many of the actors and mechanisms that will be discussed in the present section have been established in order to promote coherence and coordination in general, without necessarily distinguishing between horizontal coordination among EU actors in general and Commission departments in particular, on the one hand, and vertical coherence between Union players in entrepreneurship policy and their counterparts at the national level in EU Member States. The present report does employ such a distinction for analytical and structural reasons, mirroring the template sketched by the proposal for the FIRES project. It should be clear, however, that a complete overview of actors whose involvement should be considered in proposals for a coherent reform of EU entrepreneurship policy should take into consideration the players listed in the following paragraphs as well as those discussed in section 5.1.4. of the report.

4.2.3.2. Institutional: actors ensuring coherence

The parameters set out by the proposal for the current project indicate that we should look at institutional factors ensuring horizontal coherence within the EU through the central driving force that is the European Commission. Indeed, the Commission is the key Union actor that should lead coordination efforts in general EU policy, and for entrepreneurship and industrial policy-making in particular, both between Member States and among its various Directorates-General[256]. As to the latter objective of horizontal coherence, central guidance on industrial policy and entrepreneurship for the current timeframe is provided by the General Commission Objectives 1 on a new boost for jobs, growth and investment, and 4 on a Deeper and fairer internal market with a strengthened industrial base. Though we have seen that other General Objectives are also relevant for guiding aspects of current and future entrepreneurship policies at Union level, effective coherence demands a limited number of strong, centralised concepts and policies, carried out by a single department through a series of clearly identified institutional associations operating along the lines of focused mechanisms.

At the institutional level, it is clear that the DG for Internal Market, Industry, Entrepreneurship and SMEs is the primary department formally tasked with giving central guidance to EU activities on entrepreneurship, even if this mainly follows from the central position of the DG in implementing

[256] Vanden Bosch, 2014, p. 25.

the current E2020 Action Plan.[257] The coordinating role of DG GROW goes beyond the duty to align the actions of the various DGs in this respect to encompass the initiatives and responsibilities of all actors at EU level whose coordinated contributions are crucial to strengthening the entrepreneurial focus and output of the European workforce. In this respect, it has been noted that DG GROW is "committed to deepen the inter-institutional cooperation, especially with the Council, the European Parliament, the Committee of Regions and the European Economic and Social Committee as well as with national Parliaments. The DG regularly explores ways to enhance the political dialogue with the other institutions to facilitate the decision making process".[258] However, DG GROW also occupies a central position within the Commission, and is led by a number of civil servants with central roles and responsibilities for coordinating the Commission approach to entrepreneurship.

Within DG GROW, the Commissioner and the Chief Economist Team are the most crucial actors for ensuring entrepreneurship coherence by virtue of their responsibilities to see to it that all actions undertaken by other DGs also take into account the priorities for entrepreneurship as set out by DG GROW. DG GROW operates under the political leadership of Commissioner Elżbieta Bieńkowska. She represents DG GROW on the Project Team on Jobs, Growth and Investment, which aims to ensure a two-way coherence between DG GROW and other DGs (see *infra*). Further, the Commission of DG GROW acts as the EU SME envoy, and in that capacity is responsible for ensuring that all EU policies respect the think small first principle championed by the Small Business Act (see *infra*). Since September 2015,[259] the DG is managed by Director-General Lowri Evan, who is supported by a Chief Economist Team[260] The Team ensures that all policy decisions of the DG are based on sound economic data and analysis, and implements the Better Regulation package[261]. As such, the Director-General and the Chief Economist Team are responsible for one of the key mechanisms intended to promote horizontal entrepreneurship policy coherence (see *infra*).

Many DGs tasked with actions related to the EU entrepreneurship policy work together through a number of Project Teams in order to achieve cross-cutting objectives, led by the Commission Vice-Presidents.[262] As such, DG GROW is active in six out of seven project teams established during the presidency of President Juncker, a number of which correspond to specific Political Guidelines and General Objectives[263]:

- Jobs, Growth, Investment and Competitiveness
- Digital Single Market
- Energy Union
- Euro and Social Dialogue
- Better Regulation and Interinstitutional Affairs
- Budget and Human Resources

[257] "However different policy areas may also have entrepreneurship as an important element to be addressed, or may have an impact on how the EU supports entrepreneurship (such as Education, Research, Regional policy, etc.). In this respect there is not a central unit dealing with the coordination of all actions undertaken by the different departments. In DG GROW, and particularly in the Unit where I work, we have the responsibility for the overall coordination of the implementation of the Entrepreneurship 2020 Action Plan, which includes a number of concrete proposals and actions. Such actions are implemented by different departments, not only by DG GROW. Therefore a good degree of coherency exists for the proposals included in that document. We follow the same strategic framework": interview with Simone Baldassarri, Policy Officer of DG GROW's Unit F.2 – Clusters, Social Economy and Entrepreneurship, 15 June 2016.
[258] European Commission, 2016ah, p. 9.
[259] http://ec.europa.eu/growth/about-us/director-general/index_en.htm.
[260] http://ec.europa.eu/growth/about-us/index_en.htm
[261] http://ec.europa.eu/growth/about-us/chief-economist/index_en.htm.
[262] http://ec.europa.eu/growth/about-us/index_en.htm
[263] For an overview of all seven project teams, their structure and composition, see http://ec.europa.eu/about/structure/docs/structure_en.pdf.

Though all of these project teams touch upon issues of entrepreneurship, including employment and financial affairs, the most important project team for our purposes and for ensuring coherence in all issues related to entrepreneurship, is the Project Team on Jobs, Growth, Investment and Competitiveness, which is led by Vice-President Jyrki Kaitanen. The Project Team structurally reflects the cooperation in overlapping policy areas of various DGs and as such is a major factor in ensuring coherence between these actors in order to achieve a number of goals related to the creation of an entrepreneurial society.

Indeed, coherence is stressed as a general guideline for the actions of the Project Team, though it is mainly focused on the relations between the Commission and other EU institutions, as well as the Member States of the Union. As such, the instructions note that "[t]he Commission's partnership with the other EU institutions and the Member States, as defined in the Treaties, is fundamental. The Union only succeeds when everyone is pulling in the same direction[264]". In particular, the relationship between the Commission and the European Parliament is stressed, for it is the source of the Commission's, and, by extension, the EU's democratic legitimacy.

The priorities for Vice-President Kaitanen have been described in some level of detail in the Mission Letter that President Juncker has issued for each Vice-President.[265] In this Mission Letter, the Commission President gives some direction to the coordinative tasks of Kaitanen related to entrepreneurship. Noting that the new structure of the Commission is aimed at "[overcoming] silo mentalities by working jointly on those areas where we can really make a difference", project teams have been established that "will allow for a better focus and a much stronger cooperation amongst Members of the College, with several Commissioners working closely together as a team, led by the Vice-Presidents, in compositions that may change according to need and as new projects develop over time".[266]

The description of the tasks of the Vice-Presidents clearly lays down their responsibilities for ensuring horizontal coherence among all Commission departments in relation to the subject matter covered by the relevant Project Team. Notably, the Vice-President of the Project Team for Jobs, Growth, Investment and Competitiveness is required to steer and coordinate the work in his area of responsibility, which involves "bringing together several Commissioners and different parts of the Commission to shape coherent policies and deliver results. Assessing how and whether proposed new initiatives fit with the focus of the Political Guidelines".[267] In addition, the Vice-President is also responsible for ensuring a coordinated implementation, follow-up and communication of the Commission priority areas by all EU actors, as well as the national parliaments of Union Member States.

Importantly, the general rule is put forward that the Commission President "will not include a new initiative in the Commission Work Programme or place it on the agenda of the College unless this is recommended to [him] by one of the Vice-Presidents on the basis of sound arguments and a clear narrative that is coherent with the priority projects of the Political Guidelines".[268] This implies that any new recommendations for major policy shifts in the areas covered by one of the Project Teams, including all matters of entrepreneurship aimed at stimulating the competitiveness of Europe's SMEs, need to pass through the Vice-President of the relevant Project Team, for it to be included in the Work Programme of the European Commission.

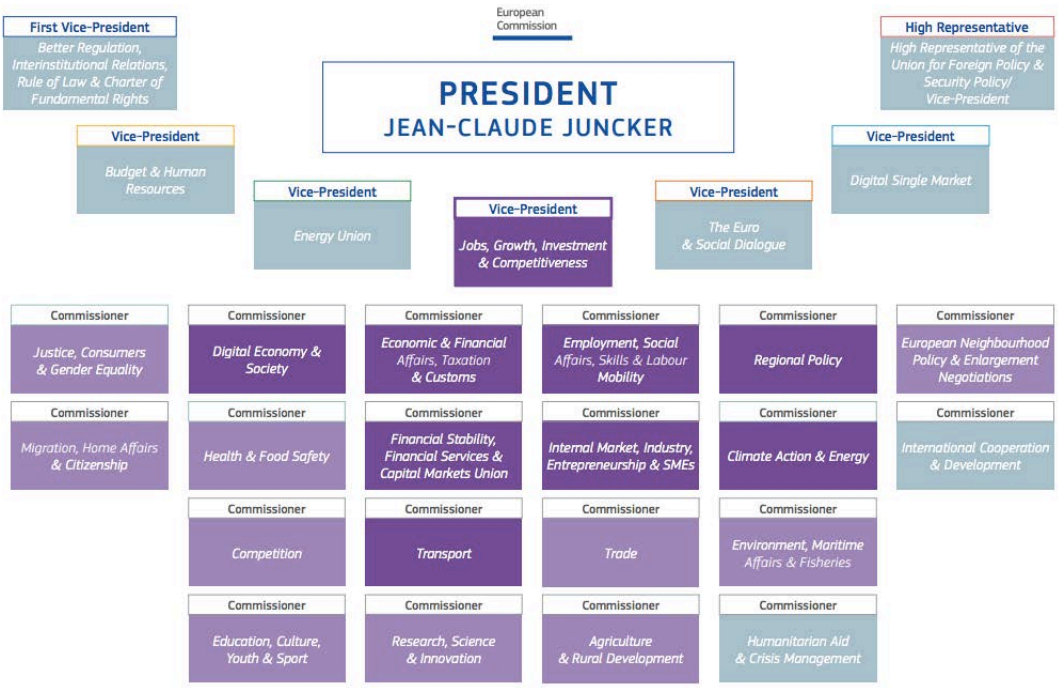
[264] Juncker, 2014b, p. 5
[265] *Ibid.*
[266] *Ibid.*, p. 2.
[267] *Ibid*.
[268] *Ibid*.

Up to 19 out of all 33 Directorates-General are represented in the various Project Teams of the European Commission, with the Team for Jobs, Growth, Investment and Competitiveness being the second-most inclusive Project Team, calling on 17 different Commissioners to contribute to a coherent development and implementation of an investment and industrial policy that can stimulate growth and competitiveness. This diverse composition allows Vice-Presidents to draw on any service in the Commission whose work is relevant for their area of responsibility, in consultation with the relevant Commissioner.[269]

Though the composition of the Project Team on Jobs, Growth, Investment and Competitiveness largely overlaps with the patchwork of DGs and corresponding policy areas identified as contributing to the development of a comprehensive entrepreneurship policy, it stands to reason that some divergences should arise. As such, a number of DGs are included in the Project Team that do not play a central role in the Union's entrepreneurship policy, while the limited formal involvement of others in the Project Team does not appear to correspond to their crucial responsibilities in developing this policy, as evidenced by the documents analysed earlier in this report.

The following graph shows the extent to which the 19 Directorates-General included in the seven Project Teams are involved in the Jobs Team:

Figure 2. Composition Project Team on Jobs, Growth, Investment and Competitiveness[270]



It is clear from the above graph that DG GROW is a crucial player in the Project Team for Jobs, Growth, Investment and Competitiveness. The central role of DG GROW is clear from Kaitanen's Mission Letter, which notes that "[t]he focus of […] additional investment should be in infrastructure, notably broadband and energy networks as well as transport infrastructure in industrial centres; education, research and innovation; and renewable energy and energy efficiency. A significant amount should be channelled towards projects that can help get the younger generation back to work in decent jobs. Moreover, jobs, growth and investment will only return to

[269] *Ibid.*, p. 3.
[270] Source: http://ec.europa.eu/about/structure/docs/structure_en.pdf.

Europe if we create the right regulatory environment and promote a climate of entrepreneurship and job creation."[271] Hence, Kaitanen should focus, *inter alia*, on "Keeping the competitiveness dimension prominently at the heart of the Commission's policy work and helping improve the business environment in order to strengthen Europe as an attractive place to work and invest".[272]

In addition, central roles are laid out for the DGs EMPL, ECFIN and REGIO. While Transport has not been identified in the Commission documents as a central figure in the development of its entrepreneurship policy, the transport competence, and the related competence for Trans-European Networks, may be called upon for entrepreneurial purposes as well. Finally, the most obvious mismatch between the composition of the Jobs Team and a putative Entrepreneurship Team is the involvement of the DG EAC, which, though one of the central pillars of the Union's entrepreneurship policy, ostensibly only plays a secondary role in the Project Team on Jobs and Growth. To be sure, education is mentioned alongside innovation and research as a key destination of increased investment for sustainable growth in the Commission President address to the Vice-President of the Jobs Project Team. Still, a coherent approach towards a more entrepreneurial Europe will need to pay particular attention to guaranteeing the continued involvement of DG EAC in this Project Team.

The allocation of portfolios and supporting services between European Commissioners for the period of 2014-2019 better illustrates the relative importance of the work of the various DGs for the different Project Teams.[273] As such we can see from this division of responsibilities that the Vice-Presidents of four Project Teams will "in particular" "need to steer and coordinate the work of several Commissioners", including DG GROW, namely the Vice-Presidents for the Digital Single Market, Energy Union, Euro and Social Dialogue, and Jobs, Growth, Investment and Competitiveness. Of these, the Team on Social Dialogue is arguably the second most important one for matters of entrepreneurship. This is indeed reflected in the composition of the Team, which is also in charge of financial stability, financial services and capital markets union. The Team is exclusively composed of DGs that have been singled out earlier as having key responsibilities for entrepreneurship, namely DGs GROW, ECFIN, JUST, EMPL, REGIO and EAC.

As noted above, the person of the Commissioner of DG GROW is not only important for giving direction to the work of the Directorate-General responsible for, *inter alia*, entrepreneurship and SMEs, and as a crucial actor in the Jobs and Growth Project Team, but also as the EU SME Envoy. The Network of Envoys for Small- and Medium-sized Enterprises was set up as part of the machinery to follow up the implementation of the Small Business Act. It is one of the components of the Enterprise and SME Policies Group, set up by a Commission Decision of 4 July 2012 as a follow up to the Enterprise Policy Group of 2000[274]. The decision is based on Article 173 TFEU concerning the Union's competences on industrial policy. The Group has been set up with effect from 1 January 2013 (Article 1 of the Decision), and the decision applies until the end of 2020 (Article 7). The Commission may consult the Group "on any matter relating to enterprise, SME and industrial policy" (Article 3).

The Enterprise and SME Policies Group bears specific responsibility for ensuring that the concerns of Europe's SMEs are reflected in the legislative and policy processes at the EU and across the Member States, and as such is a crucial player in promoting coherence at the horizontal and vertical levels. This is reflected in the tasks of the group, which are to advise the Commission in the preparation of legislative proposals and enterprise and industrial policy initiatives; to establish cooperation between Member State bodies and the Commission on questions relating to enterprise, SME and

[271] *Ibid.*, p. 4.
[272] *Ibid*.
[273] European Commission, 2013c.
[274] European Commission, 2012b. See further European Commission, 2000a.

industrial policies to monitor the evolution of policy in the field of enterprise, in particular as regards SMEs; and to bring about an exchange of experience and good practice in the field of enterprise, SME and industrial policy issues (Article 2).

The group is composed of two chambers: ESPG I, composed of the Directors-General, and the aforementioned Network of SME Envoys, or ESPG II. If both chambers are predominantly active in ensuring a coordinated approach to entrepreneurship across EU Member States,[275] the SME Envoy Network is particularly active in promoting horizontal and vertical coordination of SME policies: the Network underscores the vital importance of ensuring that SME aspects are taken into account "in all legislative and policy initiatives both on EU and Member States' level".[276] By representing the interests of the SME community in the EU law-making process and underpinning these findings with data and analysis derived from the practice of all Member States, the SME Envoy Network essentially acts as a fact-finding group supporting the implementation of the SBA's Think Small First principle across the board of Union legislation and policy-making.

In particular, the position of the Commissioner of DG GROW in the Network of SME Envoys offers ample potential for stimulating coherence between the various Commission departments in terms of entrepreneurship. As the assigned head of the Network of SME Envoys, the DG GROW Commissioner has two major roles: first, she is responsible for opening up channels of communication between the European Commission, SMEs, and their representative organisations; secondly, and more importantly for the present report, she is also responsible for promoting SMEs' interests throughout the whole Commission, in particular by ensuring that the Think Small First principle is applied effectively in all initiatives implementing the relevant EU strategies. The EU SME Envoy examines Union polices that could impact SMEs and ensures that their interests are taken into account during law- and policy-making:

"[t]he Envoy's task is part of the impact assessment system intended to ensure that the Commission's proposals are subject to prior evaluation of their economic, environmental and social effects. The key contribution of the SME Envoy is to argue SMEs' case at an early stage of the law-making process and thus anticipate the effects of new laws. In this way, the Envoy's work increases coordination within the Commission on issues concerning SMEs".[277]

The SME Envoy Network holds four meetings every year in which various aspects related to the implementation of the SBA are discussed, as are other SME policy issues. To align the discussions of the Network with the Commission, one of these meetings is held jointly with Directors-General representing Member States' administrations responsible for enterprise and industry policies.[278] The Network hence is the appropriate forum at which to introduce and discuss matters of relevance for enterprises and entrepreneurs across Europe in a coordinated fashion. In this process, it is then up to the Commission, in particular the DG GROW Commissioner acting as the EU SME Envoy, to guarantee the coordination and good governance of this discussion. As such, the Commission stressed, in a communication on the need to help European SMEs to internationalise their operations outside the external borders of the EU, its own responsibility in setting up appropriate forums and keeping a specific focus on this issue at the regular meetings of Member States' SME Envoys.[279]

[275] See therefore a more elaborate discussion of the role of these groups *infra*, section 5.2.
[276] SME Envoy Network, 2015, p. 6.
[277] http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:n26035&from=NL
[278] See European Commission, 2012b.
[279] European Commission, 2011d, p. 4.

The incorporation of national SME envoys in the Network is a measure naturally aimed at ensuring vertical coherence between EU and MS, through coordination in a central group. Nevertheless, their integration in this Network can also contribute to a coherent discussion among the various departments of the European Commission, for individual SME Envoys act as rapporteurs for specific subjects as well. The rapporteur for a specific policy area related to entrepreneurship and SMEs will then gather information from the other Envoys and will provide an analysis of national practices.[280] This distribution of various priority areas relevant for entrepreneurship among the various national SMEs, taken together, encompasses all major policy areas of the current entrepreneurship approach by the EU. In addition, a specific envoy is tasked with the coordination of Entrepreneurship matters.

Table 13. List of priority areas covered by SME envoys[281]

Area	Envoy(s)
Access to finance	Netherlands
Training and skills	Austria and Germany
Green Economy	Denmark
Internationalisation/access to markets	Spain, with Germany, Italy and Ireland
Key-enabling technologies and clusters	France
2nd chance	To be reattributed
Entrepreneurship, including entrepreneurship education	Croatia
Family business related issues and transfer of businesses	Malta
Better regulation and reduction of administrative burdens	UK
SME test	Belgium
Licensing	Ireland
Public procurement	To be attributed
Digitalisation	Sweden
Trademarks and IPR	To be attributed
Scaling up	Denmark

Finally, the Network of SME Envoys invites the views of enterprises and entrepreneurs across Europe, though does so not on a national basis, but horizontally, through the participation of a number of EU-level SME organisations, such as European Small Business Alliance, the Young Entrepreneurs for Europe, and the European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises.[282]

4.2.3.3. Mechanisms for promoting coherence across the EU

In addition to the cross-policy mechanisms employed by EU institutions to promote coherence across EU actors in law- and policy-making, specific tools have been adopted in the past decade, in particular since the adoption of the Small Business Act, to ensure a coherent approach to implementing the EU’s entrepreneurship, industrial and competitiveness policy through legislative acts initiated by various departments of the Commission. Not only the Union’s policies but also the programmes developed to realise the objectives of these policies, and which, as we have seen, are often managed by different agencies answering to different DGs. As such, the COSME Regulation is

280 SME Envoy Network, 2014, p. 2.
281 Source: http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-envoys/index_en.htm.
282 See the list of observers at the SME Envoy Network at http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2666&NewSearch=1&NewSearch=1.

mindful of the need to develop close synergies with other, complementary Union programmes, such as the Horizon 2020 Programme and the EU Structural Funds, to ensure that they do achieve added value and substantial impact of Union funding, while acknowledging that each instrument should work according to its own specific procedures.

A number of mechanisms have been put in place to ensure that EU legislation in realisation of the main goals of the Union's entrepreneurship policy is internally consistent with and complementary to each other. Though these are concerns that need to be heeded by all players in the EU, the initiative should be with the Commission. Further, it stands to reason that tools developed and applied for horizontal coherence in entrepreneurship matter will mainly be managed by DG GROW. This DG has two key mechanisms at its disposal for this purpose: (a) the Regulatory Fitness and Performance (REFIT) programme; and, in particular, (b) the SME Test as a means of promoting the systematic use of the Think Small First principle when performing Impact Assessment procedures. These mechanisms contribute to a concerted entrepreneurship approach at both the EU and Member State levels, though follow-up at the latter level is still largely reliant on voluntary cooperation by national authorities. Both the REFIT programme and the SME Test contribute to the key objective of the entrepreneurship policy to improve the regulatory environment in which SMEs, including single entrepreneurs, operate:

"Administrative burden can hinder SMEs to grow and thus to generate jobs. The Commission will continue its Regulatory Fitness (REFIT) programme whereby existing EU legislation is screened to make it simpler and less costly for business and citizens. In order to fully implement the Think Small First principle at EU and national level, DG Grow will continue to promote the systematic use of the SME test in the Commission impact assessment procedures and encourage Member States to do the same. In 2012 only 15 Member States used the SME test while the aim of the Commission is that by 2020 all Member States use it. Also, the DG seeks to ensure that the overall cost of EU regulation to European industries (identified through cumulative costs assessments) does not negatively impact their competitiveness resulting in the loss of investment and jobs."[283]

The general REFIT programme and specific SME Test are part of a wider attempt at streamlining EU legislation through the so-called Better Regulation Agenda. The current incarnation of the agenda comprises both Better Regulation Guidelines (BRG) and a Better Regulation Toolbox (BRT), adopted in May 2015 by the European Commission. The Better Regulation Agenda is part of the Commission's Growth and Jobs strategy and is hence intrinsically connected with the priority area of the Union's entrepreneurship policy that addresses SMEs and the regulatory environment in which they operate[284]. As the backbone of Europe's economy, assessing how SMEs are affected by EU legislation is of crucial importance for the BR package to have any effect.

The Commission's Better Regulation Agenda covers the whole policy cycle, ranging from the design, preparation and adoption of policies to their regulatory and non-regulatory complementary implementation and transposition, their application, including enforcement, evaluation and revision: "[f]or each phase of the policy cycle, there are a number of Better Regulation principles, objectives, tools and procedures to make sure that the EU has the best regulation possible. These relate to planning, impact assessment, stakeholder consultation, implementation and evaluation."[285] The BR Guidelines are mandatory requirements and obligations that allow for a procedural roadmap to ensure a coherent approach determined by fundamental considerations essentially aimed at increasing sustainability and competitiveness through a clearer, simpler and more effective regulatory environment, including for SMEs:

[283] European Commission, 2016ah, p. 11.
[284] European Commission, 2007a, p. 2.
[285] European Commission, 2015h, 5.

"The European Commission is determined […] to ensure that its proposals meet policy goals at minimum cost and deliver maximum benefits to citizens, businesses and workers while avoiding all unnecessary regulatory burdens. This is key to support growth and job creation – allowing the EU to ensure its competitiveness in the global economy - while maintaining social and environmental sustainability".[286]"

Though the BR Guidelines are binding, they should be applied "in a proportionate manner using common sense".[287] In addition to the BRG, a complementary BR Toolbox provides guidance for applying the Guidelines, and is not binding unless explicitly stated.[288]

Therefore, the Commission pays particular attention to the rules that affect SMEs in order to cut down on red tape. Every legislative proposal prepared by the Commission should include a detailed explanation of reasons that inspired the initiative and what the likely environmental, social and economic impacts are, in particular the impacts on competitiveness and SMEs.[289] Moreover, the BR package places special emphasis on the continued incorporation of the views of stakeholders, including notably businesses and enterprises. They are invited to air their views and formulate comments, both at fixed intervals and at any time in the legislative process through informal features on the Commission's Better Regulation website.[290] Regarding entrepreneurs, the Commission specifically plans to extend its outreach to social partners and stakeholders, particularly SMEs, "through direct contact at conferences in Member States, and through consultation via European and national SME associations and the Enterprise Europe Network".[291]

Figure 3. EU policy cycle[292]

[286] *Ibid.*, p. 4.
[287] *Ibid.*
[288] *Ibid.*
[289] European Commission, 2015g, p. 5.
[290] *Ibid.*, p 6.
[291] European Commission, 2014a, p. 15.
[292] Source: S. Piller, 2015.

The BR package adopts a top-down approach to ensure coherence in regulatory approaches taken by the Commission. It starts with an assessment of the political priorities of the President, of which we have seen a number address issues related to the promotion of entrepreneurship. These priorities subsequently inform the Commission priorities and the Commission's annual work programmes. Major initiatives must then be validated by the relevant lead Commissioner, Vice-President and First Vice-President of the Commission during the planning phase.[293] For entrepreneurship policy, a key role is hence laid out for DG GROW and Commissioner Bienkowska, and Vice-President Kaitanen. The First Vice-President is responsible for better regulation and interinstitutional relations, and acts through a Project Team that lists, among others, the DG GROW Commissioner among its members.

The BR Agenda is hence a crucial mechanism for ensuring coherence in the way entrepreneurship goals are reflected in EU legislation across the board within the European Commission. The Secretariat-General and all relevant services are instructed to apply the BR Guidelines through constructive and timely collaboration.[294] To ensure a coordinated approach to Better Regulation across the Commission departments, all evaluations, impact assessments, stakeholder consultations, policy proposals and implementation plans must be prepared collectively by the services within an interservice group: "[i]t is important that all services with an interest participate actively in the interservice work from the outset, particularly those DGs with specific expertise", in order to assess SME impact, competitiveness and social impacts.[295]

However, a coherent approach to policy-making and legislative proposals by the Commission does not guarantee a coordinated outcome at the European level alone, and a veritably coherent approach to entrepreneurship at EU level requires that all legislative bodies of the Union cooperate

[293] European Commission, 2015h, p. 7.
[294] *Ibid.*, p. 5.
[295] *Ibid.*, p. 7.

for the achievement of the BR goals, as do the national authorities of the Union's Member States: "[t]he European Parliament and the Council should […] mirror the Commission's commitment to better regulation, as should Member States when transposing and implementing EU law. […] Real change will only happen through a commitment shared between all EU institutions, and each and every Member State".[296] This is not always the case, however, for, as the Commission itself notes,

"between 2007 and 2014, the Commission produced over 700 impact assessments; in the same period, the European Parliament assessed the impact of around 20 of its amendments, while the Council assessed none. Only rarely do the co-legislators begin their consideration of a proposal with a proper review of the Commission's impact assessment. And particularly in the final stages of negotiations, deals are found without taking full account of the direct and indirect impacts that compromise amendments may trigger."[297]

Smart regulation is an issue that needs to be tackled through impact assessment exercises in all EU institutions alike, be they Commission, European Parliament or Council. Only piecemeal progress has been reported on this issue over the years[298]. The issue of inter-institutional coherence has been a sore point in EU legislation for a long time, and has been the subject of a number of initiatives, such as the 2003 Interinstitutional Agreement on Better Law-making.[299] The Better Regulation package itself acts as the latest addition to this lineage that hopes to improve the EU's record in this respect. As part of the BR package, the Commission also put forward a proposal for a new interinstitutional agreement on better regulation.[300]

In line with the Commission's duties in terms of initiating annual and multi-annual work programmes[301], the proposal requires the European Parliament, the Council and the Commission to agree annually on a list of proposals which will receive priority treatment in the legislative process. This list will include, in particular, "proposals to update or simplify existing legislation and to reduce the regulatory burden, especially for small and medium enterprises".[302] In their implementation of EU legislation, Member States will also need to assess the impact of national measures in terms of administrative burdens on businesses. Moreover, the three legislative institutions at EU level should agree to "cooperate continuously to update and simplify legislation and to reduce unnecessary regulatory burdens for business, administrations and citizens. They will take the Commission's Regulatory Fitness and Performance (REFIT) Programme, or any other future programme with a similar objective, as a basis for this task".[303]

The Regulatory Fitness and Performance programme is the component of the Better Regulation Agenda of the EU that focuses on the continued relevance of existing Union legislation. REFIT aims at simplifying and reducing the regulatory costs of such existing EU legislation while retaining the benefits therefrom.[304] The programme complements the efforts made by the Commission in applying the Think Small First principle by using the full set of regulatory instruments (from enhanced consultations and impact assessment to specific implementation monitoring) to adapt EU regulation to the needs of micro-enterprises.[305] REFIT priority areas build on on-going initiatives of the EU at other levels as well. For SMEs, the fitness checks are inspired by, for instance, the results of

[296] European Commission, 2015g, p. 8.
[297] *Ibid*., p. 8.
[298] See, for example, European Commission, 2012i, p. 10.
[299] Interinstitutional agreement on better law-making of 16 December 2003.
[300] European Commission, 2015i.
[301] Art. 17.1 TEU.
[302] European Commission, 2015i.
[303] *Ibid*., para. 34.
[304] European Commission, 2016d, p. 2.
[305] European Commission, 2012i, p. 2.

the consultation of SMEs on what they consider to be the Top Ten most burdensome EU regulations (see *supra*). As such, it is the key driver of cutting down on administrative costs for SMEs in Europe, and this aim is reflected in a number of achievements made through the programme over the past couple of years.

Though regulatory simplification initiatives have been undertaken in all EU policy areas, specific emphasis has been placed on actions in 13 different policy areas directed at savings for European businesses, as part of the Administrative Burden Reduction (ABR) programme. The ABR programme set out to achieve a reduction of 25% in terms of unnecessary administrative burdens imposed on businesses by the existing regulation of the EU. The goal was considered to be a joint objective that could only be attained "on the basis of a shared responsibility and a common endeavour by the Member States and the European Institutions".[306] If the ABR programme is hence primarily a means of directly realising one of the objectives of the EU entrepreneurship policy, it is also a tool to ensure that this objective is realised in a consistent and coherent fashion, through concerted efforts of all actors in the EU, and by all Member States.

The ultimate aim of the REFIT programme developed by the Commission is to "screen the entire stock of EU legislation on an on-going and systematic basis to identify burdens, inconsistencies and ineffective measures and identified corrective actions".[307] The requirements of a systemic review necessarily imply that such assessment and evaluation is done in a coherent fashion according to the same principle adhered to by all relevant actors at EU level. However, the Commission is only responsible for measures taken to reduce the burden of EU legislation, and the most tangible results are therefore felt in the field of horizontal coherence. Indeed, the REFIT programme essentially proposes a bifurcated system where the Commission "measures administrative burdens related to Community legislation and national transposition, and draws up appropriate reduction proposals while Member States measure and reduce the administrative burdens of purely national and regional legislation".[308]

The ABR programme singled out 13 areas as priority areas for administrative burden reduction action. Though these understandably largely fall under the umbrella of DG GROW, the selection is sufficiently broad so as to span a number of policy areas covered by other Commission departments as well, and it covers the following:

1. Company law
2. Pharmaceutical legislation
3. Working environment/employment relations
4. Tax law (VAT)
5. Statistics
6. Agriculture and agricultural subsidises
7. Food safety
8. Transport
9. Fisheries
10. Financial services
11. Environment
12. Cohesion policy
13. Public procurement

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306 European Commission, 2007a, p. 2.
307 European Commission, 2014a, p. 2.
308 European Commission, 2007a, p. 3. This vertical aspect of coherent entrepreneurial reform is tackled by the ABR-Plus programme, which we will discuss in the appropriate section *infra*.

The positive impact on horizontal coherence across the board of Commission DGs generated by the ABR programme is clear from the fact that the initiatives undertaken in the above 13 priority areas are joined by the end goal of reducing red tape for businesses in Europe. In so doing, all Commission departments need to follow a set of common principles guiding the process of how to make a significant contribution to reducing administrative burdens. These pertain, *inter alia*, to reducing the frequency of reporting requirements to the minimum levels necessary to meet the substantive objectives of the legislation and align the frequency of reporting across different related pieces of legislation, where possible; reviewing whether the same information obligation is not requested several times in different pieces of legislation; introducing thresholds for information requirements, limiting them for SMEs where possible; and providing official clarification of complex pieces of legislation that may either slow down business activities, or require acquiring legal expertise.[309]

The 2014 and 2015 reports on the Regulatory Fitness programme state of play and outlook given an overview of the main initiatives undertaken in the ABR priority areas and other fields related to the goal of boosting jobs and growth in the EU[310]. They relate to a variety of issues such as combating late payment in commercial transactions and facilitating SME IPO's[311]. Currently, work is being done by the Commission to reduce burdens in areas such as public procurement and business statistics. With respect to the former, the Commission has taken steps to prepare a European Single Procurement Document (ESDP) to address the difficulties experienced by SMEs faced with the repeated need to fill in lengthy and complex public procurement documentation.[312] As to the latter initiative, a project is being started to establish a so-called Framework Regulation Integrating Business Statistics (FRIBS) that aims to streamline and rationalise the reference framework for European business statistics so as to reduce unnecessary statistical burden on respondents.[313]

Though Better Regulation Guidelines apply to all stages of the EU policy and legislation cycle, their focus on streamlining the regulatory environment for SMEs is mainly placed centre stage in the impact assessment (IA), evaluation and fitness check stages. The Commission's IA system is a key horizontal regulatory tool whose role has been strengthened in the reinvigorated REFIT programme.[314] The impact assessment exercise is intended to weigh various policy options based on their likely economic, social and environmental impact on a range of stakeholders, and the final IA report should always include an overview of these impacts on SME and their competitiveness[315]. As we have seen, a comprehensive and effective entrepreneurship policy should be the product of all of these considerations combined, and suggestions for improving such policy must therefore take into account a combination of these impacts as well.

IAs are led by the DG responsible for the relevant policy initiative, but should only be undertaken for those initiatives that are deemed to have significant environmental, social and/or economic impacts.[316] Hence, for those initiatives that meet this criterion intended to reignite the entrepreneurial spirit in Europe, an assessment of the impact thereof on SMEs must likely be initiated by DG GROW. This DG should then establish an interservice group chaired by the Secretariat-General. This group collects representatives of all relevant departments and units in the Commission that will steer the entire IA process based on the collection of all relevant evidence and extensive stakeholder consultation.[317]

[309] European Commission, 2007a, p. 12.
[310] See European Commission, 2014a; European Commission, 2015j, p. 5-18.
[311] European Commission, 2015j, p. 139-140.
[312] See Annex 2 to Commission Implementing Regulation 2016/7/EU.
[313] See European Commission, 2015j, p. 37.
[314] European Commission, 2014a, p. 12-13.
[315] European Commission, 2015h, p. 16.
[316] *Ibid.*, p. 17.
[317] *Ibid.*, p. 17-18.

The final IA report should ideally indicate a preferred policy option for further action, whose regulatory fitness should be determined on the basis of a number of set questions: it should include a reference to the result of the SME test (see *infra*) as well as of "the assessment of SME impacts, as far as possible including quantitative estimates of administrative and compliance costs. If such impacts have not been identified to be significant, this should be stated in this section".[318] The report will need to address the question of whether there is scope to modify some of the proposed legal provisions so as to reduce the expected compliance costs for SMEs without affecting the overall achievement of the proposal's objectives.[319] Moreover, the report should be complemented by an explanatory memorandum, which specifically should "[o]utline whether and how the proposal exempts micro-enterprises (and reasons if no exemption is proposed) or provides a lighter regulatory regime for SMEs generally including how it minimizes compliance costs for SMEs".[320]

Of particular relevance for a coherent approach to the EU's entrepreneurship policy is the SME Test, which, as noted, focuses on a consistent application of the Think Small First principle of the Small Business Act. The Test represents the most focused component of the current Commission efforts to simplify EU regulation and reduce regulatory burdens for SMEs in Europe, and will inform the assessment of regulatory impact on SMEs in the final IA report as set out above. Any change in the EU's entrepreneurship policy addressed at SMEs will need to meet the criteria set by this test. Alternatively, suggestions for reform may need to recalibrate the interests of SMEs that are used to determine the suitability of new EU legislation through this test. At EU level, the responsibility for performing the SME Test lies with DG GROW unit, where the duties related to its application rest with Unit 4.[321] Furthermore, follow-up of the implementation of the Think Small First principle in the SME Test at the level of the Member States is ensured by assigning the responsibility to a dedicated SME Envoy (see *supra*).

The Better Regulation Guidelines foresee a more thorough application of the Think Small First principle when preparing initiatives, aimed at "taking the interests of small- and medium-sized businesses into account when designing and evaluating policies, and envisaging a lighter regime for them including an outright exemption for micro-businesses wherever it is possible and makes sense".[322] The BR Toolbox contains detailed, though non-binding, guidance on how the SME Test should be performed to ensure that the interests of these businesses are properly taken into consideration at the very early stages of policy-making, and in each of the "analytical steps of better policy making".[323] In particular, the Test should determine whether SMEs are "disproportionately affected or disadvantaged compared to large companies" and, if so, should consider "alternative mechanisms or flexibilities in approach that might help SMEs to comply".[324]

The SME Test comprises four steps:

1. Consultation of SME stakeholders;
2. Identification of affected businesses;
3. Measurement of the impact on SMEs; and
4. Assessment of alternative mechanisms and mitigating measures.

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[318] European Commission, 2015k, p. 48.
[319] European Commission, 2015h, 32.
[320] *Ibid.*, p. 39.
[321] European Commission, 2015k, p. 134.
[322] European Commission, 2015g, p. 7.
[323] European Commission, 2015k, p. 129.
[324] *Ibid.*

In addition, specific guidance exists for minimising the impact on micro-enterprises, which is founded on the following three basic principles:

- the premise that micro-enterprises should *a priori* be excluded from the scope of the proposed legislation unless the necessity and proportionality of their being covered can be demonstrated (reversed burden of proof);

- recourse to adapted solutions and lighter regimes concerning all forms of regulatory burden including, in particular regarding administrative requirements, if micro-enterprises must be covered by legislative proposals for public policy reasons; and

- a specific micro-enterprises dimension of the SME Test that requires a demonstration of the proportionality of covering micro-enterprises and the assessment of possible adapted solutions.[325]

First, consultation of stakeholders in the SME Test is primarily aimed at capturing the SME angle at an early stage in the policy process, and may include, in addition to an open public consultation, "specific consultation actions such as round table discussions, focus group meetings, hearings targeting SME representatives, SME Panels – questionnaire surveys carried out with the assistance of the Enterprise Europe Network aimed at providing inputs into the SME Test section of the Impact Assessment, etc.".[326] The general BR toolbox guidance on how to perform stakeholder consultation notes that the key issues to be discussed with stakeholders should address the problem to be tackled; the issue of subsidiarity and the EU dimension to the problem; the available policy options; and the impacts of those policy options.[327]

Second, in order to establish whether and which SMEs, with a particular focus on micro-enterprises, are among those affected by the legislative proposal, the interservice group should focus on such elements as the proportion of employment concerned in the different categories of affected enterprises; the weight of the different kinds of SMEs in the sector(s); and possible links with other sectors and the possible effect on subcontracting. This is closely related to the third prong of the SME Test, which aims to measure the impact on the different sizes of SMEs, differentiating between micro, small, medium and large enterprises, through a detailed comparison of the benefits and costs associated with the proposed measure.

Regulatory benefits to be taken into account may relate to improved working conditions and increased competition, while costs can consist of compliance costs "created by the obligation to pay fees or duties; and costs created by the obligation to adapt the nature of the product/service and/or production/service delivery process to meet economic, social or environmental standards"), or administrative costs "created by the obligation to provide information on the activities or products of the company including one-off and recurring administrative costs".[328] These costs and benefits should then be compared with those for large businesses, for example by measuring the average cost per employee or a comparison between the total costs and the total turnover of the business.

Finally, if it is shown that SMEs are facing a relatively higher burden than large companies, the SME Test should indicate possible measures for mitigating this burden on a case-by-case basis, which may take the form of complete or partial size-related exemptions (in particular for micro-enterprises, taking into account the reversed burden of proof for this category); temporary reduction or exemptions including transition periods; tax reductions or direct financial aid to compensate costs

[325] European Commission, 2012a, p. 1.
[326] European Commission, 2015k, p. 129.
[327] *Ibid.*, p. 59.
[328] *Ibid.*, p. 130.

incurred provided this is compatible with existing legislation on competition or international trade; reduced fees; simplified reporting obligations; systematic consideration of general simplification initiatives which can particularly benefit SMEs.[329]

In addition to the SME Test, the Better Regulation package of the Commission also requires that all departments consistently identify the impacts of the selected policy options through an IA process focusing on a wide variety of key impacts, which include growth and investment, employment, education, facilitating SME growth, gender equality, working conditions and other priority areas identified as crucial for a comprehensive entrepreneurship policy.[330] Entrepreneurship as such is missing from this list, however, and, apart from the SME Test, it does not feature prominently in any of the other tools in the BR Toolbox. The only exception being the tool for measuring regulatory impact on education, culture and youth, which includes the level of knowledge, skills and competences of individuals as a factor that can contribute greatly to creating social value, driving innovation and entrepreneurship, and which, hence, should be taken into account as one of the key components of the assessment of EU regulation on education.[331] If the SME Test is a necessary tool for ensuring a horizontal approach to reviewing policy and legislation related to entrepreneurship, it also appears to be insufficient to capture the full reach of the comprehensive approach to this policy rightly advocated by the E2020 Action Plan.

[329] *Ibid.*, p. 132.
[330] *Ibid.*, p. 99-100.
[331] *Ibid.*, p. 191.

5. Vertical coordination

5.1. EU – Member States

5.1.1. Subsidiarity and Proportionality

European Union law is guided by a set of general principles by which the lawfulness of administrative and legislative measures of the EU is measured. A number of these principles have been singled out as particularly sanguine for the work of the current Commission:

"Respect for the principles of subsidiarity, proportionality and better regulation will be at the core of the work of the new Commission. We will concentrate our efforts on those areas where only joint action at European level can deliver the desired results. When we act, we will always look for the most efficient and least burdensome approach. Beyond these areas, we should leave action to the Member States where they are more legitimate and better equipped to give effective policy responses at national, regional or local level"[332].

Of the above principles, the principle of subsidiarity is of crucial importance for determining the potential reach, ambit and ambition of EU initiatives to reform the financial and institutional basis of the Union's approach to entrepreneurship. Before going over the specific types of competences that determine the EU's powers in the different policy areas that have been identified as crucial prongs of a successful entrepreneurship policy, we should therefore briefly go over the meaning and importance of the principle of subsidiarity, as it has been defined in general EU primary law and case law, and in the existing policy documents on entrepreneurship in particular.

In order to guarantee that decisions by the EU are taken as closely as possible to the citizens of the Union and that constant checks are in place to verify that actions at EU level are justified in light of the possibilities available at national, regional or local level, Article 5 TEU stipulates that the use of Union competences is governed by the principles of subsidiarity and proportionality (Article 5.1 TEU). These principles are the logical complements to the fact that the limits of EU are governed by the principle of conferral, where powers are voluntarily conferred to the Union by its Member States through international treaties and can hence only be exercised by the Union within these limits and in order to achieve the goals set out therein.

Competences that have not been conferred upon the Union in its constitutive treaties rest with the Member States (Article 5.2 TEU). The principle of conferral hence places strict limitations on the policy areas in which the Union may act, but also on the types of actions that may be initiated by the EU in those areas where it is, in principle, competent to act. As such, fiscal measures may not be taken by the Union as part of the industrial policy to promote the regulatory environment in which SMEs in Europe can operate, though industrial policy is a (supporting) competence of the EU.[333]

Specifically, the principle of subsidiarity means that the Union shall, in those policy areas that do not fall within the exclusive competence of the EU, "act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level" (Article 5.3 TEU). As the EU competences on entrepreneurship policy

[332] Juncker, 2014b, p. 2.
[333] EU tax decisions can only be taken in very limited instances, see *infra*.

are almost solely either shared or supporting (*infra*), respect for the principle of subsidiarity is of utmost importance in all proposals aiming to reform the European entrepreneurial society.

A critical corollary to the principle of subsidiarity is the principle of proportionality, which stipulates that the content and form of EU actions shall not exceed what is necessary to achieve the objectives of the Union's treaties (Article 5.4 TEU). The legal and policy implications of both principles are explained in more detail in a separate protocol to the TEU and TFEU, setting out the conditions to ensure respect for the principles by the institutions of the EU and the procedure to be followed by the national parliaments of the Member States when verifying compliance at Union level.[334] Member States as well as the Committee of the Regions (CoR) may bring actions on grounds of infringement of the principle of subsidiarity against such legislative acts as for the adoption of which the TFEU requires that the CoR be consulted.[335]

Member States' parliaments are required to see to it that the principle of subsidiarity is respected in accordance with the procedures provided for in the Protocol on the application of the principles of subsidiarity and proportionality.[336] The role of national parliaments in this respect is emphasised in particular in those areas of strategic concern, such as the area of freedom, security and justice, which may affect Union initiatives for attracting highly skilled migrants.[337] An additional protocol regulates this role of national Parliaments in EU activities in more detail, also requiring, *inter alia*, that EU documents and proposals should be forwarded promptly to them so they can examine them before the Council takes a decision.[338]

The principles of subsidiarity and proportionality are informed by a concern that the Union shall not act unnecessarily and without proper checks in policy areas where the conferral of competences by Member States to the Union have consciously been restricted, for a number of reasons, be they national security or because regional and local conditions vary to such an extent across Europe that central EU regulation is considered to be sub-optimal. The current Union approach to entrepreneurship is one such policy area, guided by considerations of neutrality and born of the necessity to allow the regional differences in Europe to take effect, which render it undesirable, overly time-consuming and impractical to implement centralised EU legislation using a top-down approach.[339]

The great diversity in the national and local environments in which SMEs operate, as well as the nature of enterprises and entrepreneurs themselves informs the long-standing approach by the EU to policies addressing the needs of SMEs as requiring fully recognition of this diversity and, hence, respect for the principle of subsidiarity.[340] In order to implement the ambitious agenda for reinvigorating the European economy through SMEs, the Commission's approach to its proposal for an SBA is therefore based on "a genuine political partnership between the EU and Member States that respects the principles of subsidiarity and proportionality".[341]

This focus is reflected, in particular, in the implementation of the Act's Think Small First principle, which notes that the Commission will strengthen the assessment of the respect of the Protocol on the application of the principles of subsidiarity and proportionality to ensure that forthcoming

[334] Protocol (No 2) on the application of the principles of subsidiarity and proportionality.
[335] Art. 8 Protocol No 2.
[336] Art. 12 TEU.
[337] Art. 69 TFEU. See further *infra*. See also the reference to this role of the national parliaments of the EU Member States in the rules on subsidiary powers: Art. 352 TFEU.
[338] Article 3 of Protocol (No 1) on the role of national parliaments in the European Union.
[339] Interviews with various Members of DG GROW, performed on site on 6 October 2015.
[340] SBA, p. 2.
[341] *Ibid.*, p. 4.

legislative and administrative initiatives fit with the Think Small First principle[342]. As such, ever since the 2015 Better Regulation package, each Commission legislative proposal is accompanied by a "thorough explanation of how the initiative meets the twin tests of subsidiarity (why the goal cannot be achieved by the Member States alone) and proportionality (why the measure proposed does not go further than what is needed to meet its goal)".[343] It is noted that a consistent application of this test is essential to promote accountability.

While the EU recognises its important role in taking into account the needs and views of SMEs when developing an evaluating legislation, it also stresses the limited role the EU may sometimes play in this regard, since "not all of these rules come from Brussels. And, many EU rules are as pertinent for smaller businesses as they are for larger companies".[344] Moreover, even in the case of EU legislation, the administrative burden experiences by SMEs may in fact stem from inefficient implementation of these measures at the national, regional or local level.[345] Nevertheless, the Commission incites cooperation from Member States how and wherever it can, for example by insisting on national authorities from to refrain from "unjustified 'gold plating' of EU rules when transposing them into national law", which, though it may help achieve the aims of the legislation in the local context, may also impose additional burdens for businesses and citizens.[346]

The Impact Assessment exercise of the Commission includes a key question that specifically asks whether and why the EU should act in this particular instance. Noting that the existence of (non-exclusive) competence of the Union does not necessarily imply that the EU should also act, the Commission notes that the IA exercise should review the following key questions: whether the problem addressed has transnational aspects which cannot be adequately addressed by action by Member States and whether action at EU level would produce greater benefits compared with action at the level of Member States due to its scale or effectiveness.[347] The BR Toolbox also identifies subsidiarity as one of the key issues to be tackled during stakeholder consultation[348]. Typical questions that should be addressed at this stage should compare the European dimension of the issue to national intentions or objectives and possible international engagements. Solutions at national, regional or local level need to be identified in order to determine whether such action would be preferable to an EU initiative.

The Europe 2020 Strategy also underscores the vital importance of ensuring comprehensive cooperation with national, regional and local authorities in all forms and capacities in order to make progress in realising the objective of smart, sustainable and inclusive growth in a reformed European society. Not only does the programme identify specific tasks for the various authorities of EU Member States, it also singles out the role these authorities have in the work of the various Union actors, and, in turn, the need for these European actors to include, wherever possible, national and local authorities in their work to implement a comprehensive agenda focusing on smart, sustainable and inclusive growth.

As such, according to the Europe 2020 Strategy, Member States are invited to work together, first of all, with the Council of Ministers, by increasing their exchange of policy information of good practices within the various Council formations relevant for the implementation of the

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[342] *Ibid.*, p. 7.
[343] European Commission, 2015g, p. 5.
[344] *Ibid.*, p. 6.
[345] The Commission estimates that "32 % of administrative burdens of EU origin are the result of the decision of some Member States to go beyond what is required by EU legislation (gold-plating) and of the inefficiency in their administrative procedures": European Commission, 2009a, p. 6.
[346] European Commission, 2015g, p. 9.
[347] European Commission, 2015h, p. 21.
[348] European Commission, 2015k, p. 60.

programme[349]. Further, the Strategy also stresses the important role of the European Parliament, not only in its capacity as co-legislator to implement Europe 2020, but also as a 'driving force' for mobilising Member states, both their citizens and their national parliaments.[350] Finally, the monitoring process set up by the European Commission for overseeing the implementation of the Strategy relies heavily on country-specific progress reports, which detail the progress made by the sub-national units of those countries with internal distributions of competences on matters related to entrepreneurship.

Achieving the manifold goals and flagship initiatives of the Europe 2020 programme is a daunting task that requires the active participation of all players in the European society, including non-governmental actors, but also, in light of the principles of conferral, subsidiarity and proportionality, increasingly national regional and local authorities, not only through their cooperation with EU actors, but also through their own initiatives. Therefore, all national, regional and local authorities are called upon to "implement the partnership, closely associating parliaments, as well as social partners and representatives of civil society, contributing to the elaboration of national reform programmes as well as to its implementation".[351]

The need for the EU and Member States to work together ever more closely in order to make reform work is reflected in the central role that is reserved for the European Council as the principal organ bestowed with full ownership of Europe 2020. The Commission in this regard notes that, "[c]ontrary to the present situation where the European Council is the last element in the decision-making process of the strategy, the European Council should steer the strategy as it is the body which ensures the integration of policies and manages the interdependence between Member States and the EU."[352]

Hence, any reform agenda aiming to realise a more entrepreneurial Europe in line with the overarching objectives of a smart, sustainable and inclusive growth, should do well to keep in mind the following fundamental caveat: "The success of the new strategy will therefore depend critically on the European Union's institutions, Member States and regions explaining clearly why reforms are necessary - and inevitable to maintain our quality of life and secure our social models -, where Europe and its Member States want to be by 2020, and what contribution they are looking for from citizens, businesses and their representative organisations".[353]

As one of the most important flagship initiatives of the Europe 2020 programme, it stands to reason that the 2010 Integrated Industrial Policy also emphasises the important role of the authorities of the Member States. On the one hand, the document notes that the industrial policy of the EU should be characterised by the need to take an integrated, *i.e.* cross-sectorial approach to industrial policy (horizontal coherence). As such, it is deemed necessary to "consider the competitiveness effects of all other policy initiatives such as transport, energy, environmental or social and consumer-protection policies, but also the single-market policy or trade policies".[354] In stark contrast with this objective, however, is the notice that many of the relevant framework conditions for a competitive and sustainable industry are set at Member State level[355]. This realisation informed the need for close monitoring at EU level and regular reporting on the EU's and Member States' competitiveness and industrial policies and performance.

[349] Europe 2020 Strategy, p. 27.
[350] *Ibid.*
[351] *Ibid.*, p. 27-28.
[352] *Ibid.*, p. 27.
[353] *Ibid.*, p. 28.
[354] Integrated industrial policy, p. 4.
[355] *Ibid.*, p. 4-5.

If the diversity of entrepreneurial environments between Member States and their regions is invoked as a key consideration warranting a strict application of the principles of subsidiarity and proportionality in developing an entrepreneurship policy, it can also be read as an indicator of the urgent need for a more closely coordinated approach to entrepreneurial reform. This appears to be a main tenet of the current approach of the European Commission, as evidenced by the most recent and most comprehensive outline of its plans to reinvigorate the entrepreneurial economy in Europe, the Entrepreneurship 2020 Action Plan.

From the outset, the Action Plan recognises that "the level of entrepreneurship and its nature vary widely between Member States, and the reasons for low enthusiasm for an entrepreneurial career are therefore diverse".[356] Rather than stressing the importance of respect for the principles of subsidiarity and proportionality, however, the Commission notes that the discrepancies need to be addressed, for they are due to the fact that "support measures for SMEs remain unbalanced, with a substantial number of EU Member States still neglecting to take into account the characteristics of small businesses, in particular micro-businesses, when designing legislation or not facilitating a second chance for honest bankrupt entrepreneurs".[357]

Hence, the Plan concludes that "[t]he current situation can only be transformed with bold and co-ordinated action by all administrations at European, national and regional levels"[358], before urging that "[b]ringing about an entrepreneurial revolution is a joint task of the Commission and the Member States on which they have to embark for the long term".[359] To realise this bold objective, the EU has initiated a number of key initiatives in the past couple of years, which have been covered earlier in this report. Though these flagship initiatives are taken by the EU, however, their successful realisation still depends largely on the willingness of States to take concerted action, while the means for guidance by Union actors remains limited to actions of support and monitoring.

Though regulatory fragmentation is recognised as one of the main sources of impediments to the competitiveness of European entrepreneurs, the 2013 COSME Regulation reiterates the need to respect the fundamental principles of subsidiarity and proportionality in their efforts to cut red tape and unburden SMEs. Hence, implementation of the COSME programme relies heavily on Member States, the European Parliament, the Council and the Commission to collaborate closely in their work to reduce and avoid unnecessary administrative and regulatory burdens on SMEs.[360]

The Regulation further emphasises that the subsidiarity principle will inform the subsequent actions that can and should be included in the work programme of the Commission when implementing this regulation. The Council and Parliament are keen to emphasise the priority consideration for executing the COSME programme as being that "[t]he Union's actions should be coherent, consistent and complementary to the Member States' financial instruments for SMEs, provide a leverage effect and avoid creating market distortion, in accordance with [relevant regulations]. The entities entrusted with the implementation of the actions should ensure additionality and avoid double financing through Union resources"[361].

Specifically, actions to be taken by the Commission in support of measures which aim to facilitate and improve access to finance for SMEs in their start-up, growth and transfer phases, should be complementary to the Member States' use of financial instruments for SMEs at national and regional

[356] Entrepreneurship 2020 Action Plan, p. 4.
[357] *Ibid.*, p. 5.
[358] *Ibid*.
[359] *Ibid.*, p. 28.
[360] Para. (21) COSME Regulation.
[361] Para. (15) COSME Regulation.

level. The Council and Parliament add in this respect that, “in order to ensure complementarity, such actions shall be closely coordinated with those undertaken in the framework of cohesion policy, the Horizon 2020 programme and at national or regional level”.[362] As we have noted earlier, the Commission shall also support the activities of the Enterprise Europe Network as part of the action package to improve SMEs’ access to markets. Implementation of this Network, too, is to be closely coordinated with the Member States to avoid duplication of activities in accordance with the principle of subsidiarity.[363]

The key mechanism for reaching this objective of facilitating access to capital for SMEs and entrepreneurs alike, the European Fund for Strategic Investments, is also fundamentally guided by concerns for subsidiarity and proportionality. Rather than underscoring what the EU cannot do, however, the reference to the principle of subsidiarity is phrased positively as a justification for a European initiative. As such, the European Parliament and the Council note that the objectives of the 2015 EFSI Regulation “cannot, as far as financial constraints to investment are concerned, be sufficiently achieved by the Member States by reason of the disparities in their fiscal capacity to finance investment but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 TEU”.[364]

The text of the COSME and EFSI Regulations make it clear that, even in those policy areas and with respect to those initiatives central to the EU approach to entrepreneurship, subsidiarity and proportionality considerations keep the focus squarely on actions and activities of Member State. As we noted, the relevance and impact of these general principles of EU law depends on the nature of the competences conferred to the Union, which, as we will see, is made up of a patchwork of policy areas made up of supporting, and partly shared, competences. To better understand the implications of the principles of subsidiarity and proportionality on possible recommendations for reforming the European society, the following section will go over the main legal bases and the nature of the Union competences in the entrepreneurship policy areas identified earlier on in this report.

[362] Art. 8 (1) COSME Regulation.
[363] Art. 10 (3) COSME Regulation.
[364] Para. (63) of the EFSI Regulation. This paragraph is reminiscent of para. (62) of Decision of the European Parliament and of the Council 1639/2006/EC.

5.1.2. Legal bases and competences for entrepreneurship policy areas

5.1.2.1. Entrepreneurship priority areas and the vertical division of competences between EU and Member States

A. Industrial policy

Though industrial policy should not be equated with a policy for entrepreneurship, it stands to reason, as has been confirmed by the current Commission's approach and the fact that the DG responsible for developing and implementing EU entrepreneurship policy is also responsible for industry and SMEs, that the point of departure for mapping the Union's vertical entrepreneurship competences should be the legal bases relied upon by the DG for Internal Market, Industry, Entrepreneurship and SMEs. These competences, their categorisation as either exclusive, shared or supporting, and the way they have been applied by DG GROW, should be the point of departure for any mapping exercise looking into the vertical distribution of competences between the EU and its Member States. We will see that for the exercise of the competences related to the industrial policy of the EU, the Union will need to rely heavily on the cooperation of its Member States.

Like most other directorates-general, a variety of legal bases determine and circumscribe the competences and legal obligations of DG GROW for attaining the objectives laid out in its plans for strategy and management. For the realisation of those objectives that we have identified earlier as being central to conceiving and concretising a policy on entrepreneurship, a number of legal bases are crucial, since no single specific legal basis exists that provides a basis for EU action on all policy areas of entrepreneurship. However, those actions that focus on the competitiveness of European SMEs and the creation of a regulatory environment that is favourable to them are covered by the general industrial policy competence, found in Article 173 TFEU. This article provides that both the Union and the Member States "shall ensure that the conditions necessary for the competitiveness of the Union's industry exist". DG GROW refers to this provision as providing the legal basis for most of its initiatives[365].

Though many definitions of the concept of an industrial policy exist, the policy can be usefully described as the whole of activities aimed at creating a favourable environment for European business in general, and its various industries in particular, with the aim of improving economic growth and societal welfare[366]. Many actions of such policy, as identified in Article 173 TFEU, that contribute to the elaboration of a comprehensive industrial policy overlap with the initiatives typically associated with promoting entrepreneurship. These include (i) speeding up the adjustment of industry to structural changes; (ii) encouraging an environment favourable to initiative and to the development of undertakings throughout the Union, particularly SMEs; encouraging an environment favourable to cooperation between undertakings; and (iv) fostering better exploitation of the industrial potential of policies of innovation, research and technological development. In addition, DG GROW emphasises its coordinating role, mainly through benchmarking and the exchange of good practices are proposed as specific activities undertaken by the Union within its competences.

Given the importance attached, in particular in the COSME programme, to initiatives that should improve the framework conditions for the competitiveness and sustainability of SMEs in the tourism sector, we may also refer to the appropriate legal basis covered by Article 195 TFEU. This provision stipulates that the Union shall complement the action of the Member States in the tourism sector, in particular by promoting the competitiveness of Union undertakings in that sector. For that purpose,

[365] European Commission, 2016ah, p. 5.
[366] See the overview of scholarly definitions of the concept in Vanden Bosch, 2014, p. 8-9.

actions by the EU will be aimed at (i) encouraging the creation of a favourable environment for the development of undertakings in this sector; and (ii) promoting cooperation between the Member States, particularly by the exchange of good practice.

If the formulation of Article 173 TFEU appears to hint at a shared competence between the EU and Member States for industrial policy, Article 6 TFEU makes clear that both industry and tourism are policy areas in which the EU has supporting competence, meaning that the Union merely has competence to carry out actions to support, coordinate or supplement the actions of the Member States. Actions by the EU in the area of industrial policy may therefore not supersede the competence of Member States in this same area, and legally binding Union acts on industry shall not entail harmonisation of Member States' laws or regulations.[367] This means that, even if Member States do not adopt rules that conflict with Union law, the EU may not act in a way that would restrict the regulatory power of its Member States in the area of industry. Nevertheless, general principles regarding the primacy of EU law and the requirement of sincere cooperation entail that Member States also refrain from taking actions that would put at risk the uniform application of the industry measures that have been adopted by the EU.[368]

The Commission department responsible for SMEs and entrepreneurship is also competent to act on issues of the internal market, however, which is a shared competence between the EU and its Member States.[369] In areas of shared competence, both the EU and its Member States may act for the realisation of the objectives of the Union, but Member States may only act to the extent that the Union has not already exercised its competence in the same area. Member States may again exercise their competence to the extent that the Union has decided to cease exercising its competence.[370] A Protocol to the Lisbon Treaty specified in this respect that "when the Union has taken action in a certain area, the scope of this exercise of competence only covers those elements governed by the Union act in question and therefore does not cover the whole area".[371] Extensive EU action in an area of shared competences may still render it exclusive in nature. However, the main difference with exclusive competences of the EU is that, for the latter category, Member States may only act when so empowered by the Union or for the implementation of Union acts.[372]

Actions for stimulating entrepreneurship have been and will continue to be taken by the Commission based on its competence for the internal market. The Union can adopt a wide range of measures with the aim of establishing or ensuring the functioning of the internal market, in accordance with the relevant provisions of the EU Treaties. These include the possible approximation of laws of Member States that pertain to the establishment and functioning of the internal market.[373] Though this power may not be used for approximating measures of a fiscal nature (*infra*), they have been used to adopt, for example, rules prohibiting certain misleading marketing practices[374], a measure that has been singled out as an entrepreneurial tool.[375] Other legislative initiatives based on the competence to approximate laws related to the internal market have also been taken at least in part with the objective to stimulate entrepreneurship.[376]

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[367] Art. 2.5 TFEU.
[368] Lenaerts and Van Nuffel, 2011, no. 7-025.
[369] Art. 4.2 TFEU.
[370] Art. 2.2 TFEU.
[371] Sole Article of Protocol (No 25) on the exercise of shared competence.
[372] Art. 2.1 TFEU.
[373] Art. 114 TFEU.
[374] Directive of the European Parliament and of the Council 2006/114/EC.
[375] Entrepreneurship 2020 Action Plan, p. 10.
[376] See the instruments in Table 14 *infra*.

Such measures taken on the basis of the internal market competence of the EU cannot address all regulatory burdens faced by SMEs in Europe, however, and the key legal basis for entrepreneurial reform remains the provisions on industrial policy. In line with the supporting nature of this competence, the initiatives for promoting a more entrepreneurial European society through SME-focused initiatives of industry and tourism are mainly centred on coordination. Hence, Member States are required to consult each other in liaison with the Commission and, where necessary, to coordinate their action. Further, the Commission may take "any useful initiative to promote such coordination, in particular initiatives aiming at the establishment of guidelines and indicators, the organisation of exchange of best practice, and the preparation of the necessary elements for periodic monitoring and evaluation" (Article 173.2 TFEU).

The Industry title of the TFEU does not confer upon the EU the competence to conduct its own comprehensive industrial policy.[377] Rather, it mandates the European Parliament and the Council to take specific measures in support of action taken in the Member States to achieve certain objectives set out by the Union. They are explicitly excluded from undertaking any harmonisation of the laws and regulations of the Member States (Article 173.3 TFEU). The same goes for measures specifically adopted for improving the framework conditions in the tourism sector (Article 195.2 TFEU). Finally, as per usual EU practice, the objectives under this provision may also be complemented by policies and activities under other provisions of the Treaties.

The limited role of the EU in taking legislative action for the promotion of entrepreneurship through its industrial and tourism policy is reflected in the dedicated Union entrepreneurship policy documents as well. The specific formulation of the recommendations enshrined in the industrial policy documents of the EU, and the proposals for reforming the entrepreneurial society in Europe on the basis of the corresponding provisions in the TFEU, are due to the fundamental limitations and fragmented nature of the Union's competences in the field of industry. As such, it has been noted that, as a result of these limitations, "the many EU policy documents on industrial policy […] tend to contain lengthy recommendations for what should be done (mostly at national level), but are relatively soft on concrete action and the use of EU financing instruments".[378]

Despite the supporting nature of the EU competences for industry and tourism, DG GROW has several types of intervention at its disposal in pursuit of its main objectives, which range from regulatory and enforcement actions to work on international agreements.[379] First, regulatory and enforcement actions of DG GROW are typically carried out with respect to the area of the single market for goods and services. Though this matter also touches upon entrepreneurship, in that better regulation will also, necessarily affect Europe's SMEs, our focus is on issues of industrial policy based on Article 173 TFEU. Nevertheless, a number of regulatory actions can be undertaken by DG GROW in this respect, including measures of evaluation and development, transition plans and standardisation policy in important economic sectors, which may impact SMEs.

More important for the purposes of this report is that DG GROW can also undertake a range of coordination activities to ensure a coherent approach to industrial policy, including entrepreneurship policy, as intimated by Article 173 TFEU itself. Pursuant to the current strategic plan of the Directorate-General, these policy coordination activities focus on its areas of competence, such as "single market, industry, competitiveness, SMEs, industrial sectors and services, professional

[377] Lenaerts and Van Nuffel, 2011, no. 11-057.
[378] Vanden Bosch, 2014, p. 24. See further *infra* Tables 17-20 for an overview of the addressees of the key documents on entrepreneurship and industrial policy.
[379] European Commission, 2016ah, p. 6.

qualifications, entrepreneurship, intellectual property rights, public procurement, corporate social responsibility, enterprise innovation policies, space, defence and raw materials".[380]

In its interpretation of Article 173 TFEU, the Commission strongly emphasises the need to overcome the limitations inherent in the supporting competence of the EU in order to arrive at a coherent approach to the position of SMEs and other aspects of industrial policy across country borders. As such, the Commission notes that the actual realisation of a new industrial policy calls for more effective European governance: "[t]he concepts of national sectors and national industries with little interaction with other sectors or the rest of the world are becoming less relevant. It is now increasingly important to identify strategic European industrial interests, and uncoordinated national policy responses must give way to coordinated, European policy responses".[381]

In its communication for an integrated industrial policy, the Commission identifies two equally important and interlocking strands of such an improved European governance.[382] First, a holistic and better coordinated vision of policy-making is required at the European level, which involves both the Commission and other European Institutions on equal footing, with particular focus on the roles of the Council and European Parliament. Second, the industrial policy of the EU should be better integrated with the actions of the Member States. This requires closer co-operation with Member States as well as detailed monitoring of the success and competitiveness performance of policies at the European and Member State level.

The legal framework provided by current Article 173 TFEU, the policy framework of the Europe 2020 Agenda and the monitoring mechanism of the European Semester are all designed to ensure better policy coordination through an increased role of the EU and Commission in particular. Despite this strengthened framework, however, the recommendations for realising the new EU governance for industrial policy, as set out by the 2010 communication, reveal the strong reliance of the Commission on Member States' goodwill. While the most concrete initiative of the Commission is to initiate peer reviews and exchanges of good practices with Member States to improve cooperation on industrial policies across the EU, these Members States are, in turn, merely invited to "co-operate and where appropriate coordinate their industrial policies [and] engage in peer reviews and exchanges of good practices".[383]

The COSME Regulation, adopted on the legal basis provided by Article 173 TFEU, illustrates the limits of the actions that can be taken by the EU in implementing this European initiative, emphasising rather the central role of Member States in this respect. In the 2015 Regulation, the Council and Parliament are careful to reiterate the need for Member State initiatives for all action that should be undertaken under each of the four priority objectives of the COSME programme. The limitations imposed by the EU's supporting competence in industrial policy issues is apparent in the types of actions that can be taken by the Commission and other European actors for achieving these objectives, with the applicable legal provisions consistently referring to actions that will be 'supported' at European level through coordinative and stimulative measures. In addition, the Commission is also asked to 'complement' some actions of Member States, such as those actions taken to enhance the competitiveness and sustainability of Union SMEs in areas characterised by a significant growth potential, such as in the tourism sector.[384]

[380] European Commission, 2016ah, p. 6.
[381] Integrated industrial policy, p. 31.
[382] *Ibid.*
[383] *Ibid.*, p. 33.
[384] Art. 11 (5) COSME Regulation.

If the supporting nature of the actions to realise the Union's industrial policy may well be testament to the conviction that entrepreneurial reform needs to originate at the local, regional and national level, it also underscores the limitations at the disposal of EU actors to spur coordinated action across regions and Member States in pursuit of a comprehensive industrial policy. To be sure, industrial policy measures are merely one of the three key prongs of the current entrepreneurship policy. Moreover, some aspects of the EU's industrial policy may be taken on the basis of the Union's shared competence on the functioning of the internal market, though this makes for a piecemeal and incomplete approach. Other policy areas crucial to entrepreneurship also do not necessarily provide a stronger mandate for the EU, as we will see in the next sections.

B. Education, training and youth

Apart from the initiatives to improve the regulatory framework for self-employed entrepreneurs and SMEs, the second major prong of the Entrepreneurship 2020 Action Plan concerns education and vocational training initiatives to promote transversal skills for a more competent workforce in Europe. The general importance of education is underscored by the preamble to the TFEU, which stipulates that a wide access to education and its 'continuous updating' are essential means for promoting the development of the highest possible level of knowledge. The E2020 Action Plan's focus on education is hence in line with one of the fundamental objectives of cooperation through the European Union.

Article 6 of the TFEU lists both education and vocational training alongside youth (in addition to sport) in sub (e) of its list of policy areas in which the European Union is competent to carry out actions to support, coordinate or complement the actions of Member States. Initiatives to reform the entrepreneurial society in Europe through legislative and other actions in these fields therefore must be taken by EU Member States. Considering the common legal basis shared by education, training and youth, and the fact that these policy areas are shared priorities for the DG Education and Culture, the present section will analyse the powers and duties of the EU in these policy areas, taken together, and discuss the way in which the DG EAC interprets its powers in this respect.

Union initiatives in the areas of entrepreneurial education and training, as well as actions to promote the participation of youth in the entrepreneurial society are based on a limited number of treaty provisions, which clearly circumscribe the remit of EU actions in support of Member State initiatives. The fundamental principle of the distribution of competences between both vertical levels is enunciated in Article 165 TFEU, which stipulates that "the Union shall contribute to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the responsibility of the Member States for the content of teaching and the organisation of education systems and their cultural and linguistic diversity". A similar provision can be found in the TFEU for vocational training, where EU actions shall support and complement Member States' initiatives, without impinging on the latter's prerogative to determine the content and organisation of such training (Article 166 TFEU).

Promoting the teaching of entrepreneurial skills through education and vocational training must hence occur through the dissemination of best practices, encouraging mobility and cooperation of both students and researchers, rather than a direct interference with the teaching curricula of the Member States. These and other incentive measures may be adopted by the Council and the European Parliament, though obviously excluding any harmonisation of national laws and regulations (Article 165.4 TFEU). One of the main goals for which the Union competences on education may be exercised is to facilitate the adaptation of the European population to industrial changes, in particular through vocational training and retraining (Article 166.2 TFEU). Specific provision is made for the promotion of the training and mobility of researchers in the EU as well, though this falls under the shared, rather than supporting, competence of the EU for research and development, the entrepreneurial dimension of which will be covered, briefly, later on.[385]

The same provisions are highlighted by the DG for Education and Culture, which notes that the EU can, in the areas of education, training and youth entrepreneurship, "bring added value by supporting Member States in their modernisation efforts, through the fostering of policy cooperation, the open method of coordination and by maximising the impact of its financial instruments".[386] Considering the supporting nature of the competences underlying the policy areas of DG EAC, the EU programmes managed by this DG for the period 2014-2020 with direct or indirect relevance for stimulating an entrepreneurial culture in Europa are guided by a focus to realise those objectives that cannot be efficiently realised by Member States alone, which particularly includes issues that have a cross-border dimension. In light of the restrictions on supporting Union competences, the EAC programmes, including those with entrepreneurial focus, have long-term, systemic aims to bring about structural policy change by setting higher standards at regional and national levels, so as to elevate the entire European level[387]. Cooperation at EU level may have significant added value in this respect simply by accelerating the process and involving a broader selection of stakeholders and by pooling resources[388].

Still, the Directorate-General for Education and Culture also warns about the uncertainties related to the many external factors and long-term actions at national, regional and local level that will determine to a very large extent the impact of supporting actions taken at the level of the EU in terms of promoting entrepreneurial education and training. The degree of influence that the EU may exert in the end varies considerably depending on the type of action that is being contemplated, and which will need to be taken into account when considering the form and nature of recommendations for realising a true entrepreneurial society through Union actions of education, training and youth. As such, the 'EU intervention logic' may take many forms, such as, first of all, intervention through direct control over funded projects, such as mobility grants and institutional partnerships, and guaranteed loans, including Sectors Guarantee Facilities, which address sub-optimal investment situations. Just as common, however, are areas where the EU may only exercise progressive influence over the priorities and working methods of organisations or Member States, through benchmarking and dissemination of best practices, including through the EIT[389].

Finally, some EU programmes on education, training and youth are, though managed by the DG for Education and Culture, heavily reliant on the cooperation of Member States as well. As we have seen, management of DG EAC programmes is diverse in nature and distinguishes between centralised management to modes of management that include so-called National Agencies for mass mobility actions, partnerships, and certain cooperation projects. The importance of this management mode is reflected in the total share of the actions implemented through NAs, which accounts for about 45% of the overall budget supervised by the DG. Nevertheless, the DG EAC retains full responsibility for the NA parts of its programmes.[390]

C. Employment and social policy

[385] Other areas in which the EU supporting competence for training is separately identified in distinct legal bases include agriculture and fisheries (Art. 41 TFEU) and cooperation of the judiciary and in police matters (Arts. 81 and 87 TFEU).
[386] European Commission, 2016p, p. 6.
[387] *Ibid.*
[388] *Ibid.*, p. 7.
[389] *Ibid.*
[390] *Ibid.*, p. 8.

As we have seen from the overview of the duties of the DG responsible for Employment, Social Affairs and Inclusion, one of the key means of producing a more entrepreneurial workforce relies on promoting transversal skills and competences through vocational training and education. These matters are, by and large, covered, in terms of distribution of vertical competences between the EU and its Member States, by the same treaty provisions and legal bases as were discussed under the segment on education, training and youth. Hence, they will not be repeated here. Rather, this section will focus on the provisions in EU primary law that detail the competences of the EU for activities related to the promotion of entrepreneurship through improving working conditions and the reactivation of demographic groups with high unemployment, so as to derive from these legal bases the division of competences between the Union and its Member States.

Indicative of the importance attached by the EU to an effective employment policy is the fundamental duty of the EU to take into account, both in the definition and in the implementation of all its activities and polices, various requirements related to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, as well as a high level of education and training.[391] As we noted, all of these concerns should be addressed, first and foremost, through DG EMPL, ceding this responsibility to DG EAC only for education and training, and we should therefore look, in first instance, to the way in which these competences are being invoked by this department.

The competences for realising the aforementioned objective are categorised as shared between the EU and the Member States, who have a joint responsibility to fulfilling the objectives of Europe's employment policy and for setting the policy in the field of employment, social affairs and inclusion. In exercising its shared competences on employment, Article 5 TFEU places special emphasis on the power of the Union to take measures to ensure coordination of the employment policies of the Member States, in particular by defining guidelines for these policies. For this reason, the employment policy competences of the EU are often characterised as a coordinating power.[392] The other policy areas with relevance for the promotion of entrepreneurship in the EU and which fall under the competences of DG EMPL all feature as principal areas for which the Union and its Member States share competences under Article 4 TFEU, namely social policy, economic and social cohesion. Moreover, the EU may take initiatives to ensure coordination of Member States' social policies (Article 5.3 TFEU).

Primary legal bases for the realisation of the Union objectives related to employment, including the goals identified as relating to the promotion of entrepreneurship, are of course those that directly address the employment duties of the EU and its Member States. The point of departure in this regard should be the principle, codified in the TFEU, that Member States and the Union have to work together towards developing a coordinated strategy for employment, which is interpreted as a strategy for promoting "a skilled, trained and adaptable workforce and labour markets responsive to economic change".[393] Considering that entrepreneurship is a key transversal skill that is aimed, primarily, at creating a more resilient and adaptive economic population, this cooperative objective underpinning employment provides a crucial basis for entrepreneurial stimulation measures.

Though all competences not included in Articles 3 (exclusive) and 6 (supporting) TFEU, including employment, are formally categorised as shared, the specific provisions further on in the TFEU are revelatory of the limitations inherent in the exercise by the Union of a shared competence that is predominantly circumscribed by the focus on coordination of national policies, without

[391] Art. 9 TFEU.
[392] Schütze, 2016, p. 241-242.
[393] Art. 145 TFEU.

harmonisation powers on the European level. In this respect, the EU, though bound by the requirement to take into account the overarching objective of high employment in the Union when formulating and implementing its policies and activities (Art. 147.2 TFEU), has for its primary task the encouragement of cooperation between Member States and by supporting and, if necessary, complementing their action (Article 147.1 TFEU). Such incentive measures should be aimed at developing exchanges of information and best practices, providing comparative analysis and advice as well as promoting innovative approaches and evaluating experiences (Article 149 TFEU).

The legal bases laying down the competence of the EU to develop and implement and employment policy explicitly reiterate the general principle that the EU must respect the competences of its Member States in performing its own duties. The EU does not have the competence to harmonise national laws and regulations on employment. Member States are only required to consider the promotion of employment a matter of common concern, and to coordinate their employment policies in this respect within the Council in a manner that is consistent with the economic policies of the Member States. In so doing, the EU should have regard for the national practices of Member States related to the responsibilities of management and labour.[394] Still, the method of open coordination of the employment policies of the Member States in a manner that is consistent with their economic policies, and thereby providing a basis for the guidelines for social policy as well (Article 148 TFEU), is useful for it allows for the exchange of best practices.[395]

Secondary provisions circumscribing the competences of the EU regarding employment include specific responsibilities on the implementation of the free movement of workers, the coordination of social security systems and the promotion of the social dialogue and of working conditions.[396] The EU has already adopted harmonisation measures that touch upon social rights, on the basis of other provisions related to the approximation of laws for the functioning of the internal market.[397] Most important for the recommendations to be made in the framework of the current project are the competences of the EU with respect to social policy, which note at the outset that the Union and its Member States shall have as their objectives the promotion of employment, and improved living and working conditions, "so as to make possible their harmonisation while the improvement is being maintained […] with a view to lasting high employment and the combating of exclusion".[398]

Actions in this respect must take into account the diverse forms of national practices, in particular in the field of contractual relations, and the need to maintain the competitiveness of the EU economy.[399] To support and complement the actions of Member States, the European Parliament and the Council are to adopt directives that embody minimum requirements relating to the following issues:[400]

(a) improvement in particular of the working environment to protect workers' health and safety; (b) working conditions;
(c) social security and social protection of workers;
(d) protection of workers where their employment contract is terminated;
(e) the information and consultation of workers;
(f)representation and collective defence of the interests of workers and employers, including co-determination;

[394] Art. 146 TFEU.
[395] Lenaerts and Van Nuffel, 2011, no. 11-046.
[396] Arts. 45, 48 and 151-157 TFEU. See European Commission, 2016l, p. 4.
[397] See, for example, Council Directive 98/59/EC, adopted on the basis of current Art. 115 TFEU.
[398] Art. 151 (1) TFEU.
[399] Art. 151 (2) TFEU.
[400] Art. 153.1 TFEU.

(g)conditions of employment for third-country nationals legally residing in Union territory;
(h)the integration of persons excluded from the labour market;
(i)equality between men and women with regard to labour market opportunities and treatment at work;
(j)the combating of social exclusion;
(k)the modernisation of social protection systems.

To this end, the Council and Parliament may adopt two types of measures, depending on the issue concerned. First, for all the above issues of social policy, the EU may take measures that are designed to encourage cooperation between Member States through initiatives aimed at improving knowledge, developing exchanges of information and best practices, promoting innovative approaches and evaluating experiences. These measures may, however, not amount to any harmonisation of the laws and regulations of the Member States. Second, for those issues referred to in points (a) through (i) in the above list, the EU institutions may also adopt, by means of directives, minimum requirements for gradual implementation. These directives must have regard to the conditions and technical rules in each of the Member State, and, crucially, must "avoid imposing administrative, financial and legal constraints in a way which would hold back the creation and development of small and medium-sized undertakings".[401] Finally, these measures must also leave unaffected the right of Member States to define the fundamental principles of their social security systems and must not significantly affect the financial equilibrium of those systems.[402]

Finally, we may reiterate that the competences of the Commission department responsible for employment, social affairs and inclusion also extend to the initiation of key activities for the promotion of social entrepreneurship. In this regard, we must refer to the competence of DG EMPL based on Article 162 TFEU to manage the European Social Fund as a driving factor behind self-employment, entrepreneurship and business creation including innovative SMEs. The Fund may also be invoked to facilitate the adaptation of workers to industrial changes, in particular through vocational training and retraining. Indeed, actions taken by the EU on the basis of the TFEU competences related to the European Social Fund, frequently refer to the aim of entrepreneurial reform in their preambular considerations.[403] For additional competences of the EU on economic and social cohesion we refer to the segment below on Union powers in the field of regional coordination of entrepreneurship initiatives.

D. Entrepreneurship through inclusion of specific demographic groups

The final prong of the current EU approach to developing a coherent entrepreneurship policy pertains to the promotion of social inclusion for specific demographic groups. While sizeable demographics are already covered by the responsibilities and duties of various Commission DGs under Union competences for social affairs, inclusion and employment, most notably the young and unemployed, specific competences provide a legal basis for EU action aimed at increasing the entrepreneurial participation of other groups as well. In particular, they relate to the activation of the entrepreneurial potential of women and migrants.

As the activities of the Commission concerning gender equality are framed by the fundamental principles of justice and the rule of law, the first basis we may refer to for both migration and women inclusion are the provisions covered by the TFEU section on the Area of Freedom, Security and Justice. Article 4.2 (j) TFEU classifies these matters as areas of shared competence of the EU and

[401] Art. 153.2 TFEU.
[402] ArT. 153.4 TFEU.
[403] See the instruments adopted on the basis of Arts. 162-164 TFEU in Table 14 *infra*.

its Member States. The Union's competences related to freedom, security and justice are circumscribed by a common respect for fundamental rights, as well as the different legal systems and traditions of the Member States[404]. This principle highlights the sensitive nature of, among other issues, justice and migration policies and the importance to take into account the views of Member States in every step of development and implementation of such policies. Nevertheless, taking this caveat into account, the Union has been mandated by its Member States to draw up a common policy on asylum and immigration, based on solidarity between Member States and fairness towards the nationals of third countries.[405]

General legislative action on freedom, security and justice is subject to a specific division of roles at EU level, aimed at ensuring the continued involvement of national authorities at all levels. As such, the strategic guidelines for legislative and operational planning in this area are defined by the European Council, composed of the heads of State or government of the Member states, and the Commission President.[406] The legislative procedure to be followed for adopting measures in the area of freedom, security and justice, includes only the Commission and the Council, with the European Parliament merely to be informed on the content and results of the measures. However, this reduced influence of the European Parliament is countered, to some extent, by an obligation to also keep the national parliaments of the Member States informed of the same.[407]

Nevertheless, the EU is competent to adopt measures, following the ordinary legislative procedure with reinstated role of the European Parliament (though also excluding the obligation to keep national parliaments in the loop), with a view to formulating a common policy on migration. This includes such measures as are concerned with (i) the conditions of entry and residence, and standards on the issue by Member States of long-term visas and residence permits and (ii) the definition of the rights of third-country nationals residing legally in a Member State, including the conditions governing freedom of movement and of residence in other Member States[408].

The competence has most recently been exercised in a Directive of the European Parliament and the Council on the conditions of entry and residence of third-country nationals, which includes a separate section on stays for the purpose of job-searching or entrepreneurship for researchers and students.[409] The measure allows researchers and students to stay on the territory of the Member States that granted them an initial residence permit, to stay for a period of at least nine months after the completion of research or studies, in order to seek employment or to set up a business. Moreover, the EU can insert the promotion of and support to entrepreneurship in its legislation as a thematic priority for assistance for cross-border cooperation under its competence of economic, financial and technical cooperation with third countries.[410] Indeed, it has done so in the past, and such measures can be seen as a first, indirect step to attracting highly skilled, entrepreneurial migrants.[411]

Despite the competence at EU level, however, future recommendations for further adapting the Union's immigration policy to meet entrepreneurial and other goals must respect the carefully crafted equilibrium between EU and Member State competence in the TFEU. As such, the European Parliament and Council are competent to establish measures to provide incentives and support for the action of Member States with a view to promoting the integration of third-country nationals

[404] Art. 67.1 TFEU.
[405] Art. 67.2 TFEU.
[406] Art. 68 TFEU.
[407] Arts. 70-71 TFEU.
[408] Art. 79.2 (a) and bc) TFEU.
[409] Art. 25 of Directive of the European Parliament and of the Council 2016/801/EU.
[410] Art. 212 TFEU.
[411] See Annex III of Regulation of the European Parliament and of the Council 231/2014/EU.

residing legally in their territories, excluding, however, any harmonisation of the laws and regulations of the Member States (Article 79.4 TFEU).Moreover, the right of Member States to determine the volumes of admission of nationals coming from third countries to their territory in order to seek work, whether employed or self-employed, remains unaffected by the powers on migration policy as conferred to the EU (Article 79.5 TFEU). This places an important, if understandable, restriction on the possible impact of measures taken at EU level to attract highly skilled third-country nationals to the EU.

As to gender equality, we should note that the scope of EU actions in the areas of justice, equality and consumer policies are set out by the Treaty on European Union, the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union, all of which fall, as we have seen, under the heading of shared competences. Though shared, the exercise of these competences by the Union is based on a number of fundamental considerations. According to Article 2 TEU, the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. Article 3.3 TEU stipulates that the EU shall combat social exclusion and discrimination, meaning that social justice and protection as well as equality between women and men needs to be promoted. This goal is intrinsically connected to the establishment of an internal market for the sustainable development of Europe based on a highly competitive social market economy aiming at full employment and social progress.

The equal treatment of men and women is a consideration of general application, entailing that the Union shall aim to eliminate inequalities, and to promote equality, between men and women, in all its activities, hence also necessarily shaping its policies on entrepreneurship.[412] Apart from the general legal basis found in this provision, specific references to gender equality are codified in other policy areas, most of which we have already covered, however. As such, equality between men and women with regard to labour market opportunities and treatment at work is a vital consideration of the Union actions that should support the initiatives of social policy by EU Member States (Article 153.1 (i) TFEU, *supra*).

Notably, both the EU legislator and the Member States are instructed to take measures to guarantee equal treatment of women and men in the context of the shared competence on social policy: the European Parliament and the Council are instructed to take measures to promote the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation, including the principle of equal pay for equal work or work of equal value (Article 157.3 TFEU). Moreover, the principle of equal treatment shall not prevent any Member State from maintaining or adopting measures providing for specific advantages in order to make it easier for the underrepresented sex to pursue a vocational activity or to prevent or compensate for disadvantages in professional careers, with a view to ensuring full equality in practice between men and women in working life (Article 157.4 TFEU).

5.1.2.2. Legal bases delineating EU competences for implementing an entrepreneurship policy in line with other policy areas

The current efforts of the EU to reinvigorate the European economy after the 2007-2008 global crisis through increased entrepreneurship have focused mainly on the access of entrepreneurs and SMEs in general to finance. Various funds managed by different actors in the European Union have been made available for this purpose, relating to many policy areas the legal bases of which have already

[412] Art. 8 TFEU.

been covered in the previous segments. In addition to these specific provisions, however, we must note that the overarching impetus to be given by the EU to the European economy must also comply with the division of competences for economic policies in general. We will briefly cover these provisions in the next paragraphs, as well as the legal bases for the most visible financial initiatives undertaken so far in the framework of the EU entrepreneurship policy.

Like employment, the competences of the EU in terms of economic policies can be characterised as a special type of shared competence, guided by the principle that Member States are obliged to coordinate their economic policies within the Union, in line with the broad guidelines adopted to this end by the Council.[413] The process of coordination takes the form of recommendations to Member States made by the Council on the basis of guidelines adopted by the European Council upon recommendation of the Commission as well as the Council, and of which the European Parliament is informed. Monitoring of the convergence of EU Member States' economic policies is done by the Council on the basis of reports of the Commission, in turn based on information forwarded by the Member States.[414] The economic policies developed by the EU must be in compliance with the general principles of the internal market, sound public finances and an efficient allocation of resources, in accordance with the principle of an open market economy with free competition.[415]

Recommendations that can be made under the umbrella of economic and financial policies may, as we noted, have a wide range of legal bases. The DG for Economic and Financial Affairs has noted in this respect that, "while some are enforceable with detailed provisions in secondary legislation, others rely on the willingness of Member States to effect the recommended changes".[416] As it would serve little purpose to give a disintegrated account of all such measures and the distribution of competences of the EU versus its Member States in conceiving and applying these measures, it may be useful to provide a general outline of such vertical division of powers based on the most prominent legislative initiatives to have been taken in recent years with the intent of promoting entrepreneurship in the EU.

However, a cursory look at the legal documents adopted to increase access to finance for entrepreneurs, reveals a wide array of provisions invoked for stimulating the European economy, none of which are founded on the general principles guiding the coordination of economic policies of the EU. Indeed, if the latter principles are mainly focused on macroeconomic objectives, the current Investment Plan for Europe, as the primary means of increasing entrepreneurs' access to finance, is approached from a microeconomics perspective, more concerned with the participation of individual firms and persons than the effect it has on the GDP of the Member States or the EU.

This is apparent if we look at the regulations adopted to realise the first prong of the Investment Plan for Europe, in particular the Regulation of June 2015 on the European Fund for Strategic Investments, establishing both the European Investment Advisory Hub and the European Investment Project Portal. The Regulation has been based on a number of provisions of the TFEU, including Articles 172, 173, 175 and 182(1). The selection of provisions represents a conscious decision on the part of the Union to link the EFSI closely with other policy areas that we have already identified as being central to the formulation and implementation of a coherent entrepreneurship policy. However, structural reforms to increase the impact of the EFSI as an effective and both socially and economically sustainable EU measure are left to the Member States.[417]

[413] Art. 5.1 TFEU.
[414] Art. 121 TFEU.
[415] Art. 119 *jo.* 120 TFEU.
[416] European Commission, 2016v, p. 3.
[417] Para. (3) EFSI Regulation.

We recall that Article 173 TFEU concerns the competence of the EU to develop an industrial policy, in particular for encouraging an environment favourable to initiative and to the development of SMEs. The other provisions relate to economic territorial cohesion, research and development and trans-European networks, which are discussed in the following paragraphs. We hence also refer to the relevant sections in this report to outline the division of competences between the EU and its Member States as following from this selection of legal bases in the EFSI Regulation. It should already be noted, however, that, while the industrial policy connection is the most obvious choice for a regulation that explicitly intends to incentivise the creation of an investment-inducing environment of Europe, the other legal bases have arguably been introduced to counter the limited, supporting competence of the EU for matters related to industry with additional legal bases that are listed as shared in Article 4 TFEU.

This is offset, however, by the broader set of legal bases on which DG FISMA may rely in order to realise its initiatives under the General Objectives for boosting jobs, growth, investment and competitiveness, and further deepening the economic and monetary union as the institutional backdrop for an entrepreneurship policy geared towards SMEs. Specifically, "DG FISMA uses the whole panoply of the Commission's legal and legislative interventions. FISMA has a strong regulatory role, based in particular on treaty articles 53(1), which deals with the right of establishment, and 114, which concerns the establishment and functioning of the internal market, of the Treaty on the Functioning of the European Union (TFEU)".[418]

Article 53(1) TFEU grants the European Parliament and the Council the competence to issue directives for the mutual recognition of formal evidence of qualifications to be active as self-employed persons across the EU, such as diplomas and training certificates, as well as the power to coordinate the laws in Member States regarding the take-up and pursuit of activities as self-employed persons. Likewise, Article 63 TFEU concerns the free movement of capital,

Article 114 TFEU concerns the competence of the EU to adopt measures for the approximation of national laws which have as their object the establishment and functioning of the internal market. Some reservations apply to this competence, however. As such, the powers of the EU in this regard shall not extend to fiscal provisions (see *infra*), nor to those provisions "relating to the free movement of persons nor to those relating to the rights and interests of employed persons" (Article 114(2) TFEU). Member States retain the power to object to approximation initiatives by the EU relating to the protection of the working environment and the environment proper, as well as when it deems it necessary to maintain national provisions on the grounds of reasons "public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property" (Article 114(4) TFEU *jo.* Article 26 TFEU).

Since the Lisbon Treaty the internal market has become a shared competence of the EU and its Member States (Article 4 (2)(a) TFEU). Further, Article 3 provides that the Union has exclusive competence in the areas of the establishment of competition rules necessary for the functioning of the internal market and the monetary policy for the Member States whose currency is the euro. However, it is a fundamental rule of EU law, the correct application of which is rigorously verified by the European Court of Justice, that EU legislation must be adopted on the basis of the competence that has the closest connection to the matter covered by the relevant instrument. Measures that do not meet the high threshold of 'competition rules necessary for the functioning of the internal market' but rather aim to improve the regulatory environment in Europe so as to increase the

[418] European Commission, 2016x, p. 4.

competitiveness of all SMEs across the EU will still have to be adopted on the basis of the Union's supporting industrial policy competence or related competences detailed elsewhere in this report.

As Table 15 demonstrates, one of the only legal bases invoked by DG FISMA to have been regularly used for the regulation of matters directly relating to entrepreneurship is Article 114 on the approximation of laws in the internal market, for rules concerning venture capital and social entrepreneurship funding. Moreover, though the area of the internal market may be covered by some of the strongest competences of the EU, the slow and difficult progress made so far in establishing a Capital Markets Union and Banking Union, as well as the hesitation on the part of the European Commission to include these aspects in its policy for a broad entrepreneurial reform in Europe, may account for the relative absence of these legal bases in our overview as well.

In this respect, it is noteworthy that DG FISMA itself notes that it strongly "depends on external partners for the implementation of its goals and activities. […] EU legislation has to be transposed and applied by Member States in a timely and correct way in order for it to have the intended beneficial effect. The failure of Member States to do this may have a negative impact on the financial system".[419] For this reason, DG FISMA is particularly active in assisting Member States in "the transposition of EU directives, assesses the completeness and correctness of national transposition measures, monitors how EU law is applied in practice, handles complaints and launches cases on possible breaches of EU law by Member States on its own initiative".[420]

Recommendations for promoting entrepreneurship related to research and development are governed by the division of competences following the incorporation of these policy areas, alongside the newly established space competence of the EU, in Article 4 TFEU. Though this provision is generally concerned with competences that are shared between the EU and its Member States, meaning that the gradual exercise of the powers of the Union will commensurately limit the freedom of Member States to regulate, Article 4.3 TFEU contains a deviation from this traditional vertical division of competences. Indeed, while the EU is competent, in the areas of research, technological development and space, to carry out activities, in particular to define and implement programmes, "the exercise of that competence shall not result in Member States being prevented from exercising theirs".

The main single research and innovation programme initiated by the EU for the current period is the Horizon 2020 programme, which we have noted is managed in part by DG GROW, and has clear potential and applications for promoting entrepreneurship in Europe in this same period. Like the EFSI Regulation, the 2013 Regulation establishing the Horizon 2020 framework programme for research and innovation rests on Article 182(1), in addition to Article 173(3) TFEU. The legal basis provided by Article 173 further enunciates the close connection between the framework programme and the objective of ensuring a competitive industrial environment for SMEs. This is confirmed by the general aim of the EU competence on research and development in the dedicated Title XIX of the TFEU, which includes Article 182 as mentioned in the H2020 Regulation.[421]

The EU's competences in terms of research and development allow, and indeed oblige, the Union to encourage SMEs in particular, as well as research centres and universities, in their activities related to research and tech-nological development. To that extent, the EU is asked to support the efforts of

[419] *Ibid.*, p. 5.
[420] *Ibid.*, p. 4.
[421] See Article 179.1 TFEU: "The Union shall have the objective of strengthening its scientific and technological bases by achieving a European research area in which researchers, scientific knowledge and technology circulate freely, and encouraging it to become more competitive, including in its industry, while promoting all the research activities deemed necessary by virtue of other Chapters of the Treaties."

SMEs to cooperate so as to optimally benefit from the internal market, especially through the opening-up of national public contracts, the definition of common standards and the removal of legal and fiscal obstacles to that cooperation.[422] These and other activities must be carried out by the EU, as a complement to the activities of its Member States (Article 180 TFEU). In addition, the TFEU requires that the Union and its Member States coordinate their research and technological devel-opment activities so as to ensure that national policies and Union policy are mutually consistent (Article 181.1 TFEU).

Article 182(1) TFEU as the basis of the H2020 Regulation expresses the general competence of the EU to set up multiannual framework programmes that determine all research and development activities of the EU. Though these programmes are crucial, they cannot stand on their own and they need, in particular, coordinated activities of Member States. As noted by the DG responsible for the exercise of the EU's competence in terms of research and development, "[t]he TFEU underlines that the role of research and innovation needs to be seen holistically, and is not limited to a framework programme. […] [E]fforts therefore need to go well beyond the effective implementation of [such programmes,] to address the challenges of ensuring a competitive industrial and technological base, and an effective coordination of Member States policies".[423]

The EU competences on technological development also provide a basis for recommendations that aim to promote the digital transformation of the European industry and public services through the use of innovative digital technology, as a key means of advancing Europe towards a more entrepreneurial society. There is no specific treaty basis that can be singled out as the singular source of the Union's competences on issues related to communications networks and digital content. However, the TFEU does allow for initiatives to be taken on the basis of the EU competence for trans-European networks, including telecommunications networks, which are shared between the Union and its Member States.[424]

The EU may take initiatives that contribute to the establishment and development of trans-European networks in the areas of transport, telecommunications and energy infrastructures, in order to help realise the objectives of the internal market, and to "enable citizens of the Union, economic operators and regional and local communities to derive full benefit from the setting-up of an area without internal frontiers".[425] Increased interoperability of national networks is considered a vital step towards a more competitive industry, and to that effect, the Union shall establish a series of guidelines and implement any measures considered necessary to ensure the interoperability of national networks, in particular in the field of technical standardisation.[426] Member States are then required to coordinate, together with the Commission, their national policies that "may have a significant impact on the achievement of the objectives" identified earlier[427].

If the competence on trans-European networks appears of rather limited value for strategies to reform the Union's approach to entrepreneurship, we should do well to recall the set of legal bases on which the EFSI Regulation of 2015 was adopted, and which included, among others, a reference to the trans-European network competence of the EU.[428] This legal basis was invoked to support the provision that investment and financing operations under the Regulation should be consistent with a specifically circumscribed set of objectives, including the development of energy infrastructure,

[422] Art. 179.2 TFEU.
[423] European Commission, 2016i, p. 4.
[424] Art. 4.2 (h) TFEU.
[425] Art. 170.1 TFEU.
[426] Art. 171.1 TFEU.
[427] Art. 171.2 TFEU.
[428] Reference to Art. 172 TFEU; which refers to the legislative procedure for adopting the guidelines and other measures to promote the establishment and development of trans-European networks.

including the synchronisation of national networks and the development and deployment of information and communication technologies.[429]

Hence, the EFSI Regulation provides that Member States may use any source of Union funding, including instruments under the trans-European networks and industry policies, to contribute to the financing of eligible projects.[430] This application of the EU competence on trans-European networks and associated funds is consistent with the measures that may be adopted by the EU in furtherance of the objective to enable all EU citizens and economic operators to benefit fully from the opportunities of a competitive, open internal market. These measures include, notably, providing support to projects of common interest supported by Member States, particularly through feasibility studies, loan guarantees or interest-rate subsidies.[431]

The EU competence for trans-European networks on communications, energy and transport is an important means for ensuring regional cohesion in the Union, as evidenced by the fact that this competence may also be used to help achieve the objectives of Article 174 TFEU, dealing with such regional cohesion. Indeed, the former is considered an important supplement to ensure heightened cohesion within the Union.[432] Hence, it may also serve as the legal basis for improving coherence in EU support for entrepreneurial initiatives throughout the Union's regions and other sub-national entities, as a complement to Article 174. The latter provision stipulates that, in order to strengthen its economic, social and territorial cohesion, the Union should aim at reducing disparities between the levels of development of the various regions, with particular attention to be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps.

Economic, social and territorial cohesion are policy areas governed by a shared competence between the EU and its Member States.[433] The DG for Regional and Urban Policy is responsible for exercising this Union competence. In doing so, it aims to provide support to deliver the above objectives, notably through the interventions financed under the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) which, together with the other ESI Funds, are the European Union's main instruments for investment.[434] Through the ERDF and CF, "a critical mass of investment is delivered in key EU priority areas, to respond to the needs of the real economy by supporting job creation, business competitiveness, economic growth, sustainable development, and by improving citizens' quality of life, thus contributing to the goals of the Europe 2020 Strategy for smart, sustainable and inclusive growth and the objectives of Cohesion Policy established in the Treaty".[435]

Pursuant to Article 175 TFEU, Member States are to coordinate their economic policies so as to improve regional cohesion, with support to be provided by the EU through the various structural funds, including the European Social Fund and the European Regional Development Fund, the European Investment Bank and other existing financial instruments. The European Social Fund has already been mentioned under the social policy competence of the EU, and is an important source of funding for actions to stimulate entrepreneurship. In addition, actions under the European Regional Development Fund may help redress the main regional imbalances in the Union "through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions".[436]

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[429] Art. 9.2 EFSI Regulation.
[430] ArT. 9.7 EFSI Regulation.
[431] Art. 171.1 TFEU.
[432] Lenaerts and Van Nuffel, 2011, no. 11-056
[433] Art. 4.2 (c) TFEU. See also Art. 3(3) TEU.
[434] See Arts. 176-178 TEU.
[435] European Commission, 2016t, p. 4.
[436] Art. 176 TFEU.

The Council and European Parliament are competent to define the tasks, priority objectives and the organisation of the structural funds. The general rules applicable to these funds and the provisions necessary to ensure their effectiveness and coordination with each other and other financial instruments are to be set by the same EU institutions. Finally, additional actions may be adopted by the European Parliament and the Council through the ordinary legislative procedure after consulting the Economic and Social Committee and the CoR.[437]

In this regard, the entrepreneurship potential of the competence for regional cohesion in terms of economic policies in this respect is illustrated by the fact that Article 175 TFEU, too, has been included as one of the legal bases for the 2015 EFSI Regulation. The EFSI Regulation is considered a part of a comprehensive strategy that should be complementary to the objective of economic, social and territorial cohesion across the Union, and in itself the instrument should act as a means of further enhancing cohesion in the EU.[438]

Finally, it was noted that the Union commitment to entrepreneurship is embedded in the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth, which promotes a green economy. Actions to stimulate the entrepreneurial spirit in the EU should therefore be consistent with the limits of the vertical distribution of competences between the EU and its Member States as dictated by the relevant provisions on which DG Environment operates. A shared competence according to Article 4.2 (e) TFEU, environmental protection considerations must be integrated into the definition and implementation of all EU policies and activities.[439] Conversely, Union policies on the environment must take into account the economic and social development of the Union as a whole and the balanced development of its regions.[440]

When making recommendations to reform the Union approach to a more entrepreneurial, green economy, we should take into account the type of measure or action that us suggested. As noted by DG Environment, action at national, regional or local level may be sufficient for some type of environmental issues, in line with the principle of subsidiarity. However, common solutions may be necessary to promote a more level-playing field and fairer competition for companies across the single market, and in that respect, Union action may be needed. In that case, legislation will be proposed by the Commission following input from various stakeholders. The precise nature in which competences in this respect are exercised by the Union and its Member States will then depend "on the final shape in which the European Parliament and the Council adopt it and the way it is implemented by the Member States. Implementation involves multi-level governance, with public and private bodies from the local to the EU level all having a role to play."[441]

In general, Member States are also required to finance and implement the environment policy of the EU. As a result, the exercise of EU competences related to environmental policies are curtailed by the requirement that, for a number of measures, the ordinary legislative procedure is set aside in favour of a procedure requiring unanimous support by all Member States through the Council. This exception relates to, among other things, measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply, as well as any provision that is primarily of a fiscal nature.[442] This last issue touches upon a matter of some

[437] Art. 177 TFEU.
[438] Paras. (11) and (23) EFSI Regulation.
[439] Art. 11 TFEU.
[440] Art. 191.3 TFEU.
[441] European Commission, 2016r, p. 4.
[442] Art. 192 TFEU.

importance for the present project, since any reform agenda needs to take into account the general limitations on a division of competences for entrepreneurial reorientation for fiscal measures.

5.1.2.3. Taxation and fiscal means of promoting entrepreneurship

A revamped agenda for promoting entrepreneurship in Europe may wish to include taxation reform as a key mechanism for supporting initiatives at a purely national or regional level. In order to ensure a realistic and workable scenario in that respect, we should briefly sketch the vertical distribution of power between the Union and its Member States in terms of fiscal provisions. Generally speaking, the EU does not have a direct role in raising taxes or setting tax rates, or deciding how the governments of Member States should spend their tax income, unless and to the extent that this would undermine the overarching economic policies of the Member State. Further, the decisions that can be taken by the Union in tax matters are to be taken unanimously by the Council so that even if the power, formally speaking lies with the EU, the Member States retain full say over the way in which it is exercised.[443]

This basic rule severely impacts the types of measures that may be taken by the Union, even in those areas where it theoretically is competent, to act for the purpose of promoting entrepreneurship. The only area in which the EU has explicitly been granted fiscal powers is in the framework of the customs union, where the fundamental principle that customs duties on imports and exports and charges having equivalent effect shall be prohibited between Member States also applies to customs duties of a fiscal nature.[444] The activities envisaged by the Commission DG responsible for taxation (DG TAXUD) to help boost jobs, growth and investment in Europe all focus on custom legislation and tariff suspensions and quotas[445]. Though these initiatives also, necessarily, have an impact on SMEs, in particular those with cross-border operations, the provision offers little leeway for Union action of a fiscal nature inspired by the need to promote entrepreneurship.

We have seen that Article 173 TFEU on industrial policy provides the most important legal basis for EU activities to facilitate the regulatory environment for the operation of SMEs and other entrepreneurs in Europe. This provision explicitly stipulates that the EU competence on industrial policy "shall not provide a basis for the introduction by the Union of any measure which could lead to a distortion of competition or contains tax provisions or provisions relating to the rights and interests of employed persons".[446] This rule is in line with the general provision stipulating that the measures taken by the European Parliament and Council aimed at achieving the objectives related to the establishment and operation of a single market - an exclusive competence of the EU - shall not include the approximation of laws concerning the functioning of this market to the extent that they concern fiscal provisions.[447]

The above limitations do not mean that the EU has no say in fiscal matters whatsoever. For corporate and income taxes, the main role of the EU is to ensure that national rules are consistent with certain fundamental principles and EU policies, such as non-discrimination and the operation of the single market, but also:

[443] Art. 223.2 TFEU: "All rules or conditions relating to the taxation of Members or former Members shall require unanimity within the Council".
[444] Art. 30 TFEU.
[445] European Commission, 2016aj, p. 14-15. For this reason, the competence of the DG TAXUD has not been addressed in the horizontal competence division.
[446] Art. 173.3 (2) TFEU.
[447] Art. 114.2 TFEU.

• promoting economic growth and job creation;
• ensuring the free flow of goods, services and capital around the EU (in the single market);
• making sure businesses in one country don't have an unfair advantage over competitors in another; and
• ensuring taxes don't discriminate against consumers, workers or businesses from other EU countries.[448]

Though national taxation regulations are considered to be the main source of administrative and other nuisance hindering SME performance and competitiveness in Europe, the measures taken by the EU in terms of fiscal regulation typically do not go further than activities related to studies of fiscal regulations in Member States and the promotion of the development and exchange of best fiscal practices at national level.[449]

As a result, current EU policy documents to promote entrepreneurship in Europe all but ignore fiscal measures, or exclusively refer to them in the context of restrained recommendations to the Member States. The 2000 European Charter for Small Enterprises contained a separate, if small section on taxation, linked to financial measures of improved access to capital. It stressed that 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 of small enterprises[450]. While the financial measures proposed by the 2000 Charter have since largely been implemented, Member States have since then only been encouraged to apply best practices to taxation and personal performance incentives.

Apart from a reference to the Commission initiative for a directive on reduced VAT rates for locally supplied services by SMEs, all taxation measures in the Small Business Act took the form of suggestions directed at Member States.[451] In light of the broad proscription on EU tax measures in Article 173 TFEU, it should not surprise us that the 2010 Integrated Industrial Policy fails to mention any tax-related measures or recommendations.

The Europe 2020 Strategy did express a general desire to make tax systems in EU Member States more growth-friendly, indicating that Member States should avoid raising taxes on labour but rather should shift the tax burden to energy and environmental taxes. The Commission therefore proposes to address bottlenecks in the single market by reducing administrative burdens and removing tax obstacles as means of improving the business environment, particularly for SMEs, and supporting entrepreneurship.[452] No specific measures were proposed to that effect, however, that extend beyond recommendations for Member States to adopt certain types of tax incentives.

The COSME Regulation only mentions taxation as a factor in its assessment of the current situation of the impact indicator for unnecessary administrative and regulatory burden on both new and existing SMEs, without suggesting any activities to be taken in that respect by Member States or supporting actions of the Union. Finally, the Entrepreneurship 2020 Action Plan does recognise the need to comprehensively address fiscal regulations in order to improve the regulatory environment

[448] See the website http://europa.eu/pol/tax/index_en.htm. The TFEU contains specific provisions that prohibit Member states from violating these and other fundamental principles through their internal tax provisions: see Arts. 110-113 TFEU.
[449] See the studies on SMEs and taxation at http://ec.europa.eu/growth/smes/business-friendly-environment/taxation/index_en.htm.
[450] P. 12 of the Charter.
[451] These suggestions were to ensure that taxation (in particular gift tax, taxation of dividends and wealth tax) does not unduly hamper the transfer of businesses; ensure that taxation of corporate profits encourages investment; tackle the regulatory and tax obstacles that prevent venture capital funds operating in the Single Market from investing on the same terms as domestic funds; provide tax incentives for eco-efficient businesses and products. See SBA, p. 6, 12 and 17.
[452] Europe 2020 Strategy, p. 19 and 24.

of SMEs. It lists tax burdens as one of the principal factors complicating the transfer of business in EU Member States, and notes that tackling double taxation and removing tax mismatches and other tax measures are essential measures for creating a level playing field for SMEs.[453] Though these concerns have resulted in a long list of proposals for tax reform to promote entrepreneurship, the vertical division of competences in the EU necessarily restricts these initiatives to suggestions at the discretion of the Member States.[454]

[453] Entrepreneurship 2020 Action Plan, p. 11 and 15.
[454] See table in next section.

5.1.2.4. Tables

For reasons of clarity and synthesis, the following table visualises the altogether limited list of legal bases that can and have been relied upon by the institutions of the European Union to undertake activities for entrepreneurial reform, be it directly through creating a more stimulating environment for small and medium-sized enterprises and entrepreneurs, or by promoting entrepreneurship for students and specific demographic groups. It also indicates the classification of these legal bases as conferring either exclusive, shared or supporting powers to the EU. The table confirms that, while most of the legal bases invoked by the EU institutions to act towards entrepreneurial reform are shared, the key competences of industrial policy, education, training and youth, are supporting, and the shared competence of employment is mainly of a coordinating nature.

Table 14. Overview legal bases

Legal basis (TFEU)	Policy area	Competence
79	Immigration	Shared
114	Internal market (approximation of laws)	Shared
145-150 (and 9)	Employment	Shared (emphasis on coordination in Art. 5 TFEU)
151-157	Social policy	Shared (for the aspects defined in the TFEU)
162-164	European Social Fund	Shared (social policy)
165-166	Education, vocational training and youth	Supporting
172	Trans-European networks	Shared
173	Industrial policy	Supporting
174-178	Economic, social and territorial cohesion	Shared
179-188	Research and technological development	Shared (though EU action will not preclude parallel national actions)
195	Tourism	Supporting
212	Economic, financial and technical cooperation with third countries	Shared

For the shared competences listed in the above table, the regulatory room remaining for the Member States is usually dependent on the extent to which the EU has exercised its powers in that same field - though we have seen that for some policy areas such as research and technological development, Union action will not preclude the Member States from exercising their (parallel) competences. To illustrate the actions undertaken by the EU with the intention to promote or otherwise support entrepreneurship in Europe, and, hence, to give an indication of the extent to which Member States may be precluded from acting in a certain policy area, the following table aims to give a list of relevant legislative documents adopted by the EU on legal bases central to the formulation and implementation of the current entrepreneurship policy of the Union. Incidentally, the information provided in the table reveals a steady decline over the past couple of years of legislative instruments adopted by EU institutions that directly address entrepreneurship[455].

[455] The information in the table has been compiled by searching the Eur-Lex database. It represents an inclusive catalogue of relevant entries in the results for the search terms 'enterprise*' and 'entrepren*' in the title, as well as 'entrepreneurship' in the body text limited to 2013-2016, performed on 1 June 2016. Moreover, it includes all relevant documents that were adopted by in that same period on the basis of Article 173 TFEU, as the key legal basis for many entrepreneurship initiatives. The cutoff date of 2013 is justified by the adoption of the Entrepreneurship 2020 Action Plan in that year, as the policy basis for legislative action by the EU in the current period. The table gives an indication of the legislative instruments that have been adopted and are currently in force as actions that have been taken to implement the current vision of EU entrepreneurship. As such, it includes directives, regulations, conclusions and decisions, but does go into the myriad opinions, recommendations and proposals relating to aspects of entrepreneurship, regardless of whether

Table 15. Legal bases entrepreneurship legislation

Instrument	Date	Legal basis (TFEU)	Policy area
Directive (EU) 2016/801 of the European Parliament and of the Council on the conditions of entry and residence of third-country nationals for the purposes of research, studies, training, voluntary service, pupil exchange schemes or educational projects and au pairing	11/05/2016	79	Immigration
Council Decision (EU) 2015/1848 on guidelines for the employment policies of the Member States for 2015	05/10/2015	148	Employment
Regulation (EU) 2015/1017 of the European Parliament and of the Council on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal	25/06/2015	172; 173; 175; 182	Trans-European networks; industrial policy; economic, social and territorial cohesion; research and technological development
Regulation (EU) 2015/760 of the European Parliament and of the Council on European long-term investment funds	29/04/2015	114	Internal market (approximation of laws)
Commission Implementing Decision on the model of funding agreement for the contribution of the European Regional Development Fund and the European Agricultural Fund for Rural Development to joint uncapped guarantee and securitisation financial instruments in favour of small and medium-sized enterprises	11/09/2014	/ (TFEU)	/
Council Decision 2014/390/EU on the position to be adopted, on behalf of the European Union, within the EEA Joint Committee concerning an amendment to Protocol 31 to the EEA Agreement, on cooperation in specific fields outside the four freedoms	23/06/2014	173; 195	Industrial policy; tourism
Commission Implementing Regulation (EU) No 594/2014 laying down implementing technical standards with regard to the format of the notification according to Article 17(1) of Regulation (EU) No 346/2013 of the European Parliament and of the Council on European social entrepreneurship fund	03/06/2014	/ (TFEU)	/
Directive 2014/67/EU of the European Parliament and of the Council on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System	15/05/2014	53; 62	Establishment; services
Decision No 562/2014/EU of the European Parliament and of the Council on the participation of the European Union in the capital increase of the European Investment Fund	15/05/2014	173	Industrial policy
Regulation (EU) No 508/2014 of the European Parliament and of the Council on the European Maritime and Fisheries Fund	15/05/2014	42, 43; 91, 100; 173; 175; 188; 192; 194; 195	Agriculture and fisheries; transport; industrial policy; economic, social and territorial cohesion; research and technological development; environment; energy; tourism
Decision No 553/2014/EU of the European Parliament and of the Council on the participation of the	15/05/2014	185, 188	Research and technological

Union in a Research and Development Programme jointly undertaken by several Member States aimed at supporting research and development performing small and medium-sized enterprises			development
Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA II)	11/03/2014	212	Economic, financial and technical cooperation with third countries
Regulation (EU) No 1301/2013 of the European Parliament and of the Council on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal	17/12/2013	178	Economic, social and territorial cohesion
Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)	17/12/2013	42, 43	Agriculture and fisheries
Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund	17/12/2013	177	Economic, social and territorial cohesion
Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy	17/12/2013	43	Agriculture and fisheries
Regulation (EU) No 1309/2013 of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020)	17/12/2013	175	Economic, social and territorial cohesion
Regulation (EU) No 1304/2013 of the European Parliament and of the Council on the European Social Fund	17/12/2013	164	European Social Fund
Commission Implementing Decision establishing the ‘Executive Agency for Small and Medium-sized Enterprises’	17/12/2013	/ (TFEU)	/
Regulation (EU) No 1291/2013 of the European Parliament and of the Council establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)	11/12/2013	173; 182	Industrial policy; research and technological development
Regulation (EU) No 1288/2013 of the European Parliament and of the Council establishing 'Erasmus+': the Union programme for education, training, youth and sport	11/12/2013	165, 166	Education and vocational training
Regulation (EU) No 1287/2013 of the European Parliament and of the Council establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020)	11/12/2013	173; 195	Industrial policy; tourism
Regulation (EU) No 1295/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Creative Europe Programme (2014 to 2020)	11/12/2013	166; 167; 173	Education and vocational training; culture; industrial policy
Regulation (EU) No 1290/2013 of the European Parliament and of the Council laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)"	11/12/2013	173; 183; 188	Industrial policy; research and technological development
Decision No 1312/2013/EU of the European Parliament and of the Council on the Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT): the contribution of the EIT to a more innovative Europe	11/12/2013	173	Industrial policy
Regulation (EU) No 1292/2013 of the European Parliament and of the Council amending Regulation (EC)	11/12/2013	173	Industrial policy

No 294/2008 establishing the European Institute of Innovation and Technology			
Regulation (EU) No 1296/2013 of the European Parliament and of the Council on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion	11/12/2013	46; 149; 153; 175	Workers; employment; social policy; economic, social and territorial cohesion
Council Decision No 2013/743/EU establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)	03/12/2013	182	Research and technological development
Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings	26/06/2013	50	Establishment
Regulation (EU) No 549/2013 of the European Parliament and of the Council on the European system of national and regional accounts in the European Union	21/05/2013	338	Statistics
European Parliament resolution on regional strategies for industrial areas in the European Union (2012/2100(INI))	21/05/2013	162; 173; 174, 175, 177, 178	European Social Fund; industrial policy; economic, social and territorial cohesion
Regulation (EU) No 345/2013 of the European Parliament and of the Council on European venture capital funds	17/04/2013	114	Internal market (approximation of laws)
Regulation (EU) No 346/2013 of the European Parliament and of the Council on European social entrepreneurship funds	17/04/2013	114	Internal market (approximation of laws)
European Parliament resolution on the Commission Communication 'Towards Social Investment for Growth and Cohesion — including implementing the European Social Fund 2014-2020' (2013/2607(RSP))	12/06/2013	9; 147, 148, 149; 151, 153	Employment; social policy
European Parliament resolution on the European Semester for economic policy coordination: employment and social aspects in the Annual Growth Survey 2013 (2012/2257(INI))	07/02/2013	9, 145, 148; 151, 152, 153	Employment; social policy

A third and final table represents a selection of relevant legislative initiatives planned by the European Commission pertaining to enterprises, entrepreneurs and entrepreneurship, along with a reference to the policy area(s) of the initiative and the legal basis on which the action is founded. The table confirms the wide array of provisions and policy areas that can and will be used to move Europe in a more entrepreneurial direction. At the same time, the table also reveals little to no actions to be taken on the basis of Article 173 TFEU or the industrial policy of the EU.

Table 16. Commission initiatives 2016[456]

Policy area	Reference N°	Full title	Scope and objectives	Category of initiative	Legal bases (treaties & articles) / References	Legislative procedure	IA SG	Foreseen adoption
Employment	2016/EMPL/010	Mid-term evaluation of the European Union programme for employment and social innovation - EaSI 2014-2020	The purpose of the EaSI mid-term evaluation is to 'measure, on a qualitative and quantitative basis, progress made in meeting the Programme's objectives, to address the social environment within the Union and any major changes introduced by Union legislation, to determine whether the resources of the Programme have been used efficiently and to assess its Union added value.' (Art. 13(1) of the EaSI Regulation No. 1296/2013 of 11 December 2013). The EaSI mid-term evaluation focuses on the programme's activity period running from January 2014 until December 2016. The scope of this evaluation covers the activities undertaken under the three axes of the EaSI programme (PROGRESS, EURES, Microfinance and Social Entrepreneurship) as well as its transversal issues. If the evaluation reveals major shortcomings and if appropriate, a proposal for amendments reflecting the results of the evaluation will be submitted to the European Parliament and the Council in compliance with Art. 13 (2) of the EaSI Regulation.	CWP 2016 follow-up (MFF Review)		non-legislative procedure	N	July 2017
Employment	2015/EMPL/014	Proposal for a Council Regulation on the Revision of Regulation (EEC) No. 337/75 of the Council of 10 February 1975 establishing a European Centre for the Development of Vocational Training	To streamline the operations of the Centre as well as its governance structure and processes while at the same time preserving the tripartite character of Cedefop and adapting its Founding Regulation to the provisions of the Common Approach on decentralised agencies. To increase the Agency's accountability, transparency and efficiency, in particular with regard to the size and composition of the Governing Board and Bureau, the nomination of the Director and Deputy Director, the rules on evaluation and review as well as anti-fraud measures, To adapt the mandate and tasks of the Agency to current policy priorities and strategies, taking into account recent policy development in the field of vocational education and training, skills and qualifications at the EU level as well as societal, institutional and economic developments occurred in the EU since the creation of the Centre in 1975.	Other (legislative initiative)	Treaty on the Functioning of the European Union: artt. 156, 166 and 352	ordinary legislative procedure	N	4th quarter 2016

[456] Information taken from the comprehensive table listing all planned Commission initiatives contained in the strategic agendas of the various DGs: see European Commission, 2016j.

Financial Stability	2015/FISMA/153	Proposal for a Regulation on the Review European Venture Capital (EuVECA) and European Social Entrepreneurship (EuSEF) Fund regulations	The EuVECA and EuSEF regulations (Regulations 345/2013 and 346/2013) came into force in July 2013. They establish a framework for investment funds which invest in unlisted SMEs. They are both part of the Europe 2020 Strategy set out by the Commission on 3 March 2010 and EuSEF are also part of the Social Business Initiative launched on 25 October 2011. Funds complying with these regulations receive a passport which allows them to collect capital from investors able to commit at least €100,000 across the EU. EuVECA and EuSEF managers do not need to be authorised under the Alternative Investment Fund Managers Directive (AIFMD). Both funds are designed to channel money from private investors into SMEs and so boost jobs and growth. They have therefore been recognised as integral to the work on CMU. The proposed consultation will consult on measures to improve the take-up of these two types of investment fund which so far amount to just under 40 funds with capital targets of € 1.5 billion. It will also be used to fulfil the requirement of a review clause (EuVECA article 26 1(h), 2(b) and EuSEF article 27 1(f), 2(b)) in relation to whether funds established in third countries can use these designations. The reviews on third country funds are required to be carried out in 2015. The EuVECA and EuSEF Regulations are not due for general reviews until July 2017 but, given the importance of making progress toward a CMU, EC decided to bring the review forward.	REFIT CWP 2016	Treaty on the Functioning of the European Union: Art 4	ordinary legislative procedure	Y	July 2016
Financial Services	2015/FISMA+/107	Initiative on further transparency of companies relating to their corporate income tax	The objective of the initiative is to increase corporate tax transparency to the public with a view to fostering corporate responsibility to contribute to welfare through taxes and to ensure that enterprises pay tax where they actually make profit. This initiative is part of the package of measures to boost tax transparency presented by the Commission on 18 March 2015. This package is developed under the umbrella of the following item of the 2015 CWP: Fair Taxation / EU Measures to Move to a System on the Basis of which the Country where the Profits are Generated is also the Country of Taxation.	CWP 2015 follow-up (Action Plan on Tax Evasion)	Treaty on the Functioning of the European Union: Articles 50, 114 and/or 115 TFEU	instruments and applicable procedures to be determined	Y	12/04/2016
Home Affairs	2016/HOME/025	Review of Directive 2009/50/EC of 25 May 2009 on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment ("EU Blue Card" Directive)	A review of the "EU Blue Card" Directive has been put forward in the political guidelines as a first step towards a new European policy on legal migration, one of the ten priorities of this Commission. Such a policy could help to address shortages of specific skills and attract talent to better cope with the demographic challenge of the EU. The European Agenda on Migration of 13 May 2015 (COM(2015)240 final) confirmed that a review of the Directive will look at how to make it more effective in attracting talent to Europe. The review will look at the shortcomings of the Directive, including the issue of intra EU mobility for Blue Card holders. The review will also consider two categories of third country nationals currently outside the scope of the Blue Card: entrepreneurs and service providers. Depending on the outcome of the review, a potential legislative proposal or amendments could be put forward.	CWP 2015 follow-up (European Agenda on Migration)	Treaty on the Functioning of the European Union: Article 79	ordinary legislative procedure	Y	27/04/2016: Brussels

Internal Market	2015/GROW/027	Measures in the area of parcel delivery to ensure affordable high quality cross border parcel delivery	The ultimate objective is to ensure high quality affordable cross-border parcel delivery. This initiative aims to complement the market-driven initiatives referred to above by enhancing market transparency, so as to ensure that operators can compete on a level playing field, and that all market participants, in particular smaller ones, have better market information, especially on prices. This initiative will make it easier for e-retailers to sell across borders, especially for SMEs. • More specifically, this initiative aims to: • Improve information about available delivery solutions for both e-retailers and their customers. • Improve affordability of delivery services in particular SME retailers and users in remote and peripheral areas • Ensure a level playing field for all delivery operators serving the cross-border delivery market.	CWP 2015 follow-up (Digital Single Market Strategy)	Treaty on European Union : Articles 47, 55 and 114	Instrument /applicable procedure to be determined	Y	2nd quarter 2016
Research, Science and Innovation	2016/RTD+/001	Energy Union Integrated Strategy on Research, Innovation and Competitiveness	- Accelerate innovative low-carbon technologies and non-technological solutions to enable future ambitious energy, transport and climate policies, and to improve the competitiveness of the EU industrial base, contributing to the EU industrial transformation towards smarter and cleaner processes, goods and services. - Maximise public investment in Energy Union related research and innovation, exploiting the impact of Horizon 2020 and national funding in energy, transport and climate and synergies between Horizon 2020, European Structural and Investment Funds and European Fund for Strategic Investments, and address bottlenecks for private investment in energy and climate research and innovation, -Address dysfunctional or counterproductive investments for innovation in current public subsidies	CWP 2015 follow-up (Energy Union)		Non-legislative procedure	N	November 2016
Statistics	2012/ESTAT/011	Proposal for a Regulation of the European Parliament and of the Council on business statistics	This proposal aims at the integration of business statistics in a common legal framework. This should ensure the statistical consistency across business statisitics domains, facilitate the integration of the corresponding statistical processes and result in a reduction of the response burden on the enterprises	REFIT CWP 2015	Treaty on the Functioning of the European Union: Art. 338	ordinary legislative procedure	Y	4th quarter 2016

5.1.3. Entrepreneurship recommendations addressees

Suggestions for reforming the entrepreneurial society in Europe need to take into account the legal nature of the competences of the EU in the main policy areas for entrepreneurship policy, as well as the requirements following the general principles of subsidiarity and proportionality in areas of shared and supporting competences. The specific implications of these types of competences and principles on the vertical division of powers between the EU and its Member States are illustrated by the addressees of the recommendations for reform in the key Commission documents outlining the current administration's approach to entrepreneurship. Even if the proposals by the current project may wish to suggest a departure from this approach, the recommendations remain relevant for they reveal the legal limitations to a EU-centralised approach to entrepreneurial reform.

The Small Business Act of 2008 lists the addressees for each of the ten principles that should guide the formulation and implementation of policies of the EU and its Member States in order to realise the potential of SMEs throughout Europe and create a level playing field. The table below gives a quick overview of the actors addressed by the SBA. When reading this and other tables in this section, it should be taken into account that, as per usual Commission practice, all actions addressed at Member States are invitations only, while the actions addressed at the EU are essentially self-imposed by the Commission. Incidentally, the specific way of phrasing Member State recommendations is also adopted by the Council, which, for example, in its recent conclusions on youth entrepreneurship consistently invited Member States to take action "with due regard for the principle of subsidiarity".[457]

Table 17. SBA addressees

Principle		EU	Member States	
			Central	Local
I	Create environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded	✓	✓	
II	Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance		✓	
III	Design new legislation and simplify existing regulatory environment according to the 'Think Small First' principle	✓	✓	
IV	Make public administrations responsive to SME needs, notably by promoting e-government and one-stop-shop solutions		✓	✓
V	Adapt public policy tools to SME needs by facilitating SME participation in public procurement and through better use of State Aid possibilities for SMEs	✓	✓	
VI	Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions	✓	✓	
VII	Help SMEs to benefit more from the opportunities offered by the Single Market	✓	✓	
VIII	Promote the upgrading of skills in SMEs and all forms of innovation	✓	✓	
IX	Enable SMEs to turn environmental challenges into opportunities	✓	✓	
X	Encourage and support SMEs to benefit from the growth of markets	✓	✓	

The SBA includes the MS and the Commission as the addressees for all 10 principles. However, where the role of the Commission is merely to encourage actions by Member States, or to exchange best practices among Member States, the table does not identify the EU as the actual addressee of the principle. Further, although the SBA only refers to Member States in general, the explanation added

457 Council conclusions of 20 May 2014.

to each principle at times reveals a specific role to be played by local and regional authorities within those Member States. In general, since the SBA is also directed to the Committee of the Regions, the role of local authorities in implementing the SBA is recognised for all principles. However, the recommendations accompanying the SBA principles only once specifically refer to the role of local and regional administrations.

As we have seen, the Europe 2020 Strategy and the elaboration of one of its seven flagship initiatives in the form of the 2010 Integrated Industrial Policy, both adopted two years after the formulation of the SBA, identify many of the same policy areas as the SBA. However, an overview of the addressees of the recommendations for future actions reveals minor shifts in the actors either required or invited by the European Commission to take action to implement the relevant flagship initiatives of the 2020 Strategy and the industrial policy, as compared to the SBA. To better illustrate this, the table below indicates the main areas where the action areas of the Europe 2020 Strategy and the Integrated Industrial Policy overlap with the SBA principle and each other:

Table 18. E2020 flagship initiatives addressees

Flagship initiative		SBA principle(s)	EU	Member States	
				Central	Local
1	Innovation Union (re-focus R&D and innovation policy on the challenges facing society, focusing on climate change, energy and resource efficiency, health and demographic change)	VIII, IX	✓	✓	✓
2	Youth on the move (raise quality of education and training in the EU, promote student mobility and trainees' mobility, and improve youth employment)	I	✓	✓	
3	A digital agenda for Europe (deliver sustainable economic and social benefits from Digital Single Market based on fast and ultra fast internet for all and interoperable applications)		✓	✓	
4	Resource efficient Europe (shift towards resource efficient and low-carbon economy in order to decouple economic growth from resource and energy use)	IX	✓	✓	✓
5	An industrial policy for the globalisation era (policy to support entrepreneurship and to promote the competitiveness of Europe's primary industries)	I	✓	✓	
6	An agenda for new skills and jobs (create conditions for modernising labour markets to raise employment levels and ensure sustainability of European social models)	VIII	✓	✓	
7	European platform against poverty (ensure economic, social and territorial cohesion to recognise fundamental rights of people in poverty and social exclusion)		✓	✓	

When comparing the above list to the table of addressees from the SBA, it is apparent that the Europe 2020 Strategy is somewhat more focused on the need to include Member States in all stages of the process, in order to make feasible the realisation of the (much more) comprehensive agenda. This impression is further strengthened by the fact that, unlike in the other Commission policy documents pertinent to entrepreneurship, each strategy is accompanied by an extensive list of recommendations to the Member States prefaced by the imperative phrase that "Member States will need to …", rather than the more common suggestion merely 'inviting' actions at national level.

The trend is clearly reversed in the Integrated Industrial Policy, which appears to be conceived more as an internal document addressing not only the European Commission but also inviting action by the Council and the European Parliament, albeit on a limited number of occasions, than a comprehensive agenda requiring full cooperation and initiative by the Member States. If the Europe

2020 Strategy contained copious recommendations for Member States, including in the flagship initiative for an industrial policy for the globalisation area as well as the other initiatives aimed at SMEs, the Integrated Industrial Policy fails to address them in more than half of the policy priority areas (5 out of 12). Moreover, for those priority areas that do address Member States, their recommendations are consistently outnumbered by the initiatives that are imposed on the Commission.

Table 19. Industrial policy addressees

Industrial policy priority area	SBA principle(s)	Flagship initiative(s)	EU	Member States	
				Central	Local
Competitiveness-proofing and implementing smart regulation	III, IV	1, 5	✓	✓	
Improving access to finance	VI	5	✓		
Developing single market and enforcing intellectual property rights	VII	1, 3, 5	✓		
Improving energy, transport and communication infrastructure		3, 4	✓	✓	
Develop standards system for Europe	VII	1, 5	✓		
Industrial innovation, through clusters and networks	VIII	1, 5	✓	✓	✓
Modernising Europe’s skill base	VIII	1, 6	✓	✓	
Promote internationalisation of SMEs	VIII	5	✓		
Ensuring access to raw materials	IX	4	✓		
Promoting industrial modernisation through resource and energy efficiency	VIII, IX	4	✓	✓	
Tailor-made responses to structural excess capacities		5	✓		
Building on corporate social responsibility		5, 6	✓		

For sake of clarity and brevity, the above tables did not consider the individual recommendations that are directed at the Commission and Member States to realise the policy objectives expounded in the relevant policy documents. However, as the most recent and most comprehensive outline of the EU’s approach to entrepreneurship, it does appear useful to take a closer look at all of the recommendations suggested by the European Commission to realise the objectives of the Entrepreneurship 2020 Action Plan. By giving a detailed overview of the recommendations in this Action Plan by policy area and type of action, the table below is revelatory for the lengths the Commission thinks the EU and its Member States can and/or should go in order to reform the entrepreneurial society in Europe.

Table 20. E2020 Action Plan addressees

Action Pillar	Recommendation	Area	Action	Addressee
Entrepreneurial education and training to support growth and business creation				
	Develop pan-European learning initiative	Education	Coordination/best practice exchange	EU
	Reinforce co-operation with Member States to assess introduction of entrepreneurship education in each country	Education	Coordination/best practice exchange	EU
	Establish guidance framework to encourage development of entrepreneurial schools and VET institutions	Education/training	Support/promote	EU (+OECD)
	Promote recognition and validation of entrepreneurial learning in informal/non-formal learning environment	Education/training	Support/promote	EU
	Disseminate entrepreneurial university guidance framework, promote framework & facilitate exchange between universities	Education	Coordination/best practice exchange	EU
	Endorse successful mechanisms of university-driven business creation	Education/SMEs	Support/promote	EU
	Embed key competence of entrepreneurship into curricula of primary, secondary, vocational, higher and adult education	Education/training	Legislative	Member States
	Give young people opportunity to have entrepreneurial experience before end of education	Education	Policy/legislative	Member States
	Boost entrepreneurial training for young people and adults in education by means of Structural Funds resources in line with national job plan	Training	Initiate EU funding	Member States
	Promote entrepreneurial learning modules for young people participating in national Youth Guarantee schemes	Education	Support/promote	Member States
Create an environment where entrepreneurs can flourish and grow				
Better access to finance	Finance programmes aimed at developing market for microfinance in Europe	SMEs/finance	Funding	EU
	Facilitate direct access of SMEs to capital market through development of an EU regime for SME growth markets	SMEs/finance	Legislative/funding	EU
	Assess need of amending national financial legislation and simplifying tax legislation to facilitate alternative forms of financing for start-ups and SMEs	SMEs/finance/taxation	Legislative	Member States
	Make use of structural funds' resources to set up microfinance support schemes	SMEs/finance	Initiate EU funding	Member States
	Utilise full potential under the European Agricultural Fund for Rural Development (EAFRD)	SMEs/finance/agriculture	Initiate EU funding	Member States
Supporting new	Identify and promote Member States best practices to create more	SMEs/taxation	Best practice exchange	EU

businesses in crucial phases of their lifecycle and help them grow	entrepreneur-friendly fiscal environment			
	Support cooperation between clusters and business networks	SMEs	Support	EU
	Support networking and exchange of best practice between agencies running schemes on resource efficiency for SMEs	SMEs/energy	Support/best practice exchange	EU
	Reinforce Enterprise Europe Network partnership with hosting organisations, Single Points of Contact and all SME support organisations by informing, encouraging and providing assistance	SMEs	Coordination/support/in formation	EU
	Revise rules prohibiting certain misleading marketing practices	Internal market	Legislative	EU
	Unlock full potential of Digital Single Market for SMEs by tackling existing barriers to cross-border online business	Internal market/ICT	Legislative	EU
	Continue development of Erasmus for Young Entrepreneurs programme	SMEs/training	Coordination	EU
	Encourage exchanges of young entrepreneurs between EU and third countries	SMEs	Promote	EU
	Help Member States develop integrated support schemes through capacity building seminars financed by ESF technical assistance	Education/training	Support/capacity-building	EU
	Continue to develop Your Europe Business portal	SMEs	Coordination	EU
	Make national tax administration environment more favourable to early stage business	SMEs/taxation	Legislative/policy	Member States
	Promote tax coordination to ensure that inconsistencies in tax treatment do not lead to double taxation or other harmful tax practices	SMEs/taxation	Legislative/coordination	Member States
	Reassess corporate income tax regimes to consider extending the statute of limitation of losses and deductions	SMES/taxation	Legislative	Member States
	Implementing option offered for small businesses of cash accounting scheme for VAT	SMEs/taxation	Legislative	Member States
	Adopt necessary measures to support commercialisation of innovation, research and development projects	SMEs/R&D	Legislative/policy	Member States
	Consider option for owners of new enterprises to request possible adjustments of payment schedules for social contributions	SMEs/employment	Legislative	Member States
	Take full advantage of EAFRD	SMEs/finance/agriculture	Initiate EU funding	Member States
Unleashing new business opportunities in the digital age	Foster knowledge base on major market trends and innovative business models to facilitate dialogue and lead to a shared agenda for action	SMEs/ICT	Coordination/support/b est practice exchange/study	EU
	Raise awareness through Europe-wide information campaign for entrepreneurs and SMEs on benefits from new digital evolutions	SMEs/ICT	Coordination/informatio n	EU
	Facilitate networking to support new business ideas for training, advice and coaching on how to do business in the digital age	SMEs/ICT/training	Support	EU
	Launch specific actions for Web entrepreneurs such as platforms for mentoring and skill-building	SMEs/ICT/training	Coordination	EU

	Strengthen competences and skills by intensifying e-skills actions for managerial and entrepreneurial skills to address new technological and markets	SMEs/ICT/training	Coordination	EU
	Reinforce national or regional support for digital and web start-ups and foster alternative financing for early-stage technology start-ups	SMEs/ICT/finance	Support/funding	Member States
	Promote access for entrepreneurs to Open Data and Big Data compiled in public or industry-backed programs	SMEs/ICT	Support/promote	Member States
	Support talented entrepreneurs by encouraging bright graduates to begin a career in start-ups	SMEs	Support/promote	Member States
	Support adoption of on-going policy initiatives such as the data protection reform and the proposal for a Common European Sales Law	SMEs/ICT	Legislative/policy	Member States
	Ensure the best use of European funds for web and digital entrepreneurship	SMEs/ICT	Initiate EU funding	Member States
Easier business transfers	Develop guidelines on most effective programmes and best practices to make business transfers easier through expert working groups with Member States	SMEs	Coordination/best practice exchange	EU
	Improve legal, administrative, and tax provisions for transfers of business	SMEs/taxation	Legislative	Member States
	Use existing European funds according to their applicable rules and priorities to support SME transfers	SMEs	Initiate EU funding	Member States
	Improve information and advice services for business transfers	SMEs	Information	Member States
	Effectively publicise business transfer platforms and marketplaces and launch campaigns to raise awareness	SMEs	Information	Member States
	Review tax regulation with respect to impact on liquidity of SME in case of succession of ownership	SMEs/taxation	Legislative	Member States
Second chances for honest bankrupts	Launch public consultation to invite views from stakeholder on issues related to European approach to business failure and insolvency	SMEs	Consultation/study	EU
	Reduce discharge time and debt settlement for honest entrepreneurs after bankruptcy	SMEs	Legislative	Member States
	Offer support services to businesses for early restructuring, advice to prevent bankruptcies and support for SMEs to restructure and re-launch	SMEs	Support/information	Member States
	Provide advisory services to bankrupt entrepreneurs and develop programmes for 'second starters' for mentoring, training and business networking	SMEs/training	Support	Member States
Regulatory burden: clearer and simpler rules	Vigorously pursue reduction of regulatory burden in EU proposed legislation	SMEs	Legislative	EU
	Review and revise EU regulation to reduce unnecessary or excessive burden in areas identified as 'top ten most burdensome'	SMEs	Legislative	EU
	Propose legislation abolishing burdensome authentication requirements	SMEs/internal market	Legislative	EU

	for SMEs wanting to conduct cross-border business			
	Set up working group to assess needs of liberal profession entrepreneurs regarding issues of simplification, internationalization or access to finance	SMEs	Study	EU
	Monitor progress via Points of Single Contact under Services Directive and encourage Member States to take more business-oriented approach	SMEs/internal market	Monitor/promote	EU
	Assist business with a view to ensuring that they can effectively access and make use of SOLVIT platform to deal with issues of EU rights	SMEs/internal market/employment	Support	EU
	Reduce time for licensing and other authorisations necessary to start a business activity to one month	SMEs	Legislative	Member States
	Fully implement European Code of Best Practices facilitating SMEs' access to public procurement	SMEs	Legislative/best practice exchange	Member States
	Modernise labour markets by simplifying employment legislation and developing flexible working arrangements	SMEs/employment	Legislative	Member States
	Extend the Points of Single Contact to more economic activities and make them more user-friendly	SMEs	Support/coordination	Member States
	Set up one-stop-shops for entrepreneurs to bring together all business support services including mentoring, facilitation and advice	SMEs	Coordination/informatio n	Member States
Role models and reaching out to specific groups				
Entrepreneurs as role models	Establish Europe-wide EU Entrepreneurship Day for students in their last year of secondary education	Education	Information	EU
	Step up entrepreneurship promotion activities and appoint known entrepreneurs as national Entrepreneurship Ambassadors	Entrepreneurship	Promote	Member States
	Take into account variety of business models and legal statuses in national or local business support schemes, and develop social entrepreneurship education and training	Entrepreneurship/education/training/social affairs	Promote/policy	Member States
Women	Create Europe-wide on-line mentoring, advisory, educational and business networking platform for women entrepreneurs to promote exchange of best practices	Inclusion/education/training	Coordination/best practice exchange	EU
	Design and implement national strategies for women's entrepreneurship	Inclusion	Promote/policy	Member States
	Collect gender-disaggregated data and produce annual updates on state of women entrepreneurs nationally	Inclusion	Information	Member States
	Continue and expand existing networks of Female Entrepreneurship Ambassadors and Mentors for Women Entrepreneurs	Inclusion	Promote	Member States
	Implement policies enabling women to achieve adequate work-life balance, by taking full advantage of support options under EAFRD, ERDF	Inclusion	Initiate EU funding	Member States

	and ESF			
Seniors	Help exchange best practices helping senior executives and entrepreneurs to mentor new entrepreneurs	Inclusion/training	Best practice exchange	EU
	Foster senior entrepreneurs interested in transferring know-how to new entrepreneurs and match senior entrepreneurs with inexperienced entrepreneurs	Inclusion/training	Promote	Member States
	Ensure that participation of senior entrepreneurs and retired executives in projects is compatible with their pension prospects	Inclusion	Legislative	Member States
Migrant entrepreneurs	Propose policy initiatives to attract migrant entrepreneurs and to facilitate entrepreneurship among migrants	Migration	Policy	EU
	Propose legislation aimed at removing legal obstacles to establishment of businesses and giving qualified immigrant entrepreneurs a stable permit	Migration	Legislative	EU
	Remove legal obstacles to establishment of businesses by legal migrant entrepreneurs by giving them stable permits	Migration	Legislative	Member States
	Facilitate access to information and networking for migrant entrepreneurs and prospective migrant entrepreneurs	Migration	Information	Member States
Unemployed, in particular young people	Launch future micro-finance facility under the Programme for Social Change and Innovation to target vulnerable groups	Employment/inclusion/finance	Funding	EU
	Use ESF to provide Technical Assistance to set up support schemes for young business starters and social entrepreneurs	Employment/inclusion/social affairs	Funding	EU
	Organise micro-finance and social entrepreneurship stakeholders' forum	Employment/inclusion/social affairs/finance	Study	EU
	Analyse situation of entrepreneurship for the unemployed	Employment/inclusion	Study	EU (with OECD)
	Analyse results of study on contribution of public employment services to job creation, and organise dissemination event	Employment/inclusion	Study/information	EU
	Connect public employment services with business support services and (micro)finance providers to help unemployed find their way into entrepreneurship	Employment/inclusion	Support/coordination	Member States
	Design business training programmes for out-of-work youngsters on basis of clearly defined stages	Employment/inclusion/training	Policy/legislative	Member States
	Launch active labour market programmes that provide financial support to all unemployed people for starting a business	Employment/inclusion	Funding	Member States
	Establish and run entrepreneurship education schemes to enable unemployed to (re-)enter business life as entrepreneurs based on successful models from Member States	Employment/inclusion/education	Best practice exchange/policy	Member States

From the outset, its is clear that the Entrepreneurship 2020 Action Plan once again addresses the Commission and the EU Member States in all areas covered by the plan. Indeed, the table of recommendations and proposals for action contained in the E2020 Action Plan illustrates the need for a consolidated approach involving both the EU institutions and the Member States to comprehensively reform the entrepreneurial education, environment and mindset of European citizens and businesses. Out of the 86 proposals for reform, 40 or 46.5% are directed to the European Commission, while the remaining 46 or 53.5% address the Member States at national, regional or local level. If a quick quantitative analysis hence shows that, though balanced on the whole, a small majority of the actions for entrepreneurial reform should be taken by Member States, a more quantitative approach reveals that the vertical distribution of responsibility for instigating entrepreneurial reform is skewed a lot more strongly towards the national level.

For those areas such as education and industrial policy, where the EU has a supporting competence, the table confirms that proposals for Union activity remain limited to actions that support, coordinate or supplement the actions of the Member States. Overall, out of the 40 proposals addressed by the European Commission to the EU, no less than 29 or 72.5% take the form of actions aiming to support national, regional and local initiatives, coordinate of national actors, exchange best practices across the Union, disseminate information, and study possible future actions at EU or Member State level. This is in line with the instructions of the European Parliament and the Council in the 2013 COSME Regulation for EU initiatives in each of the four priority areas identified in the Programme, which consistently ask the Commission to 'support' actions which aim to facilitate and improve access to finance for SMEs in their start-up, growth and transfer phases; to continue improving the competitiveness and access to markets of SMEs; to improve the framework conditions for the competitiveness and sustainability of SMEs; and to promote entrepreneurship and an entrepreneurial culture.[458]

The supporting nature of the activities of the EU is particularly apparent for those areas covered by Action Pillars 1 and 3 of the E2020 Plan concerning education and training, and the promotion of entrepreneurship and social inclusion of certain demographic groups. The second pillar of the Action Plan, based largely on the Union's industrial policy competence, proposes more legislative actions and the setting up of dedicated funding mechanisms. These proposals are largely confined to actions that aim to facilitate access to finance for SMEs. However, as we have seen, the most prominent of the measures adopted in this area so far also relied on legal bases for shared competences in other policy areas such as economic, social and territorial cohesion, research and technological development, and trans-European networks. Likewise, it appears that, where cross-border competitiveness is addressed as a factor that can improve the regulatory environment of entrepreneurs, the EU shared powers regarding the functioning of internal market offer more leeway, which translates into more assertive legislative action.

Apart from the aforementioned areas, proposals for reform of applicable legislation are typically directed at the Member States. As we have seen, this is due to the supporting nature of the Union's competence in many areas of entrepreneurship. Moreover, in those areas where the EU shares its competence with the Member States, both the principle of subsidiarity and the need to adopt a bottom-up approach that gives full effect to the regional and national diversity of the entrepreneurial environment may often warrant that the initiative be left to the latter. Further, proposals for entrepreneur-friendly tax incentives and other fiscal reform measures are of course entirely left to the Member State level, considering the very limited say of the EU in these matters. Finally, the above table also shows that, even in those areas where ambitious funding mechanisms have been set up at EU level, proposals for action by the Union are consistently mirrored by

[458] Arts. 8, 9, 11 and 12 of the COSME Regulation.

recommendations for Member States to take the initiative to actually make use of these funds to stimulate entrepreneurship at the national, local and regional level.

5.1.4. Coordination between EU and the Member States

The overview of the addressees of the key entrepreneurship policy documents drawn up by the Commission confirm that any comprehensive reform proposal will need to engage both the relevant institutions of the EU and the national authorities of the Member States. The wide variety of policy areas shared between these two vertical levels or where actions by the EU support or guide the initiatives of the Member States in particular underscore the importance of optimising the use of existing channels aimed at coordinating the approach taken by the Union and its Member States. As per the Commission's own admission, in order to "reinvigorate Europe's entrepreneurs and push its entrepreneurial activity, the Commission and Member States must work simultaneously on restoring confidence, creating the best possible environment for entrepreneurs by putting them at the heart of business policy and practice, and revolutionising the culture of entrepreneurship. […] Bringing about an entrepreneurial revolution is a joint task of the Commission and the Member States on which they have to embark for the long term".[459] Further, improved coordination between the European, national, regional levels in their strategies, policies and funding to SMEs is often recommended in policy and legal literature.[460]

Therefore, we will now take a look at the institutional guarantees in place for a coordinated approach to entrepreneurial reinvigoration, and the mechanisms and tools used for this purpose at the European level. The present section will mainly focus on the European actors and mechanisms identified in the European 2020 Action Plan as crucial elements of following up the key actions proposed in the Plan, for these tools are used by the EU to monitor a coherent approach to the principal entrepreneurship policy document across the various Member States. In the words of the Commission, "[the E2020 Action Plan] and its key actions will be followed up by the Commission through the competitiveness and industrial policy and the Small Business Act governance mechanisms, including in their external dimension with the candidate, potential candidate and neighbourhood countries. The network of National SME Envoys shall, together with the EU SME Envoy, play a particularly key role in ensuring that progress is made on the proposed measures. Member States are invited to report on progress on the key actions of this Communication at national level in the context of their National Reform Programmes in the framework of the European Semester".[461] These tools have since the 2013 Action Plan been confirmed as making up the crux of the EU's approach to a coordinated entrepreneurship policy at the national level.[462]

[459] Entrepreneurship 2020 Action Plan, p. 27-28.
[460] M. Lopriore, 2009, p. 36.
[461] Entrepreneurship 2020 Action Plan, p. 28.
[462] See also, for example, the 2014 Commission Communication on a Green Action Plan for SMEs: "Coordination, cooperation and best practices exchange at European, national and regional level will be supported: the Small Business Act governance mechanism, which comprises the SME Performance Review and the Network of SME Envoys, will be used to provide a platform for best practice exchange among Member States on support for SMEs to help them turn environmental challenges into business opportunities. In particular, the Network of SME Envoys will be used to discuss implementation of such practices, results and obstacles": European Commission, 2014b, p. 11.

5.1.4.1. Institutional factors for increasing coordination

Once more, it is the Commission that should lead coordination efforts across the different vertical levels of governance in the EU.[463] The current structure of the Commission, where the multitude of departments and services with partially overlapping and mutually reinforcing duties and responsibilities is organised around a small number of Project Teams led by Vice-Presidents whose tasks are guided by clear General Objectives set by the Commission President, appears to be mainly aimed at improving horizontal coherence at EU level. However, the logical organisation of the Commission's work grounded on a select range of key officials also allows for a streamlined approach to coordinated policy arrangements between the EU and its Member States, and for efficient communication of principal guidelines on how the Union may assist in improving coherence between national authorities.[464] As such, the relationship between the EU institutions and the Member States is a key focal point of Commission President Juncker, who highlighted in his Mission Letter to the Vice-Presidents of the Commission that

"Effective policy-making also requires a deep understanding of every one of the Member States, of their common challenges and of their diversity. While fulfilling your obligation to participate in Commission meetings and engage with the European institutions, I want you all to be politically active in the Member States and in dialogues with citizens, by presenting and communicating our common agenda, listening to ideas and engaging with stakeholders. In this context, I want all Commissioners to commit to a new partnership with national Parliaments: they deserve particular attention and I want, under the coordination of the first Vice-President, in charge of Better Regulation, Interinstitutional Relations, the Rule of Law and the Charter of Fundamental Rights, important proposals or initiatives to be presented and explained in national Parliaments by Members of the Commission. This should also allow us to deepen the country specific knowledge within our institution and to build mutual understanding and effective channels of communication between the national and the European level."[465]

As for horizontal coherence, the key player in the European Commission for steering coordination between the EU and the Member States on issues of SMEs and entrepreneurship is DG GROW. Apart from many European institutions and services, the DG also lists various national authorities among its main stakeholders, alongside the industry and civil society. As such, the main stakeholders of DG GROW outside the Commission are not only the business, trade, and industry organisations, or consumer and patient organisations, environmental organisations, social partners, civil society NGOs; but also, crucially, "the national, regional and local administrations in the EU, as well as non-EU administrations".[466] Moreover, we have already noted that the person of the Commissioner in charge of DG GROW is a crucial actor for institutional coordination by virtue of her position as EU SME Envoy, which heads the SME Envoys Network, and the direction of the overarching Enterprise and SME Policies Group.

The Enterprise and SME Policies Group or ESPG is the key body for ensuring a coordinated approach between the EU and its Member States, and coherence among the Member States internally in a decentralised system of European entrepreneurship. The crucial role of the ESPG, and the SME Network in particular, for the stimulation of a vertically coherent response to the policy actions identified in the Small Business Act in particular has been signalled in a number of interview with

[463] Vanden Bosch, 2014, p. 25.
[464] "[C]oherence between the EU and national/regional policy levels presupposes coherence at EU policy level": see *ibid.,* p. 25.
[465] J.-C. Juncker, 2014b, 5.
[466] European Commission, 2016ah, p. 6-9.

Commission officials and member of the SME Envoy Network. Though the SBA was adopted some time ago, the more recent Entrepreneurship 2020 Action Plan reaffirms the central position of the Network of National SME Envoys, which "shall, together with the EU SME Envoy, play a particularly key role in ensuring that progress is made on the proposed measures. Member States are invited to report on progress on the key actions of this Communication at national level in the context of their National Reform Programmes in the framework of the European Semester".[467]

The membership and tasks of the ESPG represent a slightly amended continuation of the Enterprise Policy Group set up by the Commission in 2000 to give advise on enterprise and industry issues[468]. In order to reinforce the role of the Network of SME Envoys so as to increase cooperation with the Commission, the establishment of the SME Network was formalised and brought into the framework of the 2000 Enterprise Policy Group to create a new group of experts with internally aligned mandate, composed of two chambers or sub-groups: the Directors-General Chamber and the SME Envoys Network.[469] Since its establishment on 1 January 2013, the tasks of the Enterprise and SME Policies Group have been to advise the Commission in the preparation of legislative proposals and enterprise and industrial policy initiatives; to establish cooperation between Member State bodies and the Commission on questions relating to enterprise, SME and industrial policies to monitor the evolution of policy in the field of enterprise, in particular as regards SMEs; and to bring about an exchange of experience and good practice in the field of enterprise, SME and industrial policy issues.[470] The Commission may consult the group on any matter relating to enterprise, SME and industrial policy.[471]

The ESPG hence gives concrete expression to the conviction of the Commission that a workable entrepreneurship policy at EU level requires consistent input at the national, regional and local level, and is an invaluable tool for ensuring vertical coherence between these forums. This is confirmed by the fact that, although established at the EU level, the composition of the ESPG is made up exclusively of national representatives: each Member States authority may nominate one representative of the group from among Directors-General of its national administration responsible for enterprise policies, and one representative as its national SME Envoy.[472] However, the group remains centrally anchored, as it is chaired by a representative of the Commission.[473] In addition, the meetings of the group, sub-groups and working groups are also held on Commission premises, with secretarial services provided by the Commission. These working groups advise the Commission on specific aspects of the EU's industrial and entrepreneurship policy, such as the Working Groups on Enterprise, Environment and Energy Policy, Innovation, Industrial Policy and the Enterprise Policy Experts Group.[474]

Finally, though both the Directors-General chamber and the Network of SME Envoys are lead by the DG for Internal Market, Industry, Entrepreneurship and SMEs,[475] other Commission officials with an interest in the proceedings may also attend meetings of the ESPG and its sub-groups[476]. Hence, the functioning of the Group also contributes to horizontal coherence between different Commission

[467] Entrepreneurship 2020 Action Plan, p. 28. The European Semester is a mechanism that will briefly be covered in the next segment.
[468] European Commission, 2000a.
[469] Para. (7) of European Commission, 2012b.
[470] *Ibid*., Art. 2.
[471] *Ibid*., Art. 3.
[472] *Ibid*., Art. 4 (1) and (2).
[473] *Ibid*., Art. 5 (1).
[474] See http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=1264.
[475] See http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=1264 and http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2666&NewSearch=1&NewSearch=1.
[476] European Commission, 2012b, Art. 5 (8).

departments and services. By covering all policy areas related to entrepreneurship, both in general and in dedicated working groups, and by assembling national representatives under the helm of EU leadership, the Enterprise and SME Policies Group is a useful tool for Member States to comprehensively discuss and propose new priorities of the Commission in terms of entrepreneurship and industry, ensuring a bottom-up approach with effective enforcement of national initiatives at EU level.[477]

The Network of SME Envoys in particular deserves some further discussion. It is composed of the national SME Envoys nominated by the Member States and the EU SME Envoy (Commissioner Bieńkowska). It meets four time per year and its mission is “to ensure the implementation of the SBA, report on progress at national level, promote the exchange of good practice and discuss future initiatives”.[478] It was set up after the original Enterprise Policy Group as part of the review of the Small Business Act in 2011. Each EU country has nominated a national SME Envoy to complement the role of the EU SME Envoy who chairs the network. The group of SME Envoys makes up an SBA advisory group that promotes SME friendly regulation and policy making in all EU countries.[479] It improves cooperation between all EU countries in realising the objectives of the Union’s policy on entrepreneurship, by

- promoting SMEs' interests throughout all government bodies and ensure that the Think Small First principle is integrated into their policy-making and regulatory proposals;
- acting as the main interface between the Commission and national policy-makers;
- reporting on the uptake of the SBA in EU countries, step up efforts to distribute information on SME policy actions, and promote the exchange of good practices.[480]

The SME envoys of the EU and the Member States both play an important role as the central focal points for SMEs throughout the EU, and they act as a direct contact person for such enterprises. As such, SMEs can direct complaints and questions to the Envoys. More important for our purposes, the SME Envoy also has important tasks inside the public administration of the EU and the MS, respectively, for the EU and national SME Envoys:

· ensure a “watchdog function” to monitor policies and actions affecting SMEs originating in services throughout the Administration and ensuring potential impacts on SMEs are properly assessed; specifically develop and refine the "SME test" and assist/monitor its application

· develop methodologies how to reduce over-proportional administrative and regulatory burdens on SMEs – in particular small businesses – with a view to offering them to other services to use them in the legislative proposals,

· organise an "SME network" inside the Public Administration, composed of the SME contact points of all Ministries / Directorates General / Services with relevant policies in order to increase awareness about SME issues; regularly discuss their on-going SME-initiatives; specifically promote and provide guidance on the application of the "Think Small First principle" in all Community and national initiatives

[477] See European Commission, 2015d, discussing the new priorities of the Commission. During this meeting, the Dutch representative for example asked that “the Commission help to facilitate bottom up initiatives (such as front runner) whilst ensuring effective enforcement and supporting entrepreneurs through effective mechanisms such as Solvit, one-stop-shops, or developing Single Market Ambassadors” (p. 3).
[478] Interview with Commission official Simone Baldassarri of 15 June 2016.
[479] https://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-envoys_en.
[480] *Ibid.*

· communicate and support the dissemination and application of the many identified good practises in Entrepreneurship and SME Policy through the funding programs in various policy domains, specifically the cohesion and education policies

· intensify contacts between SME organisations and other public services whose action can either benefit or have an impact on SMEs. The SME Envoy will also, where appropriate, provide guidance to SMEs about the right department to contact[481]".

Though its working is overseen by the Commission, the Network of SME Envoys also reports to the Competitiveness Council, for which it formulates a number of recommendations per priority area, which in turn are to be addressed by the Council to the Member States.[482] This adds another layer of coordination between the EU level and the national level, which, though both originating and ending at the national level, go through an entire EU apparatus that ensures both EU-Member States coordination in all aspects of the Union's entrepreneurship policy, and an internally coherent approach among the Member States. In the end, the periodic consultations in the framework of the SME Envoy Network should inform the next steps to be taken in the EU's entrepreneurship policy.

The Network's annual report to the Competitiveness Council focuses on four issues: the SME test in impact assessment; access to finance; the reduction of administrative burden and entrepreneurship; and the future activities of the SME Envoy Network.[483] As such, the reports provide an evidence-based source of recommendations for the future direction of the EU's entrepreneurship policy. In this respect, the 2014 report of the Network contained a number of recommendations for a 'Future SBA 2.0', which would "aim at fully releasing the entrepreneurial and innovation potential for growth within the framework of the EU Entrepreneurship 2020 action plan, including an online platform for women entrepreneurs, a European Cluster Strategy for Growth, support for the digitalisation of businesses and a number of measures to facilitate transfer of business and their growth".[484]

5.1.4.2. Mechanisms for stimulating policy coordination between the EU and Member States

The key mechanism for monitoring a coherent implementation of policy recommendations related to entrepreneurship across Member States from the level of the EU is the process set up for monitoring the implementation of the Small Business Act, which includes the European Semester accompanied by an annual SME Performance Review.[485] The continued importance of the SBA governance framework for a concerted follow-up to the existing entrepreneurship policy of the EU is confirmed by the E2020 Action Plan of 2013, which notes that

"This Action plan and its key actions will be followed up by the Commission through the competitiveness and industrial policy and the Small Business Act governance mechanisms, including in their external dimension with the candidate, potential candidate and neighbourhood countries. The network of National SME Envoys shall, together with the EU SME Envoy, play a particularly key role in ensuring that progress is made on the proposed measures. Member States are invited to

[481] See European Commission, 2015q.
[482] See most recently SME Envoy Network, 2014; SME Envoy Network, 2015.
[483] SME Envoy Network, 2015, p. 2.
[484] SME Envoy Network, 2014, p. 5.
[485] "To ensure coherence of action across the EU, the Commission should monitor and actively guide national authorities – particularly regarding their innovation policies. The EU semester process is the most obvious procedure for voicing policy recommendations ensuring coherence": Vanden Bosch, 2014, p. 25.

report on progress on the key actions of this Communication at national level in the context of their National Reform Programmes in the framework of the European Semester”.[486]

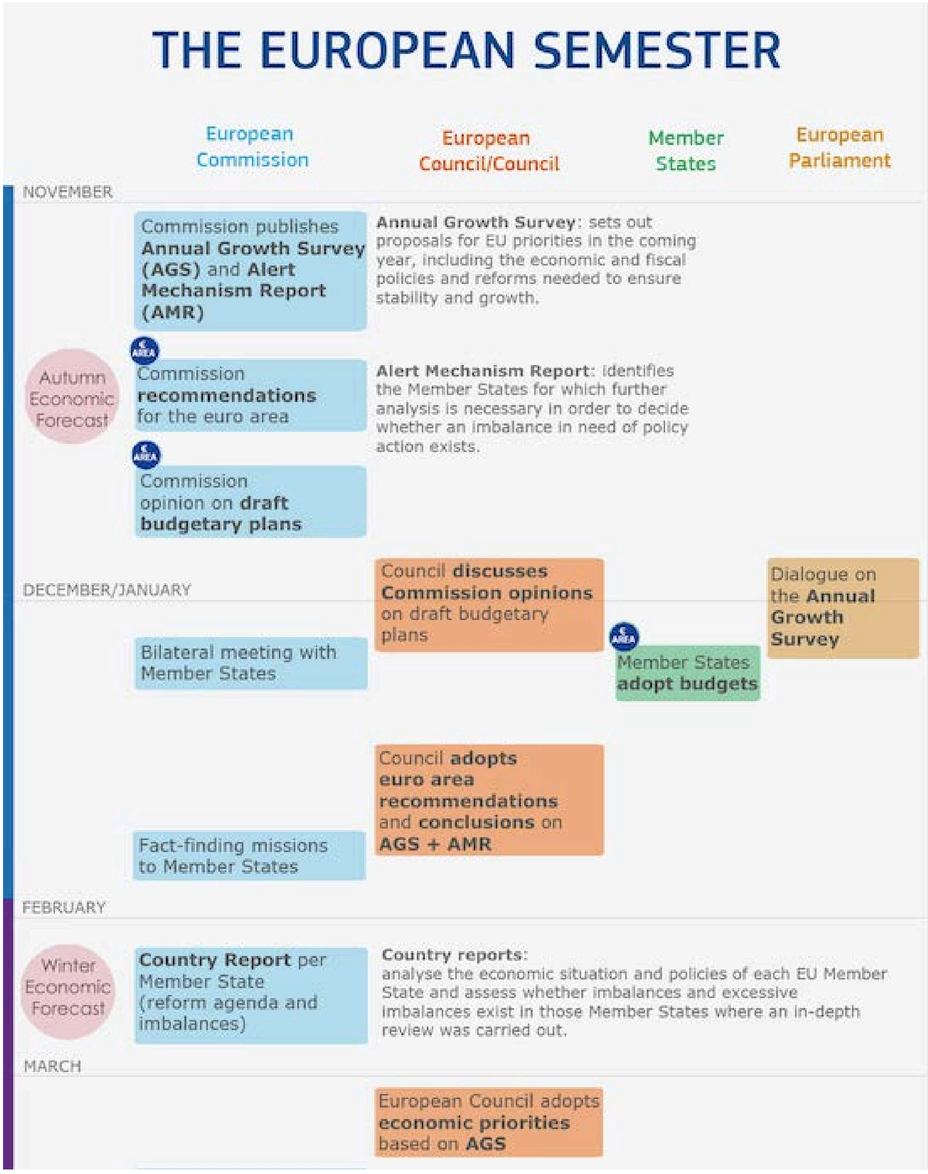
If the SME Envoy Network hence plays a crucial role to see to it that the actions proposed in the E2020 Plan are consistently implemented across the EU, DG GROW also retains an important player for deploying the tools and mechanisms of the SBA as a measure of vertical policy coordination with the Member States: “the revamped European Semester, which is giving new importance to business environment, will provide the right mechanism in order to identify key challenges to investment and structural and market reforms at national level. DG GROW will play a larger role in the dialogue with Member States to help them accelerate change in these areas and to boost their attractiveness for investment”[487].

The European Semester is organised on the basis of an annual cycle that periodically calls upon each of the main EU legislative institutions and the Member States to take actions in order to guarantee a coordinated approach to economic, fiscal and financial policies across the Union. The cycle kicks off with a Annual Growth Survey drawn up by the European Commission, containing general recommendations for policy reforms directed at all Member States for the coming year. This is followed up by a bilateral meeting between the Commission and Member States, supported by fact-finding missions on the ground in the Member States. Subsequently, the Commission publishes Country Reports containing a reform agenda for each Member State, based on the factual findings arrived at earlier.

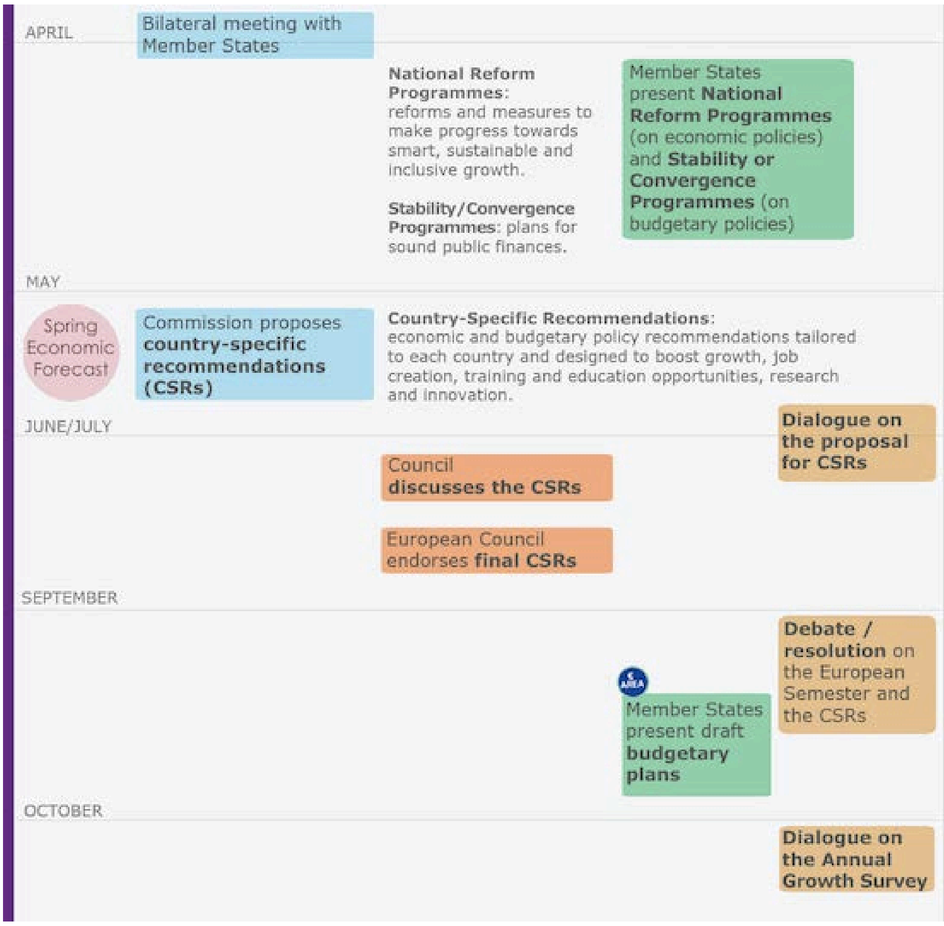
Around the halfway point of the annual review cycle, the Member States then proceed to present their National Reform Programmes on economic policies, after another set of bilateral meetings with representatives of the European Commission, which in turn publishes a more detailed list of Country-Specific Recommendations (CSRs) containing economic and budgetary proposals for boosting jobs, growth, training and education opportunities, as well as research and innovation - all aspects comprising a comprehensive entrepreneurship policy reform programme. These Country-Specific Recommendations are then discussed in detail by the European Parliament and the Council, before the European Council decides, at the end of the European Semester, to endorse these CSRs as the starting point for the next annual review.

[486] Entrepreneurship 2020 Action Plan, p. 28.
[487] European Commission, 2016ah, p. 15.

Figure 4. European Semester diagramme[488]



[488] Source: http://ec.europa.eu/europe2020/making-it-happen/index_en.htm.



The European Semester is based on the idea that growth in the entire European Union requires a determined commitment from Member States to help the EU support structural reforms at the national level in line with the common economic priorities set at the European level.[489] Despite its potential, the European Semester is struggling to live up to its full potential for vertical coordination. An external review requested by the European Parliament has argued in particular that the annual review process has been rather ineffective at ensuring and promoting coordination across the EU, noting that implementation of recommendations under the Semester was modest at first in 2011 and has fallen further since, and that, huge efforts by European institutions to coordinate economic policies within the European Semester notwithstanding, the rate of implementation of these recommendations is not higher than the rate of implementation of the OECD's unilateral recommendations.[490] This noted failure of the European Semester, according to the authors,

"highlights the fundamental problem of policy coordination in the EU: national policymakers are accountable to their national parliaments and focus on national interests, which in many cases differ widely in different member states. Unless many member states face a common threat, such as the existential threat to the euro in 2011-12, coordination between national policymakers will always have limitations".[491]

However, this finding mainly relates to fiscal and macroeconomic rules and recommendations, and the implementation of entrepreneurship policy measures and recommendations appears exempt from this general trend. This is confirmed by the latest Annual Report on European SMEs, prepared

[489] http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm.
[490] Darvas and Leandro, 2015, p. 2.
[491] *Ibid.*, p. 19.

for the Commission in November 2015. While conceding that "macroeconomic developments appear to be the main factor explaining differences observed over the last few years in the performance of SMEs across [*sic*] EU Member States", the report notes that "a clear exception to this general conclusion is a set of policy measures encouraging [*sic*] self-employment and solo entrepreneurship".[492]

As the document starting off the annual semester cycle, the Annual Growth Survey outlines the main features of the Commission's jobs and growth agenda. The 2016 report lists a number of structural reforms that need to be implemented across the EU in order to ensure a sound regulatory and institutional environment that encourage investment and job creation throughout the Union. It is accompanied by a set of instruments documenting the factual economic and institutional situation in EU Member States, underpinning future recommendations in these areas. As such, the Joint Employment Report traces the regulatory environment for entrepreneurs on the ground at Member State level, including, for example, the level and changes in Member States' self-employment rates, which is then used to reflect differences in the national entrepreneurial spirit across the EU.[493]

The Annual Growth Survey touches upon aspects of a stimulative entrepreneurship that may not be the subject of direct and intensive EU regulation, such as taxation. In particular, the 2016 Annual Growth Survey notes that, in order to promote long-term employment and social inclusion, "[p]olicy action must continue to address the disincentives to entrepreneurship and job creation inherent in the different national systems. In particular, taxation related to labour and benefit systems should be designed and implemented to encourage investment and employment. […] [A] benchmarking exercise, combined with an exchange of best practices, should provide a new impetus for labour tax reform at national level and support Member States in their efforts to reduce total employment costs by lowering the tax wedge. In addition, Member States should take measures to stimulate innovative 'start-up' activity and to facilitate job creation notably in SMEs".[494]

At the end of the cycle, the Country-Specific Recommendations may then address specific issues of entrepreneurship tailored to the Member State concerned, in order to keep developments in these States in line with the economic, fiscal and financial situation in other EU countries through the implementation of recommendations formulated at Union level while respecting the regulatory and institutional environment of the specific Member State. Typically, these recommendations encourage States to implement specific aspects of the industrial and entrepreneurship policies developed at EU level. As such, the Member States of the euro area are encouraged to "[p]romote measures to deepen market-based finance, to improve access to finance for SMEs and to develop alternative sources of finance, [and to undertake] further reforms of national insolvency frameworks".[495]

In addition to these aspects of the EU's entrepreneurship policy that are part and parcel of the Union's competences in this area, the CSRs are also used to promote initiatives across EU Member States that are not, strictly speaking, with the formal competences of the EU, but which may, of course, be stimulated by it. For example, the 2015 CSR for Belgium, the weakened external competitiveness, high labour costs and very low start-up rate are considered indicative of a business climate that is unfavourable to new activities and expansion, signalling the need for tailored reform measures, including initiatives "to promote entrepreneurship and unleash business dynamism",

[492] P. Muller et al., 2015, p. 79.
[493] European Commission, 2015p, p. 11.
[494] European Commission, 2015o, 11. See further the recommendation in p. 14 of the Survey, encouraging States to address debt bias business finance.
[495] Para. 3 of Council Recommendation 2015/C 272/26.

including the reduction of administrative barriers.[496] These findings are then used to propose that the Member State implement a comprehensive tax reform, even though fiscal competence is explicitly excluded from the industrial policy legal basis of the EU.[497]

Finally, the SME Performance Review provides additional fact-based information on the implementation of the measures identified in the SBA Action Plan in the various EU Member States, comprising both an Annual Report on European SMEs and SBA Country Fact Sheets. The Annual Report focuses on issues of responsive administration, access to finance, access to markets/internationalisation, entrepreneurship, and skills and innovation across the EU. Hence, they are a valuable complement to the European Semester by focusing on SMEs and entrepreneurship in the vertical policy relations between the EU and Member States, steering the latter's economic and financial policies with entrepreneurs in mind as the final addressees of proposed reforms. As such, SME Performance Reviews have proposed policy reforms that range "from reducing administrative costs and elevating SMEs' status as a political priority through national SBA strategies, to supporting the establishment of an SME stock market exchange, assisting with the digitisation of SME practices such as e-payments, and advocating the mandatory inclusion of entrepreneurship education in national school curricula and public universities".[498]

As indicated earlier in this report, the distinction between horizontal and vertical coherence/coordination will often be academic; institutions and mechanisms will often focus on coordination in general rather than coordination between specific actors or levels. Hence, the REFIT and ABR programmes discussed in the section on coherence in EU regulations also bear relevance for ensuring a coordinated approach to entrepreneurship by European and national authorities, mainly by monitoring the correct and swift implementation by Member States of rules and policies adopted at EU level. Indeed, it has been estimated that the administrative burden during implementation of EU legislation at the national level is estimated to be a third of the total burden.[499]

Administrative burden experienced by SMEs, including solo entrepreneurs, that ostensibly finds its origin in EU regulations may in reality result from the way in which these rules are implemented at the national level. The follow-up to the SBA is a specific initiative that wishes to ensure the efficient implementation of rules and policies adopted to realise the objectives of the SBA. However, ensuring that national implementation of EU rules impose as little administrative burden as possible on entrepreneurs is also a general objective of the overarching REFIT programme. As such, the REFIT programme aims to "identify burdens, inconsistencies, gaps and ineffective measures. Attention will be paid to possible regulatory burden related to how EU legislation is implemented at the national and sub-national level".[500] Hence, cooperation between the EU institutions, in particular the European Commission, and the Member States is crucial in order for EU regulations to "deliver its full benefits at minimum cost to citizens, workers and enterprises. The strength of national administrative capacity and national regulatory quality have a direct impact on whether EU public policy aims can be achieved on the ground".[501] The Commission therefore invites Member States to

"ensure effective delivery at national level of the on-going initiatives to reduce the administrative burden, and to take due account of […] recommendations […] on best practices, to implement EU legislation in the least burdensome way and to participate actively in the exchange of information on

[496] Para. (12) of Council Recommendation 2015/C 272/07.
[497] Para. 2 of Council Recommendation 2015/C 272/07.
[498] P. Muller et al., 2014, p. 9.
[499] European Commission, 2012i, p. 3.
[500] *Ibid.*, p.3.
[501] *Ibid.*, p. 10.

efficient methods of implementing EU regulation. It also invites them to take full advantage of the simplification possibilities offered by EU legislation and to ensure the clarity and accessibility of national rules transposing EU legislation".[502]

This objective is mirrored in the aforementioned Administrative Burden Reduction (ABR) programme and its follow-up, ABRPlus (also stylised as ABR+). In circumscribing the scope of the ABR action programme, the European Commission noted that all legislation that put obligations on businesses should be evaluated both at the level of the Member states and of the Commission. In particular, Member States are requested to focus on identifying burdensome regulations, measure the costs thereof and identify measures to reduce these burdens, by carrying out "full baseline measurements of IOs [information obligations] in their country or target priority areas for measurement and reduction of purely national and regional IOs."[503]

The ABRPlus Programme subsequently focused on documenting the practices of national implementation of European regulations, in order to compare the achieved results with initial estimates so as to arrive at best practices of implementation. It is the component of the overarching REFIT programme that analyses possible regulatory burden related to how EU legislation is implemented at the national and sub-national level.[504] This mechanism relies heavily on continued cooperation and coordination between Member States and the Commission, in addition to enterprise stakeholders, and is a valuable avenue for entrepreneurship policy coordination that finds its origins at the EU level. In particular, Member States are asked "to confirm estimated cost savings, to identify best practice in implementation and to improve the quality and collection of data on regulatory costs and benefits needed for assessing impacts of EU regulation on-the-ground."[505]

Finally, separate policy areas that have been identified as components of a workable reform agenda for a more entrepreneurial Europe are subject of specific coordination mechanisms between the EU and Member States. Such mechanisms exist in particular for the first priority area of the existing entrepreneurship policy of the EU, relating to education and training for the promotion of transversal skills of entrepreneurial action. For example, the DG for Employment oversees the workings of a dedicated Network of National Coordinators for Adult Learning across the EU Member States. This Network is one of the actors at EU level composed of national representatives that is responsible for ensuring that adult learning curriculums - the content of which is a competence of Member States - adhere to the European Agenda for adult learning. This Agenda invites Member States to focus on, *inter alia*, "[p]romoting the acquisition of transversal key competences, such as learning to learn, a sense of initiative and entrepreneurship, and cultural awareness and expression, in particular by applying the European Key Competence Framework within the adult-learning sector".[506]

In addition, the Commission and Member States coordinate their approaches to the realisation of the goals of the Education and Training 2020 Programme by aligning their actions through various ET2020 Working Groups. These Groups are composed of experts from Member States' administrations and other stakeholders that aim to assist and support Member States in tackling common challenges to education and training policies. For the current period until 2018, they focus in particular on issues such as (i) strengthening lifelong learning and mobility; (2) promoting equity, social cohesion and active citizenship; and (3) fostering creativity and innovation.[507] One of the

[502] *Ibid.*, p. 11.
[503] European Commission, 2007a, p. 6-7.
[504] European Commission, 2006e, p. 1.
[505] European Commission, 2014a, p. 19.
[506] Council Resolution 2011/C 372/01, p. 6.
[507] European Commission, 2016af.

ET2020 Working Groups is the Working Group on Transversal Skills, whose objective it is to contribute to "the take-up of the EU common competence reference framework for language and digital competences, and the development of such a framework for entrepreneurship education".[508]

Finally, Directive 2006/123/EC on services in the internal market foresees in so-called EU Points of National Contact, which allow service providers in Member States across the EU to "[o]btain all information about the procedures they need to complete to provide their services at home or in another EU country (e.g. company registration, business licences, recognition of professional qualifications); [d]eal with all formalities via one single contact point; and [c]omplete the necessary steps remotely by electronic means".[509] All of these measures are proposed in the second priority area of the E2020 Action Plan, and the coordination thereof between the EU and Member States through the Points of National Contact may benefit entrepreneurs-service providers.

[508] European Commission, 2016g, p. 2.

[509] http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/points_of_single_contact/index_en.htm. See Art. 6 of Directive of the European Parliament and of the Council 2006/123/EC .

5.2. EU – Local and Regional Authorities (LRAs)

The EU is made up of a collection of historically and politically diverse Member States, each with their own constitutional structures, and of an even larger and more diverse variety of regional and local territories within these countries. Implementing entrepreneurship policy from the EU-level within these manifold and often overlapping theatres is a complex exercise involving independently competent interlocutors at every possible level of governance. Not surprisingly then, the EU system has been called a system of 'governance of governance'.[510] The following segment of the report gives an overview of the most salient factors in vertical transposition – or, perhaps, 'steering' - of entrepreneurship policies from the EU-level downwards, between these many different tiers. For the sake of a more informed reading, and drawing on the next sections, a summary conclusion on the subject of vertical coordination between the EU-level and Local and Regional Authorities (LRAs) could already be as follows.

In no small part because of the EU's limited exclusive competences in the area of entrepreneurship and the rigorous respect for the principle of subsidiarity for shared and supporting competences, the devolvement in varying degrees of those competences to the regional and local levels throughout the Member States, the inclusion of bottom-up perspectives, initiatives and processes will prove crucial in enacting effective and efficient structural reforms. To be sure, even the most conspicuous top-down mechanisms in this area (*e.g.* European Structural Investment Funds) rely considerably on subnational actors and their political will for implementation.

Moreover, on the basis of the following analyses of actors and mechanisms and of the findings of the different consultations with various stakeholders, it can also be concluded that the matter of EU-wide subnational coordination on tentative reforms under the FIRES-project will require not only significant resources and the cooperation of a very large group of varied and dispersed interlocutors, but also careful and inclusive political positioning at - and the enticement of - every relevant tier of governance throughout the European Union. In any case, this will not be an easy or swift task to accomplish.

Finally, the following part of the report should not be read as a mere description of somehow immutable constellations of factors for the vertical coordination between the EU and LRAs. The field of such vertical coordination itself, in fact, must be seen as an area wherein the FIRES-project could put forward valuable proposals for institutional reform. That is to say, if the project aims to reinvigorate the entrepreneurial spirit throughout the Union, it should not shy away from ambitiously targeting those institutional factors, at the EU-level or below, that might present as suboptimal or may even impede the transposition of its proposals in the Member States or the relevantly competent regions, in particular.

[510] For further reading on the concept of 'governance of governance' in the context of the EU, see: I. Tömmel, 2016.

5.2.1. European-level institutions and actors for vertical subnational coordination

5.2.1.1. DG REGIO

The European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) has a seminal role in activating the entrepreneurial potential of regions in Europe by targeting investments and funding through the relevant European Structural Investment (ESI) Funds[511] under its ambit – most notably the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) - to foster growth and create jobs and in coordinating efforts to that end. To be more precise, the relevant national and regional authorities specify in their operational programmes and the compulsory national Partnership Agreements how they intend to distribute the available funding among the investment priority areas of the Funds. DG REGIO then co-implements these regional and national programmes and works "with the Member States, regions and other stakeholders to assess needs, finance investments and evaluate the results from a long-term EU perspective."[512]

The DG's main objectives are threefold and overlapping. On the one hand, as promulgated by art. 174, REGIO works towards the goals of Cohesion Policy by the strengthening of the EU's economic, social and territorial cohesion, and the reduction of developmental disparities between the Union's regions. On the other hand, REGIO works under both the political umbrella of the Europe 2020 Strategy for smart, sustainable and inclusive growth, while also contributing to the realisation of the ten priorities first elucidated in President Juncker's Agenda for Jobs, Growth, Fairness and Democratic Change[513] and thereafter translated into General Objectives (GOs) shared by all Commission Services in an integrated performance framework. Indeed, not only Cohesion Policy and the Commission's high-level objectives are closely linked because Cohesion Policy is "the main EU investment instrument for supporting the delivery of Commission priorities" and "has become a key part of Europe's economic governance and an increasingly important means of tackling the effects of the crisis in the short term and of enhancing the regions' endogenous potential for development in the medium term."[514]. Cohesion Policy, as a whole, is also geared towards the implementation of the Europe 2020 Strategy[515].

In a word, DG REGIO simultaneously supports (i) the objectives of the Treaties-based Cohesion Policy, (ii) the relevant priorities in the EU Agenda for Jobs, Growth, Fairness and Democratic change, as well as (iii) the political Europe 2020 Strategy, through targeted financing under the frameworks of the ERDF and CF in the Member States and the regions. Together, these two funding instruments are wielded by REGIO to deliver a critical mass of investment in key EU priority areas responding to the needs of the real economy by supporting job creation, economic growth, sustainable development and business competitiveness.[516] To be sure, if proposed reforms under the current project are taken up by the Commission, DG REGIO can play a crucial role in the implementation of the new policies and in the necessary coordination between relevant actors on all levels in all Member States.

A. The Common Provisions Regulation for the European Structural and Investment Funds (CPR)

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[511] The five ESI Funds are: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).
[512] European Commission, 2016t.
[513] J.-C. Juncker, 2014a.
[514] European Commission, 2016s, p. 4
[515] DG REGIO, 2015, p. 17.
[516] European Commission, 2016t, 4.

To start, the ERDF and the CF fall under the new, shared regulatory framework for all ESI Funds: The Common Provisions Regulation for the European Structural and Investment Funds (CPR)[517]. This instrument sets out a Common Strategic Framework (art. 10 and Annex I CPR) to promote an integrated and harmonious use of the ESI Funds at a European level and defines common standards for all ESI programmes. It also requires Member States to draft Partnership Agreements (Chapter II CPR) that combine all planning and programmes within their territory regarding the five ESI Funds in one common, comprehensive and coherent strategy document at national level[518].

To be sure, each Member State is required to prepare a national-level Partnership Agreement in dialogue with the Commission that covers all support from ESI Funds for the period from 1 January 2014 to 31 December 2020 (art. 14 CPR). Along the same lines, the Member States or any authority designated by them (*i.e.* the competent regional or local authorities for an identified area of investment) also draw up programmes, pursuant art. 26 CPR and in accordance with the Partnership Agreement, for the more specific implementation of the Funds. In brief, the national and regional authorities specify through these documents how they will implement and distribute the available ESI funding between the prescribed priority areas for investment. The Partnership Agreements and the programmes must therefore contain, *inter alia*, the specific objectives in alignment with the ESI Funds' investment priorities, the financial appropriations of support – the amount of funding - from the ESI Funds and the corresponding level of national co-financing, qualitative and quantitative indicators and corresponding targets for monitoring, evaluation and review of performance, and a strategy for the programme's contribution to the Europe 2020 Strategy (art. 15 and art. 27 CPR).

As to the latter, the link between Cohesion Policy and EU2020, including the integration of the ESI Funds into the European Semester reporting cycle, is made explicit in the section on general principles of the CPR where it states in art. 4(1): "The ESI Funds shall provide support, through multi-annual programmes, which complements national, regional and local intervention, to deliver the Union strategy for smart, sustainable and inclusive growth, as well as the Fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion taking account of the relevant Europe 2020 Integrated Guidelines and the relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU, and of the relevant Council recommendations adopted in accordance with Article 148(4) TFEU and where appropriate at national level, the National Reform Programme" (emphasis added).

Consequently, art. 9 of the CPR translates the goals of the Europe 2020 Strategy as well as the Fund-specific Treaty-based objectives, including economic, social and territorial cohesion, into 11 Thematic Objectives (TOs) that shall be supported by each ESI Fund and which designate areas for intervention where support through the Funds can add the greatest value. The TOs constitute the basis for identifying specific objectives - with accompanying indicators, baselines and targets - that ensure regional and national investment programmes under the various ESI Funds contribute to their Treaties-based goals and the Europe 2020 Strategy in a coordinated way. Pursuant art. 9 CPR, these TOs are in turn translated into more detailed investment priorities in line with Fund-specific priorities which are set out in the Fund-specific Regulations. The following table shows the relationship in the CPR between the TOs and the more general Europe 2020 goals.

Table 21. Europe 2020 Strategy goals and ESI Funds Thematic Objectives[519]

Europe 2020 Goals	Thematic Objectives (TOs)

[517] Regulation of the European Parliament and of the Council, 1303/2013/EU (hereinafter 'CPR').
[518] DDG REGIO, 2015, p. 16.
[519] *Ibid.*, p. 17.

Smart growth	1. Strengthening research, technological development and innovation; 2. Enhancing access to, and use and quality of, ICT; 3. Enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF);
Sustainable growth	4. Supporting the shift towards a low-carbon economy in all sectors; 5. Promoting climate change adaptation, risk prevention and management; 6. Preserving and protecting the environment and promoting resource efficiency; 7. Promoting sustainable transport and removing bottlenecks in key network infrastructures;
Inclusive growth	8. Promoting sustainable and quality employment and supporting labour mobility; 9. Promoting social inclusion, combating poverty and any discrimination; 10. Investing in education, training and vocational training for skills and lifelong learning; 11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

Furthermore, art. 4(7) CPR places the budgetary allocation of the ESI Funds under the framework of the shared management mode, in accordance with art. 59 of the Financial Regulation[520]. Under this mode, the Commission, and thus DG REGIO, must necessarily cooperate with various levels of governance and institutions and, in particular, administrations in the Member States, at national, regional and local levels, to whom the task of operational implementation related to Union funds under shared management is delegated pursuant art. 59(1) Financial Regulation. As became clear from the drafting process and the prescribed content of the Partnership Agreements and operational programmes, DG REGIO is therefore co-dependent on these partners for the fulfilment of its objectives through the ERDF and the CF. In an effort to increase its influence over this exogenous factor, it nevertheless strives to maintain an effective control environment through monitoring and evaluation activities and the building of capacity to the benefit of local partners, as well as by adhering to stronger mechanisms for the promotion and monitoring of the effectiveness and performance of the policy (*e.g.* ex-ante conditionalities, performance frameworks, reporting on indicators). Despite these efforts, however, REGIO's control over actions carried out at the national, regional and local level remains inevitably limited. Ultimately therefore, "efficient and effective implementation of actions supported by the ERDF and CF depends on good governance and partnership among all the relevant territorial and socio-economic partners, particularly in regional and local authorities, as well as other appropriate bodies during the various stages of implementation of programmes and projects co-financed by the ERDF and CF."[521]

Especially relevant in light of REGIO's shared management of the ERDF and CF is art. 5 CPR on partnership and multi-level governance (MLG) that reflects a broader partnership principle and compels each Member State, in accordance with its institutional and legal framework, to organise a widespread partnership in the preparation of the Partnership Agreements and of each operational programme under the Funds with the competent regional and local authorities as well as competent urban and other public authorities, economic and social partners, and relevant bodies representing civil society (*e.g*. environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination) (art. 5(1) CPR). Art. 5(2) CPR further compels Member States to involve these partners in the drafting of progress reports and throughout the preparation and implementation of programmes, including through participation in the programmes' monitoring committees. In order to provide a framework within which the Member States shall implement these partnerships in accordance with their institutional and legal framework as well as their national and regional competences, the Commission was empowered by art. 5(3) CPR to adopt Commission Delegated Regulation (EU) 240/2014 of 7 January 2014 on the

[520] Regulation of the European Parliament and of the Council 966/2012/Euratom.
[521] European Commission, 2016t, p. 26.

'European code of conduct on partnership in the framework of the European Structural and Investment Funds'[522]. The code describes in more detail, *inter alia*, the manner in which Member States shall identify and involve different groups of relevant and representative partners and stakeholders, including LRAs, throughout the different stages of preparation, implementation, reporting, monitoring and evaluation under the operational framework of the Funds.

A final crucial aspect in the vertical relationship between the EU and the subnational level in the new ESI Fund 2014-2020 programming period are the varyingly applicable 'ex-ante conditionalities' for funding of specific operational programme priorities as chosen by the Member States from the ESI Fund priorities. Art. 2(33) CPR defines 'applicable ex ante conditionality' as "a concrete and precisely defined critical factor, which is a prerequisite for and has a direct and genuine link to, and direct impact on, the effective and efficient achievement of a specific objective for an investment priority or a Union priority." With a view towards improving the effectiveness and efficiency of ESI Fund investments as well as other public and private investments, the ex-ante conditionalities foster structural reforms in the Member States by requiring, in principle, certain regulatory, governance and policy frameworks and sufficient administrative capacity to be in place in Member States and regions before investments are made in most areas pertaining to the Funds (*e.g.* research and innovation, SMEs, water and transport, vocational education and training)[523]. The procedure, including potential measures in the case of non-fulfilment, is laid out in more detail in art. 19 CPR.

Markedly, ex-ante conditionalities are divided into two categories: (i) thematic and (ii) general conditionalities. Thematic ex-ante conditionalities are set out in Annex XI, Part I CPR. They build upon specific investment or Union priorities as reflected by the Thematic Objectives in art. 9 CPR and link these to the specific TO-related investment priorities for the ESI Funds under their respective Fund-specific regulations. Conversely, the general ex-ante conditionalities laid down in Annex XI, Part II CPR, are not linked to specific investment or Union priorities, but correspond to the implementation in the field of ESI Funds of general areas of interest for EU policy and legislation, such as, among others, anti-discrimination, gender equality, public procurement or state aid.

Moreover, Annex XI CPR lays down specific 'criteria for fulfilment' for each conditionality. Pursuant art. 19(1) and art. 19(2) CPR, each Member State, in the context of the preparation of the Partnership Agreement or the relevant operational programmes, must not only assess whether ex-ante conditionalities are applicable to the specific objectives pursued within the investment priorities of their programmes, but also whether the applicable conditionalities are satisfactorily fulfilled. Meanwhile, it is the Commission who assesses the consistency and the adequacy of the information on applicability and fulfilment provided by the Member States - and where relevant provides proof to the contrary - while respecting national and regional competences to decide on the specific and adequate policy measures, including the content of strategies (art. 19(3) and art 19(4) CPR).

Table 22. Example of a general ex-ante conditionality[524]

Area	Ex ante conditionality	Criteria for fulfilment
Anti-discrimination	The existence of administrative capacity for the implementation and application of Union anti-discrimination law and policy in the field of ESI Funds.	-Arrangements in accordance with the institutional and legal framework of Member States for the involvement of bodies responsible for the promotion of equal treatment of all persons

[522] Commission Delegated Regulation 240/2014/EU.
[523] European Commission, 2016t, p. 10.
[524] Annex XI, Part II CPR.

		throughout the preparation and implementation of programmes, including the provision of advice on equality in ESI fund-related activities; -Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of Union anti-discrimination law and policy.

B. DG REGIO, the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)

Apart from the common provisions for all ESI Funds in the CPR, programmes co-implemented by DG REGIO under the ERDF and the CF must also adhere to the more detailed and tailored rules in the ERDF Regulation[525] and the CF Regulation[526] that more concretely specify the tasks of the respective Funds in relation to the CPR and the TFEU. As concerns the TFEU, art. 1 CF Regulation establishes the CF for the purpose of strengthening the economic, social and territorial cohesion of the Union, in accordance with art. 174 TFEU[527], and in the interest of promoting sustainable development. Likewise, art. 2 ERDF Regulation stipulates that the ERDF is to contribute to reducing disparities between the levels of development of various regions (art. 174(1) and (2) TFEU) and is intended to help redress the main regional imbalances, pursuant the ERDF-specific art. 176 TFEU.[528]

Nevertheless, the positive scope of support for activities by both Funds and, consequently, their respective investment priority objectives vary considerably. Notably, the scope of support for the CF is established independently in art. 2 CF Regulation and is focused on: investment in the environment, including areas of sustainable development and energy which present environmental benefit; investment in Trans-European Transport Networks[529]; and investment in relevant technical assistance. In contrast, the scope for activities to be supported by the ERDF under the Investment for growth and jobs goal is established in relation to the Thematic Objectives (art. 9 CPR) in art. 3(1) and art. 5 ERDF Regulation.

Importantly, this type of support for activities and objectives under the ERDF bear direct relevance to the question of subnational coordination of tentative entrepreneurship reforms under the current project insofar as these should fall under the enumerated activities and related investment priorities. In particular, the activities comprising eligible expenditures under the ERDF consist of: investment to create and safeguard sustainable jobs through direct aid for investment in SMEs; investment in infrastructure for the provision of basic services in the areas of energy, environment, transport and ICT; investment in social, health, research, innovation, business and educational infrastructure; investment in the development of endogenous potential; and networking, cooperation and exchange of experience between competent regional, local, urban and other public authorities and other socio-economic and civil society stakeholders, studies, preparatory actions and capacity-building.

In addition, the ERDF may provide support in the sharing of facilities, human resources and all types of infrastructure across borders in all regions in furtherance of the European Territorial Cooperation

[525] Regulation of the European Parliament and of the Council 1301/2013/EU (hereinafter 'ERDF Regulation').
[526] Regulation of the European Parliament and of the Council 1300/2013/EU (hereinafter 'CF Regulation').
[527] See Preamble, §(1) CF Regulation.
[528] See Preamble, §(1) ERDF Regulation.
[529] See also Regulation of the European Parliament and of the Council 1315/2013/EU.

goal (art. 3(2) ERDF Regulation). To give a better idea of the financial wherewithal of the Funds in the implementation of their priorities, the following table provides an overview of the total EU allocations to the ERDF and CF - excluding (often extensive) national co-financing - for the 2014-2020 programming period.

Table 23. Total EU allocations to 2014-2020 CF and ERDF[530]

Year	CF (in EUR)	ERDF (in EUR)
2014	6.109.377.188	17.082.243.979
2015	10.173.251.052	33.206.665.342
2016	8.738.484.012	26.861.433.397
2017	9.081.899.076	28.494.388.102
2018	9.420.441.963	29.361.811.494
2019	9.780.746.616	30.249.986.974
2020	10.092.313.430	31.098.480.427
TOTAL	63.396.513.337	196.355.009.715

The Strategic Plan for 2014-2020 of the DG REGIO[531] sheds light on how exactly the DG will utilize these considerable funds and implement its objectives in cooperation with the relevant authorities through operational programmes under the framework of the EDRF and the CF. The following paragraphs will draw upon that document to summarize REGIO's most important initiatives for this programming period with regard to entrepreneurship and SME policy.

The DG's contribution is particularly significant in achieving five of the Commission's ten General Objectives derived from the Agenda for Jobs, Growth, Fairness and Democratic Change: a new boost for jobs, growth and investment (1); a connected digital Single Market (2); a resilient energy Union with a forward-looking climate change policy (3); a deeper and fairer Internal Market with a strengthened industrial base (4); and a new policy on migration (8)[532]. DG REGIO's specific objectives for concrete contributions to these EU policy priorities correspond to the relevant Thematic Objectives of the CPR tied to the Europe 2020 Strategy and to the related specific investment priorities of the ERDF and the CF enumerated in art. 5 ERDF Regulation and in art. 4 CF Regulation, respectively. A schematic overview of the DG's contributions under the current Commission's mandate with corresponding General Objectives, Thematic Objectives and non-financial contributions is given in the following figure.

Figure 5. DG REGIO contributions[533]

[530] European Commission, 2016t, p. 5.
[531] *Ibid.*
[532] *Ibid.*, p. 6.
[533] *Ibid.*, p. 7.

RELEVANT EC PRIORITIES (GENERAL OBJECTIVES)	CONTRIBUTION THROUGH FUNDING (SPECIFIC OBJECTIVES)	NON-FINANCIAL CONTRIBUTIONS (EXAC, CSRS, LEVERAGING PUBLIC AND PRIVATE INVESTMENT, ...)
1. Jobs, Growth and Investment	TO1: RTD and innovation TO3: competitiveness of SMEs TO6: protection of environment, resource efficiency/circular economy TO7: sustainable transport TO8: employment and labour mobility TO9: social inclusion TO10: education, skills and lifelong learning TO11: Institutional capacity and effective PA	ExAC on: Research and Innovation/smart specialisation SME/Small Business Act Water, waste and EIA/SEA legislation "Investment Challenges Box"
2. Digital Single Market	TO2: information and communication technologies	ExAC on: Strategic policy framework for digital growth Next generation Network Plans
3. Energy Union and Climate	TO4: shift towards low-carbon economy TO5: climate change adaptation, risk prevention and management TO7: smart energy infrastructure	ExAC on: Smart energy distribution, storage and transmission systems Energy efficiency Cogeneration Renewable energy Risk assessments
4. Internal Market	Support to the development of the Single Market, to the strengthening of European industrial base and to the less developed MS, notably through spending under ESIF thematic objectives 1, 2, 3, 6, 7, 8, 9 and 10 Territorial cooperation Outermost Regions IPA	ExAC on: Public Procurement State Aid Comprehensive plans for transport investments Smart Specialisation Strategies Macroregional Strategies Cross-Border Review
8. Migration	Integration through: TO8: employment and labour mobility TO9: social inclusion TO10: education, skills and lifelong learning Urban Innovative Actions IPA Transfer to EU Trust Fund for Syria	Urban Agenda Support to MS in identifying possible scope for assistance through ERDF

**: The "Investment Challenges box" is a new tool defined in the framework of the streamlined European Semester, identifying challenges to investment and areas where corrective measures are needed to improve the effectiveness of public funding.*

To achieve progress on General Objective 1, a new boost for jobs, growth and investment, REGIO's strategy is based on a three-pronged approach. To start, a critical mass of funding and investment of at least EUR 256.2 billion[534] will be concentrated on key investment areas and growth bottlenecks through ERDF, CF and national co-financing mechanisms. These efforts focus predominantly on smart growth, research and innovation, information and communication technologies, SME

[534] Combined figure of EUR 190.7 billion allocated to ERDF and CF and an estimated 65.5 billion of co-financing by national Member States. See European Commission, 2016t, p. 9.

development and the low-carbon economy. Cohesion Policy will also aim to foster the circular economy and many operational programmes now include significant investments towards that end.

Secondly, DG REGIO leverages public and private investment through an increased use of financial instruments to reinforce funding for SMEs and investors. As such, TO 3 of the ERDF and CF on enhancing the competitiveness of SMEs is addressed in a rather direct way. Under the ERDF alone, 5 % of all SMEs and 8 % of all new enterprises will be given assistance. In total the ERDF will support 1,100,000 enterprises[535]. In addition to enterprises receiving direct support, REGIO, under TO 3, strives to increase employment in the supported SMEs.[536] Moreover, it provides technical assistance to Member States and other programme managing authorities in the uptake of these instruments through Fi-Compass[537] and in exploiting synergies between the ESIFs and the European Fund for Strategic Investments (EFSI) to boost growth and jobs in the near future.

Third, and beyond funding in a stricter sense, the Directorate-General fosters structural reforms through the implementation of Country Specific Recommendations under the framework of the European Semester process in order to forge a strong link between relevant funding priorities for 2014-2020 Partnership Agreements and operational programmes and the Europe 2020 goals. Correspondingly, REGIO continuously assists programme authorities and other stakeholders in Member States in achieving the expected results. Investment conditions, including in the area of SMEs, are improved and efficiency and effectiveness is gained through the application of the aforementioned ex-ante conditionalities that reflect a realignment in the new programming period of the ESI Funds from 'assistance' to effective and efficient 'investment' in key regional competencies[538].

Furthermore, REGIO's efforts under General Objective 2 on a connected Digital Single Market predominantly focus on investments in ICT through the ERDF to establish access to an effective broadband network infrastructure for citizens, economic actors and administrations. The funding contributes to maximising the growth potential of the European Digital Economy by, *inter alia*, supporting ICT services and applications for SMEs and opening up business opportunities for digital companies. Through applying ex-ante conditionalities in this context a shift is encouraged towards a comprehensive local, regional and national 'digital agenda' that requires regions to identify priorities in ICT investment with relevance for their territory[539]. To bookend the Digital Single Market strategy, REGIO is in the process of creating a network of Broadband Competence Centres across Member States with a centralized Brussels-based information and advisory facility to assist any public authority or potential broadband project promoters in their inquiries about EU, national or regional financing for broadband initiatives.

Both an important ex-ante conditionality for current investment through the ERDF in research, innovation (Thematic Objective 1 of the CPR) and ICT (Thematic Objective 2 of the CPR) as well as a salient tool for regional growth are Smart Specialisation Strategies[540]. These strategies are delivered in part through the Smart Specialisation Platform[541] and strive to identify and embrace each region's competitive potential both within Europe and in international value chains. Smart Specialisation Strategies stimulate Member States and their regions to reflect on their own strengths and to identify opportune sectors within their ambit for targeted investment under the ERDF. They consist of national or regional innovation strategies which promulgate a set of priorities in order to: (1) build

[535] *Ibid.*, p. 12.
[536] *Ibid.*, p. 11.
[537] For more information, see the official website of the Fi-Compass: https://www.fi-compass.eu/.
[538] Interview with National Expert for Belgium for the SME Performance Review, conducted on site on 29 September 2016.
[539] European Commission, 2016t, p. 14.
[540] Also known as 'Research and Innovation Strategies for Smart Specialisation (RIS3)'.
[541] For more information, see the official website of the Smart Specialisation Platform: http://s3platform.jrc.ec.europa.eu/.

up competitive advantage of regions and Member States; (2) develop and match own strengths in innovation and research; (3) link research strengths to business needs; (4) identify emerging opportunities and market developments; (5) avoid duplication; and (6) foster place-based knowledge-based economic transformation.[542]

To maximise potential, the specialisation platform and the DG support regions and Member States in fine-tuning their specialisation priorities and they help improve administrative capacities to support innovators in transnational and subnational cooperation with a view to generating critical mass among participating regions and to foster value-chain cooperation among regional enterprises and research entities[543]. Notably, Smart Specialisation Strategies - and the mechanism of thematic ex-ante conditionalities in general - could form opportune mechanisms in bringing proposed reforms to bear across the Union in a sufficiently differentiated manner that eschews a 'one-size-fits-all' approach, as well as in coordinating a large number of diverse subnational LRAs with due consideration for each Member State's and region's unique historical, legal and institutional context.

Closely dovetailing DG REGIO's efforts in this regard and especially relevant for EU-subnational coordination, is the Regional Cooperation Networks for Industrial Modernisation (RECONFIRM) initiative of the EASME in support of the Commission's goal of enhancing the competitiveness of industry by providing targeted support to regional authorities in the implementation of their Smart Specialisation Strategies and to encourage partnership projects with proactive involvement of industry and SMEs. Funded under the COSME 2016 work programme, the initiative aims to "foster networks of regions, industry, research and other regional stakeholders involving them in the implementation of smart specialisation strategies and to facilitate cooperation on innovative industrial projects. The ultimate goal is the promotion, design and initiation of investments partnerships across EU borders aimed at industrial modernisation with players from various EU regions and notably from lagging-behind regions."[544]

General Objective 3, on a resilient energy union with a forward-looking climate change policy, is served through a varied strategy with secure, affordable and sustainable energy as the focal point. Targeted funding helps to provide energy efficiency, renewable and smart energy infrastructure and sustainable transport. The allocation of funds to support the shift to a low-carbon economy has more than doubled, to EUR 45 billion, for the 2014-2020 programming period.[545] In particular, energy efficiency investments with regards to buildings and SMEs will lead to lower energy bills, better working conditions, local jobs and more competitive businesses. All low-carbon investments will contribute to regional development, competitiveness, growth and jobs while tackling energy poverty and enhancing energy security.

Here too, the application of ex-ante conditionalities will aid in faster transposition of EU legislative initiatives on energy. In addition to fostering the use of financial instruments under ERDF and CF to close the investment gap in the low-carbon economy, administrative capacity and technical assistance is provided to Member States and regions to develop and implement high-quality energy investment projects, growth and jobs through several initiatives such as, *inter alia*, the Energy and Managing Authorities network[546], the Smart Specialisation Platform on Energy[547], the European

[542] European Commission, 2016t, p. 20.
[543] *Ibid.*, p. 10.
[544] EASME, 2016.
[545] European Commission, 2016t, p. 16-17.
[546] "This network brings together national energy and Cohesion Policy Managing Authorities, and acts as an informal platform for exchanging information and sharing good practices, experiences and latest developments to ensure the best possible use of the funding": European Commission, 2016t, p. 17.
[547] "The Smart Specialization Platform on Energy is supporting regional energy innovation and the broad adoption of Cohesion Policy energy projects, including policy advice and analysis as well as matchmaking and dissemination": *ibid.*

Innovation Partnership[548], the European Investment Advisory Hub[549] and the Fi-Compass platform[550].

Equally important, General Objective 4 seeks to accomplish a deeper and fairer internal market with a strengthened industrial base. REGIO supports the development of the Single Market and the strengthening of the European industrial base as well as of less developed Member States by encouraging innovation, supporting research, and contributing to the development of the collaborative economy through investments and Smart Specialisation Strategies. More directly, by easing access to finance for SMEs through an increased use of financial instruments and support by the ESI Funds in the context of the Investment Plan, the DG helps SMEs and start-ups to grow and to keep them based within Europe's market.

Of preeminent importance to the reduction of cross-border administrative and/or legal barriers in furtherance of General Objective 4, to the subject of subnational coordination, and to the development of regional and local potential through the ERDF is European Territorial Cooperation (ETC), better known as 'INTERREG'. As described in its art. 1, the ETC Regulation[551] establishes the scope of the ERDF with regard to the ETC goal and lays down the specific provisions concerning that goal, including the relevant investment priorities (art. 7 ETC Regulation). To be sure, ETC, as the important second goal of Cohesion Policy, is the key EU instrument to support cooperation between partners across borders, and has as its overarching objective the promotion of a harmonious economic, social and territorial development of the Union as a whole[552]. It provides a common framework for national, regional and local authorities from at least two Member States or from a Member State and a third country to find common solutions to shared problems through joint action and policy exchanges over national borders. Its 79 programmes are divided along three lines of (i) cross-border, (ii) transnational and (ii) interregional coordination and cooperation (art. 2 ETC Regulation). INTERREG spending accounts for just under 3 %, or approximately EUR 10 billion, of the ERDF, CF and European Social Fund resources and contributes significantly to support for business, growth and jobs.[553] In order to boost the potential and effectiveness of resources under the INTERREG programmes, the DG undertakes policy work with the aim to increase territorial cohesion and to enhance cooperation among Member States, LRAs and other relevant stakeholders.

Moreover, a natural complement to the ETC-framework exists in the form of a new European legal instrument designed to facilitate and promote cross-border, transnational and interregional cooperation: the European Grouping of Territorial Cooperation (EGTC). The relevant provisions are predominantly laid out in the EGTC Regulation[554]. Summarily, the EGTC framework enables willing authorities – Member States, LRAs, associations or any other public bodies - from at least two different Member States or Member States and third countries to deliver joint services and to set up (quasi-)permanent cooperation groupings with legal personality for that purpose. Through the wide array of possible members, the EGTC accommodates the differences in competences and the varying levels of governance for areas of possible cooperation, from local and regional to national and Member State level, that can exist on different sides of a border (Preamble, §(7) EGTC Regulation).

[548] This network plays "an important role in improving the performance of rural development programmes on climate-related topics by sharing good practices and help translating research results into practical improvements on the ground": *ibid*.
[549] "The European Investment Advisory Hub is a partnership between the Commission and the European Investment Bank, providing a single entry point to a number of advisory and technical assistance programmes and initiatives. Through it, project promoters, public authorities and private companies can receive support on technical and financial questions": *ibid*.
[550] For more information, see European Commission, 2016t, p. 17.
[551] Regulation of the European Parliament and of the Council 1299/2013/EU (hereinafter 'ETC Regulation').
[552] See: http://ec.europa.eu/regional_policy/en/policy/cooperation/european-territorial/.
[553] European Commission, 2016t, p. 21.
[554] Regulation of the European Parliament and of the Council 1302/2013/EU (hereinafter 'EGTC Regulation').

The Member State authorities, however, retain the competence to allow potential members located on their respective territories to participate. An EGTC convention sets out the name of the EGTC, its members, its relevant area, its objective, its mission and its duration. This approach foregoes the need for a prior international agreement and concomitant laborious ratification by national parliaments, thereby streamlining the process of European Territorial Cooperation considerably[555]. Consequently, and in addition to the aforementioned mechanisms, the coordination and implementation of proposed reforms may benefit from experience and networks built up under the auspices of INTERREG, EGTC and the DG REGIO.

Lastly, while striving to garner support for the implementation of the 2014-2020 ESI Fund programmes under its care, and ostensibly cognisant of the fallacy in the 'one-size-fits-all' approach, DG REGIO takes its message to the national and regional levels through, *inter alia*, the dissemination of communication materials tailored to the context within each Member State, local workshops on EU funding, outreach to local and regional media and 'town hall'-style meetings between Commissioner Corina Creţu and stakeholders.[556] To be sure, seeds of an open, transparent and communicative approach were already present in Ms Creţu's answers to the European Parliament on questions relating to regional policy, pending her designation, where the Commissioner-Designate states that DG REGIO "should also engage in a debate about the further development of the policy for post-2020 early on, based on a sound analysis and assessment of how the new elements of the reform have been taken and led to a change in the way the policy is delivered. The budgetary and legislative proposals for the next round should be based on a broad debate with the EP, with the consultative Committees, with the stakeholders in Member States and regions and also with the academic world."[557] In consideration of the timeline of the FIRES-project, it might therefore prove advantageous to engage with DG REGIO and other stakeholders in this tentative debate preceding the development of policies for the post-2020 programming period.

5.2.1.2. The Committee of the Regions

A. The Committee of the Regions (CoR)

Established initially to embody the idea of a 'Europe of the Regions' in 1992[558], the Committee of the Regions (CoR) was formally created after the entry into force of the Maastricht Treaty in 1994 and has as its central mission to provide institutional representation for all of the EU's territorial areas, regions, cities and municipalities, thereby striving to involve LRAs in the European decision-making process. [559] Mandated by the EU's constitutional treaties, it fulfils the role of coordinating between and representing competent political subnational actors in the drafting or application of EU-level policies or legislation.[560] In effect, the promotion and use of multilevel governance (MLG) is one of the primary characteristics of the Committee. It does not, however, implement policies or projects on the ground and "therefore does not participate in any formal policy coordination mechanism between EU and Member States in the field of entrepreneurship policy".[561]

[555] See also: http://ec.europa.eu/regional_policy/en/policy/cooperation/european-territorial/egtc/.
[556] European Commission, 2016s, p. 20.
[557] Answers to the European Parliament – Questionnaire to the Commissioner-Designate Corina Creţu on Regional Policy, 4, available at: http://ec.europa.eu/commission/2014-2019/cretu_en (last visited on 19 October 2016).
[558] C. Hönnige and D. Panke, 2016, p. 626.
[559] CoR, 2009a, p. 1.
[560] For an overview of the Committee's functioning and its institutional role, see http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_1.3.14.html.
[561] View expressed in semi-structured interview by e-mail - in personal capacity and not to be attributed to the Committee - by a Committee of the Regions Administrator for the Commission for Economic Policy (ECON), the Europe 2020 Monitoring Platform and the European Entrepreneurial Region scheme.

Pursuant art. 13(4) TEU, the Committee functions as an advisory body representing the interests of LRAs in the Union and assisting the European Parliament, the Council and the Commission. Its membership consists of representatives of regional and local bodies who either hold a regional or local authority electoral mandate or are politically accountable to an elected assembly in the Member States (art. 300(3) TFEU) and who reflect the political, geographical, regional and local balance of their country. Within the Committee, each member can choose to be part of a political group[562] or to remain non-aligned, while its President is appointed from among its members for a two-and-a-half year term[563].

In the Union's general interest, its members are not bound by mandatory instructions and act in a completely independent manner in the performance of their duties (art. 300(4) TFEU). Acting unanimously on a proposal from the Commission as promulgated by art. 305 TFEU, the European Council appointed the members and alternate members of the CoR, limited to 350, for the period from 26 January 2015 to 25 January 2020[564]. The allocation and distribution of the limited number of seats between Member States' LRAs' representatives is similarly set by Council Decision[565], as follows:

- 24 seats: Germany, France, Italy, the United Kingdom;
- 21 seats: Spain, Poland;
- 15 seats: Romania;
- 12 seats: Austria, Belgium, Bulgaria, the Czech Republic, Greece, Hungary, the Netherlands, Portugal and Sweden;
- 9 seats: Croatia, Denmark, Finland, Ireland, Lithuania, Slovakia;
- 7 seats: Latvia, Slovenia;
- 6 seats: Estonia;
- 5 seats: Cyprus, Luxembourg, Malta.

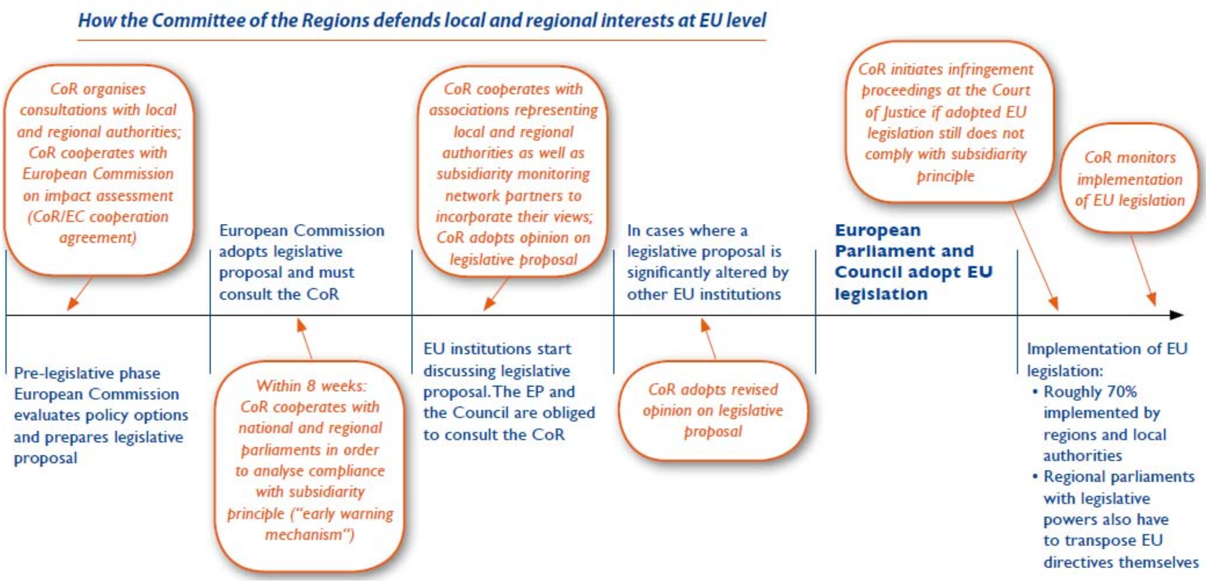
The Committee participates in EU decision-making in a twofold manner. Firstly, the CoR takes part, at least informally, in the pre-legislative phase by receiving and reacting to White Papers and Green Papers produced by the Commission on a tentative piece of legislation. In addition, the CoR is often involved during the consultation period and is sometimes called upon by the Commission in its formulation of policies when the latter is confronted with a lack of policy ideas[566]. Secondly and especially, art. 307 TFEU anchors the consultative and advisory role of the Committee into the formal legislative decision-making process of the EU through the promulgation of opinions. Three types of opinions can be differentiated in this regard: mandatory opinions, requested opinions and own-initiative opinions.[567] The European Parliament, the Council or the Commission shall consult the CoR for its opinion on drawing up legislation on matters concerning local and regional government where the Treaties so provide[568] or, in other cases, in particular with regard to cross-border

[562] Currently, five political group exist within the Committee: European People's Party (EPP), Party of European Socialists (PES), Group of the Alliance of Liberals and Democrats for Europe (ALDE), European Alliance Group (EA), and European Conservatives and Reformists Group (ECR).
[563] For this and additional information, see https://europa.eu/european-union/about-eu/institutions-bodies/committee-regions_en (last visited on 19 October 2016).
[564] Council Decision 2015/116/EU.
[565] Council Decision 2014/930/EU.
[566] C. Hönnige and D. Panke, 2016, p. 626.
[567] *Ibid*.
[568] The European Council and Commission are required by the Treaties to consult the CoR before issuing decisions concerning: education, vocational training and youth (art. 165 TFEU); culture (art. 167 TFEU); public health (art. 168 TFEU); trans-European transport, telecommunications and energy networks (art. 172 TFEU); and economic and social cohesion (art. 175, 177, 178 TFEU).

cooperation, where they consider it appropriate. In cases where the Committee feels so inclined, it may also issue opinions under its own initiative.

An opinion by the CoR is initially prepared by a rapporteur, appointed from one of the Committee's members, who consults a broad range of stakeholders and presents the text to one of six CoR commissions in charge of the concerned policy area for discussion and adoption. In turn, the commissions submit draft versions of opinions and resolutions to the Plenary Assembly, taking place up to six times a year, for further discussion and formal adoption. The opinions, whether mandated by the Treaties, requested, or formed under its own initiative, are consequently forwarded by the Committee to all relevant EU institutions, most notably the Commission and the two legislative chambers: the Parliament and the Council.[569] The following figure gives a schematic overview of the operation of the Committee.

Figure 6. Committee of the Regions' operational schematic[570]



Formal consultation is mandated by the European treaties for certain policy areas. The Committee, through art. 8 of *Protocol No. 2* to the TEU and TFEU on *The Application of the Principles of Subsidiarity and Proportionality*, can bring actions before the Court of Justice of the European Union in accordance with art. 230 TFEU on grounds of infringement of the principle of subsidiarity against a legislative act that foregoes this formality when it is prescribed by the Treaties. Although this may be true, reading the policy recommendations and opinions of the Committee nonetheless remains optional for members of the European Parliament and the Council[571]. As hinted at by its treaty status as an advisory body, opinions by the CoR do not bind the other institutions in any way. In fact, the latter are not under any obligation to discuss or take a formal vote on them. The Committee's influence is thus limited in the practical sense when taking into account that its opinions are, indeed, often not read Hence, relevant legislative or policy actors are sometimes simply not aware of the viewpoints emanating from the Committee[572]. This issue, *inter alia*, has only recently and slowly

[569] See http://cor.europa.eu/en/activities/commissions/Pages/commissions.aspx.
[570] CoR, *s.d.*, p. 3.
[571] "A member of the Council explained that 'opinions of the […] consultative committee[s] 'are not mandatory opinions, so you know, you can read them or you don't read them. It is entirely up to you'": C. Hönnige and D. Panke, 2016, p. 628.
[572] For an initial empirical assessment of the limited awareness and reading of the CoR's opinions with relevant actors, see *ibid.*, p. 628-629.

been gaining the attention of academia, where “there is a gap in our knowledge about the conditions under which the legislative actors actually take notice of the opinions […] although this is a pre-condition to have influence at all.”[573]

A partial cause for rendering the CoR mute as such, lies within the formal EU decision-making process itself. Firstly, the late stage at which the Committee is involved can limit its consultative role and the impact of its opinions. Most commonly, in matters that mandate consultation, the Commission submits a legislative proposal to the Parliament and Council while at the same time forwarding the proposal to the Committee. The Committee has to internally position itself, negotiate, develop, promulgate and strive to disseminate and circulate an opinion on a legislative proposal before the two legislative chambers have concluded the first reading of the Commission’s proposal as part of their own decision-making processes. Secondly, the Committee has to take positions on a wide range of policies and a large number of legislative proposals despite its limited size and the limited human and financial resources at its disposal[574]. Thirdly, the Committee, in its consultative role and in trying to advance its position, competes for access to and the awareness - and limited time - of decision makers with various lobbyists, organized interest groups, NGOs and other actors[575].

Against this background, the CoR has been very tentatively examining its own future role and institutional position relative to the Commission, the Council and the Parliament, where possible alternatives to the current situation range, among others, from an enhanced status quo, over the creation of an LRA Assembly within or associated with the Council, to acting as an integral third legislative chamber that would represent LRAs at the EU level.[576] A modest but more concrete development in this interinstitutional respect is the ‘Cooperation Agreement between the European Parliament and the Committee of the Regions of 5 February 2014’[577], whereby cooperation between the two institutions and its members is increased - especially in subjects where deepened input by the Committee would be valuable - and through which the CoR will provide impact and effectiveness assessments on existing European legislation, on the basis of relevant national, regional and local information, to be taken into account in making and revising EU legislation and policy.

In summary, while the current institutional role of the Committee may cause it to lack any real ‘teeth’ – with the possible exception of its ability to engage in specific contexts the European Court of Justice -, it remains an EU institution that unites a diverse number of politically aligned and non-aligned LRAs throughout the Member States. If proposals under the FIRES project are taken up at the EU-level by the Commission and/or are to be effected at relevant subnational levels of the competent LRAs in accordance with the principle of subsidiarity, their dissemination, uptake and consequent implementation throughout all levels of relevant governance could be facilitated by actively, albeit voluntarily, involving the CoR in the consultation, discussion and drafting of entrepreneurship policies from the earliest possible stages. Direct involvement of actors on the ground (e.g. local and regional politicians, relevant practitioners in local and regional administrations, business associations, chambers of commerce) and the ability to profit from their expertise on specific issues could prove advantageous. Through proactively engaging with the Committee and its constituent local and regional authorities, *a fortiori* if their opinions and roles are treated not merely as an afterthought, the project could find an institutional platform for probing the feasibility and increasing the effectiveness of - and aligning LRAs towards - possible entrepreneurial reforms throughout Europe in a differentiated but coherent manner.

[573] C. Hönnige and D. Panke, 2016, p. 625.
[574] *Ibid.*, p. 627.
[575] *Ibid.*, p. 624-625 and 628.
[576] See, for example, W. Van Aken, T. Corthaut, P. Schmitt and A. Marx, 2014.
[577] At http://cor.europa.eu/en/about/interinstitutional/Documents/ep-cor_a245.pdf.

B. Charter for Multilevel Governance in Europe

In its quest to valorise the contributions of LRAs in the drafting and transposition of EU policies and building on its 2009 'White Paper on multilevel governance'[578] and subsequent 2012 opinion entitled 'Building a European Culture of Multilevel Governance', the CoR adopted the legally non-binding Charter for Multilevel Governance in Europe[579] by resolution during its 106th plenary session on 3 April 2014[580]. A political manifesto at heart, the Charter expresses the will of European LRAs to become fully-fledged partners in EU policy making and therefore has direct relevance on the issue of vertical coordination with LRAs on EU entrepreneurship policies.

The Charter was formally opened for signature on 9 May 2014, calling on public authorities of all levels of governance (local, regional, national, European, international) to recognize the value of and use and promote multilevel governance. Similarly, to acknowledge the legitimacy and responsibility of local and regional authorities in the implementation of public policies.[581] Under the Charter's framework, signatories[582] "are invited to experiment with innovative policy solutions in adherence with MLG principles of subsidiarity, proportionality and partnership, and to promote the use of multilevel partnerships and instruments for joint policy action. They undertake to developing a transparent, open and inclusive policy-making process and to making multilevel governance a reality in day-to-day policy-making and delivery."[583]

In the document, the Committee defines MLG as an action principle "based on coordinated action by the European Union, the Member States and regional and local authorities according to the principles of subsidiarity, proportionality and partnership, taking the form of operational and institutional cooperation in the drawing up and implementation of the European Union's policies"[584]. The instrument thus calls upon relevant actors to strengthen the territorial dimension and develop a bottom-up approach in the design, implementation, evaluation and monitoring of European strategies and policies. An important overarching objective in this respect is for national Member State and European authorities to set up an efficient information and consultation policy for systematic dialogue with the Committee and LRAs on initiatives that have territorial impact.[585] In order to achieve maximum impact, reforms under the FIRES-project should therefore strive to incorporate MLG and give significant weight to bottom-up processes from the very beginning of the strategy- and policy-making cycles in concert with engagement of the CoR and similar assemblies that group and provide semi-collective access to competent European LRAs[586].

C. The Europe 2020 Monitoring Platform

An important mechanism under the framework of the Committee that supports the diffusion of MLG policy-making in the area of EU entrepreneurship policy is the Europe 2020 Monitoring Platform (MP). It offers a forum for the exchange of information and best practices between local and regional policy makers in the implementation - and for the territorial assessment - of the EU2020 Strategy. The platform comprises several tools to achieve these goals. First and foremost, the

[578] CoR, 2009b.
[579] Opinion of the CoR of 16 February 2012.
[580] Resolution of the CoR of 3 April 2014 (hereinafter 'MLG Charter').
[581] See https://portal.cor.europa.eu/mlgcharter/objectives/Pages/default.aspx.
[582] As of 6 October 2016, the Charter has 220 signatories. For a complete list of LRAs and Territorial Associations or Networks signatory to the charter. See: https://portal.cor.europa.eu/mlgcharter/Pages/maps.aspx.
[583] See: http://cor.europa.eu/en/activities/governance/Pages/charter-for-multiLevel-governance.aspx.
[584] Preamble MLG Charter, 3.
[585] See https://portal.cor.europa.eu/mlgcharter/objectives/Pages/default.aspx.
[586] A tool that can assist in this exercise is the 'Multilevel Governance Scoreboard', created by the CoR to monitor the development of MLG under important priority policy strategies at the EU-level.

platform's website is the main tool for the exchange of information and good practices between both members and external observers. Whether grouped or not under specific thematic initiatives with regard to priority or emerging EU2020 issues, policy workshops offer opportunities for EU2020MP members to engage in debate with EU representatives, experts and other relevant stakeholders, whereas surveys act as a tool to gather information and opinions on implementation at the ground and at territorial level. Moreover, the territorial monitoring activities are formalized and strengthened by the CoR's publication of Monitoring Reports that range from yearly territorial analyses of Country-specific Recommendations or Country Reports to monitoring the territorial dimensions of Europe 2020 in a broader sense.[587] Finally, the findings from these diverse initiatives feed directly into the Committee's formal consultative activity in its role as an EU advisory body, allowing the provision of support to the EU and national Member States to overcome challenges and obstacles in the transposition of priority policies[588].

D. European Entrepreneurial Region (EER)

Set up in partnership between the Committee and the EU Commission and launched in 2009, the European Entrepreneurial Region[589] (EER) is an award label that encourages entrepreneurship at local and regional level through identifying and rewarding EU regions that embrace an innovative, future-oriented and outstanding entrepreneurial policy strategy aimed at applying the ten principles of the SBA.[590] Under the scheme, EER regions' activities are regularly reported to the CoR and continuously feed into its consultative mechanisms. The award is therefore a specific contribution by the Committee to the Europe 2020 Strategy, the SBA and the Single Market Act, while simultaneously contributing to Cohesion Policy and aiming to foster structural reforms in those areas.

More precisely, the overarching goals of the EER scheme are twofold: (i) to implement the SBA in MLG-partnership and to anchor its principles at the local and regional levels and (ii) to optimise the use of relevant public funds (*e.g.* ESI Funds) in the development of an entrepreneurial policy within the respective regions.[591] The EER-label provides a stimulus to Europe's regions by good example, not in the least because it is based on the transfer of knowledge through mutual learning, networking and peer review.[592] As a tool to jointly coordinate on and develop strategies for the implementation of SBA principles and of broader entrepreneurship policies, regions under the EER-label offer an obvious pool of committed LRAs[593] that could be involved in the drafting and implementation of and possible experimentation with reforms under the FIRES-project.

Concretely, the EER-award is granted for a specific year – for the first time in 2011 - to those regions that present the most credible and promising strategic action and vision plan. Although the EER regions - and thus the specifically tailored innovation strategies through which they try to address and capture the challenges and endogenous comparative advantages unique to their region - differ significantly from each other, all EER regions exhibit a common aspiration to foster innovation processes at the SME-level and to strengthen their national and international competitive positions.

[587] For publications in the framework of the Monitoring Reports, see: https://portal.cor.europa.eu/europe2020/pub/Pages/welcome.aspx.
[588] See: https://portal.cor.europa.eu/europe2020/Knowledge/Pages/welcome.aspx.
[589] See the official website for EER: http://cor.europa.eu/en/takepart/eer/Pages/eer.aspx.
[590] t33, OIR and SWECO, 2015, p. 4.
[591] CoR, 2013.
[592] t33, SWECO and OIR, 2012, p. 8.
[593] Starting in 2011 and up to and including 2016, the following regions were awarded the EER-label: Murcia, County Kerry, Brandenburg, Trnava, Helsinki-Uusimaa, Catalonia, Styria, Southern Denmark, Nord-Pas de Calais, North Brabant, Marche, Flanders, Valencian Region, Northern Ireland, Lisbon, Malopolska, Lombardia, Glasgow. See http://cor.europa.eu/en/takepart/eer/Pages/Previous-Applications.aspx.

As such, all of the EER regions' diverse innovation strategies nevertheless contain a number of transversal key features[594]:

- Fostering a 'culture of innovation';
- adopting a bottom-up approach by involving stakeholders from the start;
- improving and supporting the relationship between SMEs and universities or research centres;
- enhancing human capital through tailored training programmes for entrepreneurs;
- creating new market opportunities for SMEs through initiatives aimed at innovation; and
- implementing initiatives and projects in a structured and comprehensive innovation policy.

Eligible to apply for the label are all European regions with at least some political competences to put forth business support policies and the ability to implement overall entrepreneurial visions. In their application, candidate-regions draft a political 'EER Vision Plan' in consultation and cooperation with various stakeholders that contains a commitment to developing entrepreneurial potential through long-term sustainable and credible actions, in addition to measurable targets in the context of the SBA and the Europe 2020 Strategy. In order to show a real political commitment to reinvigorate entrepreneurship, the region's action plan must be officially endorsed by the regional Government; Regional Assembly or the relevant authorised political bodies.

Subsequently, it is the EER jury that awards the EER-label to notable applicant regions and continues to monitor the implementation of the awarded regions' action plans.[595] The Committee's partnership with the Commission under the framework of the EER is reflected in the formal relationship with DG GROW and DG REGIO, both of which are represented in the jury by Kristin Schreiber (Director of the COSME programme, DG GROW) and Michael Ralph (Advisor to the Deputy-Director General for implementation, DG REGIO). Through these representatives, the EU Commission participates actively throughout the entire EER process, from the selection of awarded territories to the ex-post evaluation stage.[596]

To further promote these goals and in furtherance of the exchange of knowledge, the CoR organises an annual EER workshop with the EER regions in the context of the 'European Week of Regions and Cities' on its premises in Brussels. The most recent workshop, on 12 October 2016, had as its theme "promoting young entrepreneurship at regional and local level: the European Entrepreneurial Region experience". The workshop's panel of speakers consisted of representatives of various EER regions, the EU Commission, as well as academic experts in the field of entrepreneurship policy. After presentations by the panel, the floor was opened for a Q&A session with the audience, comprising, *inter alia*, representatives of additional EER regions, academia, experts and consultants. At the end of the workshop, various conclusions were drawn of which two recommendations, in particular, garnered wide support from the panel and the audience. Firstly, it was concluded that actors across all levels of governance should not wait for what was termed a so-called 'dream policy'. Instead, all actors should start experimenting as soon as possible with entrepreneurship policies within their respective domains of competence because any enacted policy would necessarily need to be revised a significant number of times until one was found that works. Secondly, and in direct relation to the first recommendation, all relevant actors should strive to formulate a comprehensive evidence-based public policy. To be sure, the need for continuous evaluation and for corroborating evidence

[594] t33, OIR and SWECO, 2015, p. 13.
[595] CoR, 2013, p. 1-2.
[596] Information collected through semi-structured interview by e-mail - in personal capacity and not to be attributed to the Committee - by a Committee of the Regions Administrator for the Commission for Economic Policy (ECON), the Europe 2020 Monitoring Platform and the European Entrepreneurial Region scheme.

as a necessary pre-condition for effective and dynamic policy reform was underscored throughout the entire workshop.[597]

5.2.1.3. Additional actors with relevance to subnational coordination

For a more complete overview, the following section very briefly casts light on a select number of other institutions that (might) have a role to play in both horizontal coordination and bloc-forming between LRAs as well as in vertical coordination between the EU(, Member States) and LRAs. Although they are not mentioned here in further detail, it is important to bear in mind that a large number of competent European regions have separate representations to the EU and offices in Brussels from which they undertake, *inter alia*, activities with regard to lobbying, outreach and consultations for their regional interests at the level of the Union.[598]

A. The Conference of European Regions with Legislative Power (REGLEG) and the Conference of European Regional Legislative Assemblies (CALRE)

REGLEG is not a EU institution in the formal sense, nor is it a formal association, as much as it is a purely voluntary and political network for the governments of EU regions with legislative power with the goal of promoting multilateral governance in EU affairs[599]. Central to its mission is the consideration that, in many cases, regions with legislative competences bear the ultimate responsibility for implementing and transposing EU legislation within their respective territories. Under its umbrella, participating regions therefore aim to increase their direct and democratic consultation and participation in the legislative process at the EU-level from the proposal stages and to improve the position of legislative regions through the application of the subsidiarity principle. It holds written Memoranda of Understanding with the Committee of the Regions and the Conference of European Regional Legislative Assemblies (CALRE). REGLEG meets roughly every four to six weeks and provides a framework for information exchange, communication, policy formation and other related activities, as well as for drafting statements and the formation of groups on areas of particular interest to some or all member regions. It is by no means an exhaustive collection of European regions, but its membership consists of all autonomous or all regions with devolved legislative power in Europe, from eight EU Member States in particular: Austria, Belgium, Germany, Italy, Portugal, Spain, the United Kingdom, and Finland.

Much in the same vein, the Conference of European Regional Legislative Assemblies (CALRE), founded in 1997, unites the regional legislative assemblies of the same regions from the listed Member States.[600] Its mission, in particular, "is to go in depth in the democratic and participative principles within the framework of the EU, to defend the values and principles of regional democracy, and to reinforce links among Regional Legislative Assemblies."[601]

[597] Information collected through participation in the EER workshop in the context of the European Week of Regions and Cities, 12 October 2016.
[598] See, for example, T. Donas and J. Beyers, 2012, p. 527-550.
[599] For the information in this section, see the official website of the Conference of European Regions with Legislative Power (REGLEG), at http://www.regleg.eu.
[600] For the information in this section, see the official website of the Conference of European Regional Legislative Assemblies (CALRE), at http://www.calrenet.eu.
[601] Conference of the Regional Legislative Assemblies of the European Union, "CALRE's Rules", 2014.

Although the exclusion of national authorities from these networks might prove to be politically sensitive[602], the Conferences could form an efficient and effective point of contact and engagement with the entirety of competent subnational EU regions on the issue of reforms under FIRES.

B. The European Cluster Observatory

Situated under DG GROW's competence for entrepreneurship and SMEs, "the European Cluster Observatory is a single access point for statistical information, analysis and mapping of clusters and cluster policy in Europe that is aimed at European, national, regional and local policy-makers as well as cluster managers and representatives of SME intermediaries."[603] Consisting of a team of experts and operating in the context of the Europe 2020 Strategy, the Observatory helps Member States and regions in the design of their smart specialisation strategies, an ex-ante conditionality for specific investment priorities under the ESI Funds, mentioned above, as well as in the formation of new innovation clusters. Assistance is thereby given to companies in the development of novel and globally competitive advantages in emerging industries and markets. With a view to promoting the development of world-class innovation clusters in Europe and to fostering competitiveness and entrepreneurship in these emerging industries, as well as easing SMEs' access to clusters and internationalisation, the Observatory provides a number of main services:

- a bi-annual European Cluster Panorama[604], statistically mapping the clusters in Europe and analysing the correlation with key competitiveness indicators;
- a European Cluster Trends[605] report, containing foresight and current analyses on cross-sectorial and internationalisation clustering trends, global megatrends of industrial transformations and industrial and cluster opportunities;
- a Regional Ecosystem Scoreboard[606], mapping in detail the strengths and weaknesses of regional and national cluster ecosystems and identifying potential bottlenecks for improvement;
- a European Stress Test for Cluster Policy[607], providing policy guidance for developing cluster policies and self-assessment tools in support of emerging industries;
- setting a good example on modern cluster policy practice through providing advisory support services to six selected model demonstrator regions;
- uniting Europe's cluster policy-makers and stakeholders at European Cluster Conferences to promote high-level cluster policy dialogue and facilitating knowledge exchange and learning.

The Observatory constitutes an institutional actor with a deep pool of specialised knowledge on manifold differentiated strategies for the implementation of entrepreneurship, SME, and innovation policies in European regions. Certainly, building on its significant expertise would be of obvious benefit for the FIRES-project.

[602] Bypassing national governments can be construed as strengthening the position of subnational actors while weakening the national Member State: H.M. Grimm, 2011, p. 1530.

[603] For the quote and all other relevant information in this section, see the official website of the European Cluster Observatory, at https://ec.europa.eu/growth/smes/cluster/observatory/about.

[604] See the official website for the European Cluster Panorama, at https://ec.europa.eu/growth/smes/cluster/observatory/cluster-mapping-services/cluster-panorama_en.

[605] See the official website for the European Cluster Trends Report, at https://ec.europa.eu/growth/smes/cluster/observatory/european-cluster-trend-report_en.

[606] See the official website for the Regional Ecosystem Scoreboard, at http://ec.europa.eu/growth/smes/cluster/observatory/regional-ecosystem-scoreboard_en.

[607] See the official website for EU Cluster Policy, at https://ec.europa.eu/growth/smes/cluster/observatory/cluster-policy_en.

5.2.2. The subnational dimensions in EU entrepreneurship policy instruments

5.2.2.1. The Small Business Act

Although various aspects of the SBA, the 2011 Review of the SBA, and the ten principles were already analysed throughout earlier sections of this report, including the mapping of the sparse mention of and role for LRAs as direct addressees, it is instructive to look at the Act and its governance and monitoring mechanisms from the particular perspective of EU-subnational vertical coordination. Indeed, the SBA itself emphasizes the importance of this approach where it states that "the national and local environments in which SMEs operate are very different and so is the nature of SMEs themselves (including crafts, micro-enterprises, family owned or social economy enterprises). Policies addressing the needs of SMEs therefore need to fully recognise this diversity and fully respect the principle of subsidiarity."[608] However, the logical framework of the SBA and the 2011 follow-up Review of the SBA does not easily lend itself to the matter of coordination with subnational actors because of a complex amalgamation of political, legal, and more practical reasons.

Firstly, it is important to remind here of the 'soft' nature of the instrument; the SBA is 'soft law', but can also be said to be a 'soft policy'. Thus, curtailed by the Treaties and, *e.g.*, the subsidiarity principle, the EU and the Commission cannot impose a truly harmonized framework in a top-down fashion. Implementation and the degree or modalities of application of the SBA's principles remain dependent on the political will of competent authorities in the Member States and regions. This is exacerbated by the growing complexity of the framework, as the SBA and its principles have been incrementally divided into three levels. The overarching ten 'principles' are divided into a number of policy 'measures', which are further separated into operational 'categories'. Each additional layer not only makes effective monitoring and evaluation more difficult, but allows for different interpretations - by different actors, at different levels - of the principles as well as of the manner in which they are to be implemented.[609]

However, the Commission or, more precisely, DG GROW tries to exercise a limited amount of control on diverse national and regional developments through its SBA monitoring and assessment activities in the context of the SME Performance Review: the annual report on European SMEs and the SBA Country Fact Sheets. The annual report provides a synoptic overview from a pan-European perspective of past and forecasted performance of SMEs as well as of the size, structure and importance of SMEs to the European economy. Whereas the SBA Fact Sheets provide a more detailed assessment on the progress of SBA implementation at the national level for each Member State. The Fact Sheets are published annually and aim to provide a better understanding of recent trends and national policies affecting SMEs. They focus on key performance indicators and national developments with regard to the SBA's ten dimensions.

Findings under both mechanisms are available publicly on DG GROW's website for the SME Performance Review[610]. Even though the Commission cannot legally compel Member States or their regions to implement uniform policies, both tools - the SBA Fact Sheets in particular - indicate in a publicly transparent way which Member States are falling behind on entrepreneurship and SME goals or other specific relevant indicators. This low-key 'naming and shaming' approach constitutes

[608] SBA, p. 2.
[609] Interview with National Expert for Belgium for the SME Performance Review involved in the drafting of the SBA Fact Sheets, conducted on site on 29 September 2016.
[610] For the information in this section and further documentation on both assessment instruments, see DG GROW's official website on the SME Performance Review: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en.

approximately the limit of DG GROW's top-down ability to incentivize national Member States or regions towards the implementation of EU-level entrepreneurship and SME policies.[611]

Significantly, however, the SBA Fact Sheets predominantly address SBA implementation at the national level. As concerns the regions, this "mostly national approach can mask huge divergences e.g. between national capitals and peripheral regions, urban and rural areas, challenges faced by areas such as islands, outlying regions, mountain regions, border regions, areas of multiple deprivation, etc. As the large number of regions may make it difficult to produce a fact sheet for each EU region, a section on the territorial dimension of SME policy could perhaps be added to each national fact sheet."[612] Indeed, the Fact Sheets currently contain only a sparse amount of information on regional developments which itself is often limited to one or two short and superficial paragraphs under the developments on each of the SBA's ten dimensions elucidated within their pages.

An important underlying pragmatic cause for this scarcity is the limited relevant regional data available to DG GROW, as well as the very large number of idiosyncratic regions and other subnational interlocutors that would have to be analysed for inclusion in the sheets. Competences might lie dispersed over provinces, regions, municipalities or other competent levels of governance within the specific institutional structures of all of the Member States. Faced with the fact that compiling the necessary data on just the Member States at a national level is already a difficult task that requires a considerable amount of resources from the DG and its partners, it is doubtful that more detailed analyses on regional developments in the context of the Fact Sheets will arise in the near future. Moreover, even if the EU could provide high-resolution data on regions[613], the Union's political and legal system would compel the Commission to maintain an equal standard of quality in the study and treatment of the entirety of regions as well as to respect the Member States' political independence on matters related to their internal regions. Under the current framework, then, real and concerted vertical subnational coordination from the EU-level appears to be impossible, at least from a practical standpoint.[614]

Even so, this circumstance does not exclude the implementation of the SBA at the regional level from the outset, nor does it speak to the interest in applying the SBA throughout the diverse European regions. A concrete example are the manifold EER regions, mentioned above. In addition, regions may utilize the SBA framework in their communication strategy or in establishing an agreeable cultural-political profile in two ways - especially in more federalized Member States where competences are devolved to the subnational level. On the one hand, LRAs, and even the Committee of the Regions, can use the SBA ecosystem to affirm the role of the regions towards the 'upper' federal and Union levels, thereby asserting their position as a relevant interlocutor on matters concerning entrepreneurship. On the other hand, competent LRAs can use accomplishments attained under the umbrella of the SBA or, for example, through programmes co-funded by the ESI Funds, to communicate their dynamism and pro-business profile 'down' to the level of the public constituency, SMEs and business interests within their territory.

As an intermediary lesson, the FIRES-project might therefore have to make sure its proposals offer a clear benefit, including in the political-cultural sphere, to the diverse governance actors and incorporate substantial bottom-up processes for that purpose. Additionally, it might heed the

[611] Interview with various policy officers of DG GROW, performed on site on 19 September 2016.
[612] Considerations and recommendation expressed in semi-structured interview by e-mail - in personal capacity and not to be attributed to the Committee - by a Committee of the Regions Administrator for the Commission for Economic Policy (ECON), the Europe 2020 Monitoring Platform and the European Entrepreneurial Region scheme.
[613] For more detailed data, however, see the reports published by DG REGIO on the 'Regional Entrepreneurship and Development Index' (REDI), e.g. L. Szerb *et al*., 2014.
[614] Conclusion based on interview with various policy officers of DG GROW, performed on site on 19 September 2016.

following policy recommendations from a study conducted under the auspices of the CoR on the implementation of the SBA and entrepreneurship policies at local and regional level. For the sake of brevity and clarity, the following table summarizes the most important findings:

Table 24. Findings, lessons and recommendations on local and regional implementation of EU entrepreneurship policies[615]

Main findings	Lessons learnt	Policy recommendations
Regions play an important part in implementing SBA principles, in particular: I Business environment IV Responsive public administration VII Single Market opportunities VIII Innovation IX Environmental challenges	Regions are particularly effective when the principle is more place-based and less related to the legislative framework.	A new 'regional SBA' should be formulated around principles which tie in more closely with LRAs' capabilities and competences (I-IV-VII-VIII-IX).
Regions and Member States are complementary in applying the SBA. However, discrepancies exist between national and regional performance in applying SBA principles.	Application of the SBA involves different levels of governance and an active dialogue among stakeholders and relevant institutions. Regions can act as a stimulus and benchmark for national authorities.	The policy strategy to implement the SBA should be more context-specific and adaptable to the particular needs of a region. More support should be given to implementation, especially at the regional level.
In the EER regions, vision is more important than context. Economic, social, political contexts might differ, but regions share similar approaches and long-term objectives.	Capacity to apply SBA principles depends on regional policy attitudes and requires a cultural change in policy makers. The EER label can provide a good stimulus in this regard.	EER Regions should be able to make better use of their experience. More systematic analysis would allow to identify strategies and synergies applicable to other regions.
SBA application is an ex-ante conditionality for investment under the ESI Funds in the current programming period.	EER regions have developed valuable experience in planning the implementation of the SBA. They can share these experiences with LRAs and programme authorities across Europe.	The EER regions need a higher profile, by which other European LRAs are informed about projects, best practices and successful EER activities.

Whereas DG GROW is largely limited to incentivising LRAs through 'naming and shaming' on the basis of publicly available results from the monitoring exercises under the SME Performance Review, DG REGIO retains a more powerful 'top down' mechanism to pilot LRAs towards the implementation of the SBA in subnational contexts. Indeed, under the current regulations for the ESI Funds, explained in detail in an earlier section of this report, the application of the SBA and its principles functions, both implicitly and explicitly, as an important ex-ante conditionality for national, regional and local programme authorities to obtain EU co-funding in investment priority areas under the Funds. Found in Annex XI, Part I of the Common Provisions Regulation, Thematic Objective 3 on 'enhancing the competitiveness of SMEs' ties funding towards this objective to ex-ante conditionality 3.1: "specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA)". These specific actions are further specified in the Annex, under TO 3, as:

[615] t33, SWECO and OIR, 2012, p. 3-5.

- "Measures have been put in place with the objective of reducing the time and cost involved in setting-up [sic] a business taking account of the targets of the SBA;
- measures have been put in place with the objective of reducing the time needed to get licenses and permits to take up and perform the specific activity of an enterprise taking account of the targets of the SBA;
- a mechanism is in place to monitor the implementation of the measures of the SBA which have been put in place and assess the impact on SMEs."

Once again, the use of similar ex-ante conditionalities might, *mutatis mutandis*, be of great benefit to the pan-European implementation of reforms under the FIRES-project. Not to mention, the condition for specific action on putting in place proper monitoring and assessment mechanisms, even on the tier of regional or local authorities, could greatly increase the amount and quality of data on the implementation of EU entrepreneurship policy at subnational levels in the near future.

One such monitoring and coordination mechanism that merits attention is the network of national and European SME Envoys, set up by the Commission and Member States as part of the 2011 review of the SBA in their quest to effect stronger governance in the context of the SBA. In the review, "Member States and, where relevant, regional and local authorities, are invited to: set up, in coordination with representatives of business organizations, national and local SBA implementation plans backed up by a strong monitoring mechanism as well as a body in charge of coordinating SME issues across different administrations ("SME Envoy"), provided with adequate human resources and having a high standing within the administration itself"[616].

The Network's added value lies for a large part in its 'informal' nature, giving it a certain freedom of action and speech. Envoys do not, as such, play an active role in the implementation of European entrepreneurship policies, but they can hold a certain leverage, especially when the Envoy is a Minister or Secretary of State.[617] In spite of the explicit inclusion of LRAs in the call, however, the coordination efforts of the EU-level Network of SME Envoys remain clearly limited to national-EU affairs and the network is rather exclusively a network of national delegates representing national ministries. That is to say, regional SME Envoys, if they exist for any given region, do not and cannot partake directly in the meetings held by the network several times each year at the level of the Union. This is the result of a conscious decision made by the Commission to keep SME Envoys strictly on a very high level, for which two main categories of reasons were cited in an interview with relevant policy officers of the DG GROW.[618]

On the one hand, from a pragmatic standpoint, the inclusion of Envoys from every region, or even of only those regions that have institutionalized such a body, would make the multi-annual contacts so involved and multitier so as to become wholly intractable. Although, *prima facie*, this practical consideration can be considered sound, the lack of any direct regional representation at the highest level constitutes an unfortunate lacuna. Initiatives under the current project could therefore include proposals to improve the Envoy mechanism by, for instance, formally including a regional perspective at the EU-level. Possible recommendations might then exist of appointing a formal representative from the CoR or, more directly, representatives from the regions and cities to a new, to-be-formed chair for a 'Regional SME Envoy' within the Network. To assuage practical concerns related to the large number of potential regions, this new seat for a Regional SME Envoy could perhaps function on a rotating basis.[619]

[616] European Commission, 2011a, p. 18.
[617] Interview with Belgian SME Envoy, Mr. Didier Kinet, conducted via e-mail.
[618] Interview with various policy officers of DG GROW, performed on site on 19 September 2016.
[619] Recommendation expressed in semi-structured interview by e-mail - in personal capacity and not to be attributed to the Committee - by a Committee of the Regions Administrator for the Commission for Economic Policy (ECON), the Europe

On the other hand, from a more politico-legal perspective, the Commission has no legal means to ensure Member States send the same person to the meetings as their national Envoy, despite its aim to create a very stable, well-organized network. The Commission therefore strives to imbue the label of SME Envoy with the exclusivity of a 'trademark' with a view to avoid changes in membership and to promote continuity. At the same time, the EU has little room to bypass the national authorities, their primary political partners on entrepreneurship policy, such that matters of internal (inter)regional coordination lie almost exclusively in the court of the Member States. For this reason, while nothing prohibits the National SME Envoys from coordinating internally with whatever regional SME Envoys or similar representatives might exist within their borders in preparation for EU-level meetings, they are not obliged to do so in a regimented manner. In other words, the focal points of interaction with the Commission consist of national-level representatives; the Network of national and EU SME Envoys is currently not a forum that is particularly well-suited for issues of vertical coordination with LRAs.

In contrast, such a forum does exist within the ambit of the complementary second pillar of the SBA governance structure in addition to the Network: the SME Assembly. Touted as the most significant event for SMEs on the level of the Union, the Assembly takes place yearly during the European SME Week[620] and was launched by the Commission "in order to mobilise all relevant stakeholders in the implementation of the SBA and to foster dialogue between them."[621] Participation in and entry to the Assembly is conditional on personal invitation from the Commission.[622] Connecting the two pillars, the national SME Envoys are mandated "with the task of monitoring the progress of the Member States in the implementation of the SBA and will regularly inform the SME Assembly."[623] Concurrently, the Commission invites regional SME Envoys and similar regional stakeholders to attend and regional Envoys from, *inter alia*, Italy, Germany and Belgium are routinely present at the conference[624]. Hence, the Assembly offers a venue for direct coordination and interaction with relevant authorities of all levels in the field of SME and entrepreneurship policy. In reality, however, far-reaching initiatives must not be expected to arise from a singular yearly event with a large number of often politically non-aligned participants, although the annual conference could represent an opportune time to gauge interest in and reactions to tentative reforms.

5.2.2.2. Entrepreneurship 2020 Action Plan

As mentioned, the European Commission places SMEs centre stage in the Entrepreneurship 2020 Action Plan as the predominant vehicle to reinvigorate the entrepreneurial society in Europe. To achieve this goal, the Commission stresses in the introductory paragraphs of the Action Plan, there is a need for "bold and co-ordinated action by all administrations at European, national and regional levels"[625]. Vertical coordination on entrepreneurship policy between all relevant levels of governance therefore would appear to feature prominently within the instrument. The operative sections of the Action Plan, however, offer only limited explicit attention to the role of local and regional authorities (LRAs) and the main addressees for calls to action within the plan are the Commission and Member States at the national level with few exceptions.[626]

2020 Monitoring Platform and the European Entrepreneurial Region scheme.

[620] The SME Assembly for the current year will take place in Bratislava on 23 to 25 November 2016.

[621] European Commission, 2011a, p. 18.

[622] For more information on the European SME Assembly, see the official website, at http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-assembly_en.

[623] European Commission, 2011a, p. 18.

[624] Interview with various policy officers of DG GROW, performed on site on 19 September 2016.

[625] Entrepreneurship 2020 Action Plan, p. 5.

[626] E.g. the call inviting Member States under Action Pillar 3 to "better take into account the variety of business models and

The omission of LRAs as proper addressees in the E2020 Plan is at odds with the wider institutional context of EU entrepreneurship policy, where coordination with and involvement of LRAs is habitually stressed as a *conditio sine qua non* for successful implementation of reforms to reignite the entrepreneurial society. Consequently, in its October 2013 opinion on the Plan, the CoR scrutinizes the limited role given to LRAs in implementing the Action Plan, adding that "the regional dimension is mentioned only as part of a horizontal network to support businesses."[627] The Committee expresses its disappointment at the lack of recognition of the indispensable role of LRAs in realising all objectives of the three main pillars of the Action Plan - *i.e.* education and training, provision of transparent administrative practices, creation of a supportive environment for entrepreneurs, and promotion of entrepreneurship – and emphasizes that many important measures and initiatives in these policy areas have already been taken by LRAs in all Member States.[628]

Thus, while little explicit mention of vertical coordination beyond the national level is to be found within the paragraphs of the E2020 Plan, subnational coordination should not be conceived of as an afterthought in the current project. Since most SMEs are nested and operate in local and regional markets, LRAs are the closest level of governance to SMEs and business support providers and are crucial for bringing to bear the objectives of the Action Plan across Europe.[629] LRAs, moreover, play a central role in "providing the organisational and political momentum that frees up synergies of cooperation among regionally-embedded actors such as chambers of commerce or crafts, professional organisations, technology centres, technology parks, business incubators, universities, cluster initiatives or others which are suitable partners in assisting SMEs, nascent entrepreneurs, high-growth start-ups and others in their projects"[630]. Significant impetus could be found to implement proposed reforms on a subnational level through voluntary actions of LRAs in policy areas where relevant competences are more devolved and distributed from the national level and lie, at least in part, with the local or regional administrations of the respective Member States.

In contrast, significant attention to involvement of subnational actors *was* given by the DG Enterprise and Industry in the preparatory public consultation on the E2020 Plan in July 2012. The consultation gathered input from citizens, stakeholders, business support organisations and entrepreneurs on the scope of possible future actions at EU, national and regional level to promote entrepreneurship across Europe. Out of 538 responses, 40% came from predominantly solo and micro-enterprise entrepreneurs, 30% from business support organisations and 30% from a mixed group that included relevant actors such as Chambers of Commerce, employer's associations and LRAs.[631] All 45 tentative measures in the questionnaire were regarded to be important or very important by the majority of respondents, with ten being of particular interest.[632] In light of proposed reforms, conducting similar public consultations from the EU level with due regard for responses by subnational actors can prove beneficial to vertical coordination and ensure uptake and ownership at the local and regional levels by incorporating the bottom-up perspective on EU entrepreneurship policy.

legal statuses in their national or *local* business support schemes, and develop social entrepreneurship education and training" (emphasis added): Entrepreneurship 2020 Action Plan, p. 22.

[627] Opinion of the CoR of 9 October 2013, para. 22.

[628] *Ibid.*, para. 19-21.

[629] *Ibid.*, para. 23.

[630] *Ibid.*, para. 24.

[631] European Commission, 2012g, p. 3.

[632] European Commission, 2012g, p. 28.

Lastly, the conclusions of the E2020 Plan somewhat redeem the lack of regard within its ambit for coordination with subnational levels of governance, albeit indirectly. The Action Plan and its key actions will be followed up by the Commission through the competitiveness and industrial policy and the Small Business Act (SBA) governance mechanisms. On the one hand, Member States are invited to periodically report on their progress on key E2020 actions, though only explicitly at the national level, through their National Reform Programmes within the framework of the European Semester. On the other hand and in keeping with the SBA, a key role is envisioned for the network of national SME Envoys who, together with the EU SME Envoy, shall ensure "that progress is made on the proposed measures".[633] The possibility for EU-regional coordination therefore remains open through the formal and informal channels employed by the national SME Envoys as intermediaries.

[633] Entrepreneurship 2020 Action Plan, 28.

5.2.3. EU entrepreneurship governance in select Member States

This final section attempts to ground the previous findings on vertical subnational coordination in a more practical sense by focusing on three Member States with a highly federalized or regionalized structure: Belgium, Italy, and Germany.

Federal States (i.e. Belgium, Germany) are typified by a central governments and regional authorities, each with their own legislative and administrative competences that are exercised independently and anchored in their constitutions. States that are strongly regionalized (i.e. Italy) are characterised by an intermediate regional level of government wielding a wide array of competences.[634] As a consequence Belgium, Italy and Germany have strongly devolved competences to the regional and local level in a broad range of areas with relevance to FIRES. This makes their respective LRAs an important institutional pillar in the implementation of EU entrepreneurship policies and further underscores the importance of the promulgation of adequate mechanisms for vertical coordination between the EU and these often exclusively authorised subnational interlocutors.

However, an important methodological caveat must be added here. Academic and EU- or international-level public-institutional sources on the particular issue under study have proven scarce, while primary documents relating to the subject under study are mostly drafted in the official languages of the various Member States and/or regions. Moreover, national or regional legislation in Member States – including constitutional provisions on the internal distribution of competences – is only valid in the national language. Even in the rare cases that relevant legislation is translated into English, the translations most often have no legal value. This renders problematic not only our analytical efforts in the following paragraphs, but also the monitoring and assessment of the implementation of the SBA and entrepreneurship policies - by the Commission and its consortium of partners - under the framework of the SME Performance Review itself.[635]

Therefore, these considerations, in combination with the limited scope and timeframe of the current section, only allow the inclusion of a very brief and necessarily superficial selection and overview of noteworthy aspects. Notably, findings and answers from consultations with the National SME Envoys, where successful, infuse the following sections.

5.2.3.1. Belgium[636]

Belgian federalisation was initiated in the 1970s, with Belgium being formally recognized as a federalised State in 1993. Its institutional organisation is complex, comprising three tiers of subnational government: the six federated entities ((i) three regions and three language communities with overlapping territories, along with (ii) the provinces and (iii) the municipalities). To wit, the regional level consists of the following entities, each with their own governmental institutions[637]:

- The three language Communities

[634] ISMERI EUROPA and APPLICA, 2010, p. 79-80 and 81-82.
[635] G. Avigdor, *s.d*.
[636] Unless stated otherwise, all relevant information in the current section was obtained through a semi-structured interview with the Belgian SME Envoy, Mr. Didier Kinet, conducted via e-mail.
[637] ISMERI EUROPA and APPLICA, 2010, p. 194-196.

- The Flemish Community (*Vlaamse Gemeenschap*)
- The French-speaking Community (*Communauté française*)
- The German-speaking Community (*Deutschsprachige Gemeinschaft*)

- The three Regions
  - The Flemish Region (*Vlaams Gewest; Vlaanderen*)
  - The Walloon Region (*Région Wallone; Wallonie*)
  - The Brussels-Capital Region (*Région de Bruxelles-Capitale; Brussels Hoofdstedelijk Gewest*)

Further levels of governance, with their own spheres of competence, exist in the form of ten provinces (provinces; provincies), five in each region, and a total of 589 municipalities that form the local government tier closest to citizens.

Competences are mostly attributed between the regional and federal levels on an exclusive basis; the federal level cannot intervene in matters where the regions have exclusive competence and has itself only specifically assigned competences. All other competences lie expressly in the court of the regions and communities. As a result, the division of competences and the matter of coordination between different levels of government is a highly complex matter. Generally and for the purpose of FIRES, the Communities are competent in the field of education and, thus, for the spirit of enterprise in educational institutions. On the other hand, the Regions, as far as their own economic policy is concerned, have to remain within the general framework of the federal-level policy in the field of economy and, importantly, the federal budget. However, since the 6th State reform of 2012-2014, the competences of the three Regions regarding the economy have been enlarged considerably, making them competent for:

- general economic policy;
- aid to businesses and, *inter alia*, aid for enterprise creation, employment, financing, consultancy, innovation, training, investment and export;
- requirements for the establishment of businesses or professions, with the exception of access to health care professions and professions in the field of intellectual services (e.g. lawyers, notaries, architects);
- rules regarding commercial leases; and
- tourism.

To be sure, the Regions hold the core competences in the field of entrepreneurial policy and are directly involved in the implementation of policies and measures to promote entrepreneurship, while paying particular attention to their discrete regional priorities.

In order to coordinate between these different governance levels, Belgium has set up a variety of different high-level consultative and coordination bodies. *Inter alia*, the 'Inter-ministerial Economic Commission' is a network of approximately 1700 officials from different administrative authorities that gather for up to 80 times during the year in various subcommittees that vary in composition depending on the issues to be dealt with.[638] Meanwhile, the 'Directorate-General for Coordination and European Affairs' (DGE) has as its mission "to coordinate the position of Belgium so that it can speak with one voice on the European scene. This coordination effort is prepared by DGE which calls

[638] In the field of science, for example, the Committee for International Cooperation (CIS) and the Committee for Federal Cooperation (CFS), two permanent Committees of the Inter-ministerial Conference on Scientific Policy (CIMPS) consisting of senior officials representing federal, regional and community authorities, are in charge of consultation at the administrative level on scientific issues of interest for the federal authorities and the federated entities at the international and national level, respectively.

regular meetings with different partners depending on whether a given case at European level concerns a federal competence and/or a competence of the federated entities. DGE holds the Presidency and provides the secretariat for these coordination meetings. The aim is to determine the Belgian position from a general point of view as well as for each point on the agenda of the sessions of the Council of the European Union and the European Council."[639] Equally important, is the existence of a framework agreement between the Regions, the Communities and the federal State with regard to the representation of the Kingdom of Belgium at the level of international organisations in the pursuit of activities that resort under the system of shared competences.

Complementing these coordinative bodies, within the Federal Public Service for Economy, are internal networks for cooperation with the other Directorate-Generals of the Service as well as external networks for coordination with other Federal Public Services. Finally, consultations on specific topics are organised with national stakeholders such as, e.g., chambers of commerce or associations of entrepreneurs.

With respect to the SBA governance structure, Belgium's SME Envoy is Mr Didier Kinet, the Director-General of the Directorate-General for SME Policy within the Federal Public Service for Economy. The Envoy ensures the proper monitoring of the implementation of the SBA in Belgium. In his capacity as the DG for SME policy, he also "helps to develop the SME plan of the Minister in charge, notably, taking into account the EU priorities in this process"[640] and can therefore sometimes add a certain amount of leverage in the implementation of EU entrepreneurship policies, by virtue of his position.

In turn, the executives of the three Regions have appointed regional "SME representatives" within their own administrations:

- for the Brussels-Capital Region: Mr Rochtus, Director and Head of Unit Economy and Employment of the Regional Public Service of Brussels (SPRB);
- for the Flemish Region: Mr De Potter, General Administrator of the "Agentschap Innoveren & Ondernemen" (Agency for Innovation and Enterprise) (VLAIO);
- for the Walloon Region: Mr Collet, General Inspector at the Directorate-General for Economy of the Public Service of Wallonia (SPW).

It must be remembered that the National SME Envoy is the only player that is recognized by the European Commission and, thus, the only one to take part in the meetings of the SME Envoy Network. However, owing to the far-reaching federalised nature of the Belgian State and the need in this context for the Belgian SME Envoy to fully fulfil the role of a coordinator and mediator between the competent Regions and the Commission in all loyalty, a structure has been put in place for administrative consultation, technical coordination and dialogue. Concretely, consultative sessions take place before each meeting of the EU Network of SME Envoys. These allow the National Envoy to involve the three designated regional counterparts in the Network's discussions, albeit indirectly. Next, the federal Envoy communicates the relevant positions and the implementation of federal and regional policies to the Commission. In the other direction, the Envoy informs the federal Minister in charge and the Regions, through their 'SME representatives', about best practices developed and implemented by EU Member States.

To be sure, the latest SBA Fact Sheet on Belgium validates these coordination mechanisms, by stating that "the SME envoys in Belgium are in place at federal and regional level. They play an effective role in promoting the SBA principles and facilitating dialogue between SME stakeholders

[639] Interview with Belgian SME Envoy, Mr. Didier Kinet, conducted via e-mail.
[640] Interview with Belgian SME Envoy, Mr. Didier Kinet, conducted via e-mail.

and the governments."[641] Specifically, in the context of implementing the SBA, "Belgium has a SBA profile that is well in line with the EU average. Its strengths lie clearly with skills & innovation where it ranks fourth in the EU and 'second chance'. Performance on the single market has improved since last year and now ranks within the EU top 10. State aid & public procurement and 'responsive administration', however, score below average and have room for improvement. The least performing area of the SBA profile is entrepreneurship. Although the official statistics show a moderate increase in the number of start-ups, there is room to improve the enabling environment for entrepreneurship."[642]

5.2.3.2. Germany

The roots of German federalism can be traced back to the middle ages. In more recent times, federalisation has encompassed the inclusion of several new 'federal States' (*Länder*) following the 1990 unification, as well as an amendment of the German Constitution in 2002 pertaining to further distribution of competences between the Federal Government and the *Länder*. At the lowest tier of governance and closest to the citizens are the municipalities (i.e. towns and cities).[643] As such, the German Republic, in addition to the Federal German Government, comprises sixteen *Länder* at the subnational level, which can be said to be highly autonomous federated states, each with far-reaching competences and their own independent, fully institutionalised and politically diverse governments:

- Baden-Württemberg
- Bavaria (*Freistaat Bayern*)
- Berlin
- Brandenburg
- Bremen (*Freie Hansestadt Bremen*)
- Hamburg (*Freie und Hansestadt Hamburg*)
- Hesse (*Hessen*)
- Lower Saxony (*Niedersachsen*)
- Mecklenburg-Vorpommern
- North Rhine-Westphalia (*Nordrhein-Westfalen*)
- Rhineland-Palatinate (*Rheinland-Pfalz*)
- Saarland
- Saxony (*Freistaat Sachsen*)
- Saxony-Anhalt (*Sachsen-Anhalt*)
- Schleswig-Holstein
- Thuringia (*Freistaat Thüringen*)

With regard to governance and tentative reforms under FIRES, entrepreneurship policy is implemented at several levels of government. The Federal Government sets a general framework for policy-making at the federal level. Meanwhile, the *Länder* carry responsibility for substantiating the federal strategy and policy framework through clear policy goals and instruments that correspond to the differentiated socio-economic and cultural conditions of their individual territories. To be sure, this model of cooperative federalism is characterised by a functional division of powers across different levels of government. The obligation on the *Länder* to implement federal policies is compensated for by their strong participation in the top-level federal decision-making.[644] However,

[641] 2015 SBA Fact Sheet on Belgium, p. 4.
[642] 2015 SBA Fact Sheet on Belgium, p. 1.
[643] ISMERI EUROPA and APPLICA, 2010, p. 80-81.
[644] T.A. Börzel, 2005, p. 249.

both the federal and *Länder* levels each have full competences for and are independent in the drafting of their policies in various salient fields such as, *inter alia*, innovation, education or entrepreneurship. In practice, it is predominantly the respective Ministries of Economics, Labour and Education that carry the task of entrepreneurship policy-making and commensurate application. Notably, the *Länder* have responded favourably to a general shift towards the implementation of entrepreneurship policy as a main driver for economic development and have effected diverse regional strategies and policies accordingly. [645] Municipalities, for their part, are involved with the management of primary schools and social security, while also possessing optional competences with regard to, *inter alia*, aid for local businesses, local and transportation infrastructure and management of energy plants.[646] Within the complicated German governance system, however, competences are often not self-contained and divisions between the myriad administrative levels are therefore often unclear.[647]

The German SME Envoy is Dr. Sabine Hepperle, Director-General of the Directorate-General VII on SME Policy of the German Federal Ministry for Economic Affairs and Energy.[648] Mindful of the fact that EU SME and entrepreneurship policies are 'soft' and therefore do not imply any legally binding measures, the *Länder* or, where authorised, the municipalities are not legally compelled to implement initiatives in these fields. Instead, the German SME Envoy organises an 'SME network' within the public administration, consisting of the SME contact points from other relevant Ministries on the federal level as well as on the level of the *Länder*. The overarching goal of the network is to increase awareness among the different governance tiers on issues related to SME policy, including information and communications obtained from the EU-level (e.g. the Network of SME Envoys). In this case, the National SME Envoy, through the German SME network, also communicates and attempts to support the dissemination and implementation of initiatives in the area of SMEs or of identified good practices from other EU Member States.

In practice, these consultative and dissemination tasks for the most part fall upon the responsible units within in the Federal Ministry for Economic Affairs and Energy. The units contact and inform the respective regional points of contact within the Ministries of the *Länder* and lobby their authorities for considering the implementation of, *inter alia*, EU-level initiatives. Similar efforts to spread initiatives on SMEs and entrepreneurship are also undertaken in more formalized and well-established functional administrative networks, such as the 'Bund-Länder-Ausschuss'. The latter offers a forum for officials from the federal and regional levels to meet on a regular basis and to inform each other on actual developments on the ground.

These findings from the consultation with the office of the German SME Envoy are reflected and elaborated upon in the most recent SBA Fact Sheet on Germany: "Germany has an SME envoy, based in the Federal Ministry for Economic Affairs and Energy. The envoy is especially active in the transfer of knowledge and best practice examples, both nationally and among Member States. The largest SME associations have direct contact with the SME envoy. Almost all responsible departments have their own specialised contacts with stakeholders."[649] Lastly and more generally, Germany has a very competitive profile in SME performance and can be said to be a success story in fostering SME activity. At the same time, however, some indicators might be pointing towards a potential downturn. Notably, "in five SBA areas, it surpasses the EU average. However, there are two areas of some concern. In 'responsive administration', Germany trails the EU average, partly because

[645] H.M. Grimm, 2011, p. 1537.
[646] ISMERI EUROPA and APPLICA, 2010, p. 81.
[647] *Ibid*.
[648] The relevant information on the internal matters of the SME Envoy in the following paragraphs was obtained through a semi-structured interview, conducted via e-mail, with the German SME Envoy, Dr. Sabine Hepperle.
[649] 2015 SBA Fact Sheet on Germany, p. 4.

improvements in the regulatory environment in the EU overall happened at a faster rate than those in Germany. As regards entrepreneurship, Germany's performance is still in line with the EU average, but there is evidence that the start-up dynamics are fading. Skills & innovation is also an area to watch. The country is still among the EU's top performers, but some innovation indicators suggest a gradual erosion of its competitive advantage."[650]

5.2.3.3. Italy

The historical path towards regionalisation in Italy is beset with two milestone reforms in 1997 and 2001. The latter took the form of a comprehensive Constitutional reform that established (i.e. art. 117) a system of concurrent – shared - competences between the Central Government and the Regions in all areas with relevance to economic development including, *inter alia*, the business environment, infrastructure or human resources, as well as areas such as scientific and technological research, innovation, and regional credit institutions. In 2009, Italy took a further step towards increased decentralisation, with the introduction of fiscal federalism.[651]

In total, the complex administrative and governance constellation of Italy is made up of twenty regions - including five Regions that are granted additional exclusive and autonomous competences by the Constitution on cultural and linguistic grounds:

- Abruzzo (*Abruzzo*)
- Aosta Valley (*Valle d'Aosta*) (autonomous)
- Apulia (*Puglia*)
- Basilicata (*Basilicata*)
- Calabria (*Calabria*)
- Campania (*Campania*)
- Emilia-Romagna (*Emilia-Romagna*)
- Friuli-Venezia Giulia (*Friuli-Venezia Giulia*) (autonomous)
- Lazio (*Lazio*)
- Liguria (*Liguria*)
- Lombardy (*Lombardia*)
- Marche (*Marche*)
- Molise (*Molise*)
- Piedmont (*Piemonte*)
- Sardinia (*Sardegna*) (autonomous)
- Sicily (*Sicilia*) (autonomous)
- Trentino-South Tyrol (*Trentino-Alto Adige*) (autonomous)
- Tuscany (*Toscana*)
- Umbria (*Umbria*)
- Veneto (*Veneto*)

Given the shared responsibilities and concurrent authority across many different levels of government - including in the area of economic development – and given the inevitably resultant, at least partial overlapping and fragmentation of public support services, e.g. to SMEs, there is a need to synergise arrangements over multiple tiers of governance.[652] Correspondingly, internal policy coordination is an important aspect of entrepreneurship and SME policy in Italy. With this in mind, the 'State-Region Conference' ('Conferenza Stato-Regioni') is one of the primary bodies for policy

[650] 2015 SBA Fact Sheet on Germany, p. 1.
[651] OECD, 2014, p. 34.
[652] J. Potter, A. Proto and M. Marchese, 2012, p. 32.

coordination, offering a forum for the Regions to express their opinions on legislative and administrative action by the national government that is relevant to them. In addition, the Conference constitutes a platform for coordinating on priorities under the various ESI Fund regional development programmes. This mechanism has proven valuable in the setting-up of operational programmes in a coherent and consistent manner, nevertheless ensuring that they are adequately fine-tuned to the different developmental needs of the diverse Regions.[653]

Moreover, the national government enacted the 'Statute of Enterprises' in 2011, which sets out a number of country-wide, pan-Regional priorities to be pursued in Italian SME and entrepreneurship policies. The Statute is directed towards the implementation of the ten SBA principles within a specific Italian context and has put forward a number of main objectives (e.g. transparent public administration, innovation, access to finance).[654] In turn, the Statute is reinforced by the promulgation of an 'Annual Law for the Micro and SME Sector' that sets out specific policy objectives and areas for intervention for a given year.

Under the framework of the SBA, Italy has also appointed a National SME Envoy: Mr Stefano Firpo, Director-General of the 'Direzione Generale per la Politica Industriale, la Competitività e le Piccolo e Medie Imprese' (Directorate-General for Industrial Policy, Competitiveness and SMEs) of the 'Ministero dello Sviluppo Economico' (Ministry of Economic Development). The Italian SME Envoy monitors the implementation of the SBA, assesses the impact of new regulations on SMEs, regularly consults with important stakeholders such as chambers of commerce and business associations, and recommends specific policy measures in light of national and regional needs. In particular, gathering policy intelligence through close relationships with a diverse group of stakeholders on the ground allows for the Envoy to contribute to the design of more effective policies.[655] Concurrently, the Envoy also sits at the centre of an Italian network that unites the different SME Envoys from each of the Regions. Regular deliberations and contacts through the network allow for additional coordination between national and regional actions, for preparation of EU-level Envoy meetings, as well as for an effective information-gathering mechanism to further support policy development.[656]

By all means, Italy has taken steps towards progress since the inception of the SBA, but nevertheless "in seven out of nine SBA areas, Italy performs below the EU average. Only in the areas of skills & innovation and internationalisation its performance is in line with the average. Since the beginning of the SBA in 2008, Italy has consistently improved results in the areas of 'responsive administration', skills & innovation, and particularly in single market. All other areas have remained more or less stable. The most critical areas remain access to finance and state aid & public procurement."[657]

[653] OECD, 2014, p. 34.
[654] *Ibid*., 2014, p. 15 and 25.
[655] 2015 SBA Fact Sheet on Italy, p. 4.
[656] OECD, 2014, p. 15 and 26.
[657] 2015 SBA Fact Sheet on Italy, p. 1.

6. Conclusion

At EU level, the multiple dimensions of a comprehensive entrepreneurship policy have only recently been identified and addressed as a separate policy through the development of a comprehensive 2013 Action Plan, which sets out the initiatives to be undertaken by the European Commission for the period until 2020. This explicit recognition of entrepreneurship as a distinct policy area is mirrored in its inclusion as one of the four key areas of the Directorate-General for Internal Market, Industry, SMEs and Entrepreneurship, recently created through the merger of two related Commission departments.

Though spanning many different areas and objectives, the work programme of DG GROW reveals a close connection between the development of the EU's entrepreneurship policy and an industry policy where the concept of small and medium-sized enterprises is taken as the central point of departure for most current initiatives on entrepreneurship originating with EU institutions. The resulting focus of the EU is on the industrial policy goal of increasing the European industry's competitiveness by encouraging an environment favourable to initiative and to the development of undertakings throughout the EU, in particular of SMEs.

This general objective has been the focus of EU initiatives and actions since the Small Business Act of 2008 and other SME-based policy instruments going back as far as two decades. Though the current entrepreneurship policy of the EU has been expanded with a redirected emphasis on entrepreneurial skills in education, training and lifelong learning policies, this policy area has met with relatively scarce follow-up so far through consolidated action. Though subsumed by the overall coordinative task of DG GROW via integration with an overarching entrepreneurship policy, this knowledge prong must dovetail with the policy objectives of a string of different Commission departments, including the leading DG Education and Culture.

FIRES has recognised the reform of labour institutions as a crucial component of an effective reform agenda for an entrepreneurial society. The key actor in this respect is the DG for Employment, Social Affairs and Inclusion, whose diverse set of roles in promoting the participation of large shares of the European population may require closer institutional ties with DG GROW in order to make more pronounced the entrepreneurial potential of employment initiatives. Though covered by a shared competence, the EU's role in employment is largely limited to coordinating the initiatives of the Member States in this area.

Finally, although internal market competence gives broad policy room to the EU, it is apparent that the full potential of this power has not been used for reforming the EU's approach to entrepreneurship, for (1) the policy framing of entrepreneurship matters, even in its most recent form, does not give a pronounced place to crucial initiatives in terms of capital markets union and banking union; and (2) recent legislative acts for the realisation of the EU's entrepreneurship objectives only exceptionally rely on legal bases related to the internal market.

If it thus appears that financial, knowledge and employment institutions are so far imperfectly integrated in the current EU approach to entrepreneurship, the wide variety of policy areas and corresponding DGs whose aims and tasks contribute to a broad promotion of the entrepreneurial society reveal a broad array of initiatives already undertaken by the EU, eclipsing the targeted focus of the FIRES project.

The broad distribution of initiatives at EU level reflects in an equally broad selection of legal bases and correlating competences that determine the vertical cooperation and coordination between the EU institutions and the Union's Member States, as well as the latter's local and regional authorities.

One of greatest challenges has demonstrated to be an improved follow-up on recommendations to Member States and an increased, structural involvement of LRAs in the multi-level process of entrepreneurship governance. This results from the supporting nature of competences of the EU in the key areas of its current entrepreneurship policy, namely industrial policy, education and learning, which necessarily calls for a bottom-up driven approach.

Annex. International – European coherence in entrepreneurship matters: policy space for the EU and its obligations under the WTO

A.I. Introduction

The European Union actively seeks to reignite the entrepreneurial spirit in Europe, partially through its “Entrepreneurship 2020 Action Plan”. One of the aims of the action plan is to increase the number of entrepreneurs that operate in the EU. The action plan focuses on Small and Medium-Sized Enterprises as they have not yet been able to bounce back from the economic crisis that started in 2008. In the action plan it is noted that “support measures for SMEs remain unbalanced”.

The support measures that are identified include, inter alia, the improvement of the analysis and monitoring of sectorial and cross-sectorial competitiveness issues, the identification and dissemination of good practices and policy approaches, and their further development, and the evaluation of legislation affecting enterprises, particularly SMEs, industrial policy and competitiveness-related measures. Although subsidies are not mentioned explicitly in the action plan, it is not unrealistic to expect that industrial policy includes the subsidization of certain industries, regions or sectors. Where subsidies are granted, they have to be in conformity with certain rules that are part of the law of the World Trade Organization (WTO).

The World Trade Organization (WTO) administers its constitutive treaty, the Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement).[658] The administration of this multilateral agreement is organized in the form of a single undertaking, whereby all annexes to the WTO Agreement are treated as an integral part of that treaty. One of these annexes is the Agreement on Subsidies and Countervailing Measures (SCM Agreement).[659] As a Member of the WTO, the EU is bound to adhere to the obligations that are imposed by virtue of the WTO Agreement, including the SCM Agreement.[660] It is therefore warranted to assess to what extent the obligations contained in that agreement impose constraints upon the EU when it actively seeks to promote entrepreneurship within the Union.

A.II. Constraints imposed by the SCM Agreement

The object and purpose of the WTO’s SCM Agreement has been discussed in several disputes that have been brought before the organization’s Dispute Settlement Body (DSB). Panels and the Appellate Body have been called upon on several occasions to express their views on what the agreements sets out to achieve. The Panel in *Brazil – Aircraft* for example considered that “the object and purpose of the SCM Agreement is to impose multilateral disciplines on subsidies which distort international trade”.[661] Further, the Appellate Body expressed itself on the object and purpose of the agreement in *US – Softwood Lumber IV*. There it stated that the object and purpose of the SCM Agreement “is to strengthen and improve GATT disciplines relating to the use of both subsidies and

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[658] Agreement Establishing the World Trade Organization of 15 April 1994, 1867 *U.N.T.S.* 154; entered into force 1 January 1995 (hereinafter ‘WTO Agreement’)
[659] Agreement on Subsidies and Countervailing Measures, 1869 *U.N.T.S.* 14, entered into force 1 January 1995 (hereinafter ‘SCM Agreement’).
[660] https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm.
[661] Panel Report, *Brazil — Aircraft*, para. 7.26.

countervailing measures, while, recognizing at the same time, the right of Members to impose such measures under certain conditions".[662] WTO Members are thus free to adopt subsidy programmes, albeit subject to the conditions outlined in the SCM Agreement. Further, the SCM Agreement allows WTO Members to countervail the injurious effects of other Members subsidy programmes, again, subject to the conditions outlined in the SCM Agreement.

1. What is a subsidy?

Article 1 of the SCM Agreement stipulates what types of measures constitute subsidies for the purpose of that agreement. It provides that:

"1.1 For the purpose of this Agreement, a subsidy shall be deemed to exist if:

(a)(1) there is a financial contribution by a government or any public body within the territory of a Member (referred to in this Agreement as "government"), i.e. where:
(i) a government practice involves a direct transfer of funds (e.g. grants, loans, and equity infusion), potential direct transfers of funds or liabilities (e.g. loan guarantees);
(ii) government revenue that is otherwise due is foregone or not collected (e.g. fiscal incentives such as tax credits);
(iii) a government provides goods or services other than general infrastructure, or purchases goods;
(iv) a government makes payments to a funding mechanism, or entrusts or directs a private body to carry out one or more of the type of functions illustrated in (i) to (iii) above which would normally be vested in the government and the practice, in no real sense, differs from practices normally followed by governments;

or

(a)(2) there is any form of income or price support in the sense of Article XVI of GATT 1994; and
(b) a benefit is thereby conferred.

1.2 A subsidy as defined in paragraph 1 shall be subject to the provisions of Part II or shall be subject to the provisions of Part III or V only if such a subsidy is specific in accordance with the provisions of Article 2."

The first question that has to be answered in order to establish whether the WTO's SCM Agreement imposes constraints upon the EU's Entrepreneurship 2020 Action Plan is whether the implementation of that action plan involves the provision of a subsidy in the sense of Article 1.1(a) SCM Agreement. Without knowing the exact details of the action plan, and considering that explicit language on this issue is not present, it is difficult to make an assessment of the applicability of the SCM Agreement. Nevertheless, to the extent that one or more implementation measures of the action plan would involve the provision of subsidies, and would therefore fall within the scope of Article 1.1(a), it is warranted to assess what other disciplines in the SCM Agreement are relevant. In order to be considered a subsidy for the purpose of the SCM Agreement, a measure falling under Article 1.1(a) SCM Agreement also has to confer a benefit to the recipient, by virtue of Article 1.1(b) SCM Agreement. Moreover, the disciplines in the SCM Agreement only apply to the extent that such a subsidy is specific, by virtue of Article 1.2 of the SCM Agreement.

[662] Appellate Body Report, *US — Softwood Lumber IV*, para. 64.

1.1. Benefit

The term benefit has not been defined in the SCM Agreement. Consequently, WTO panels and the Appellate Body have been called upon to develop their own interpretation of the term. Generally, after twenty years of WTO case law, it is now accepted that a financial contribution confers a benefit within the meaning of Article 1.1(b) of the SCM Agreement if the terms of the financial contribution are more favourable than the terms available to the recipient in the market.[663] Consequently, as noted by the Appellate Body in *Canada – Aircraft*, whenever a financial contribution, "makes the recipient "better off" than it would otherwise have been, absent that contribution", a benefit will be considered to have been conferred.[664]

1.2. Specificity

A subsidy will be deemed "specific" as required by Article 1.2 of the SCM Agreement to the extent that it falls within any of the categories outlined by Article 2 of that agreement. There are four types of "specificity" within the meaning of the SCM Agreement:

- Enterprise-specificity. A government targets a particular company or companies for subsidization;
- Industry-specificity. A government targets a particular sector or sectors for subsidization.
- Regional specificity. A government targets producers in specified parts of its territory for subsidization.
- Prohibited subsidies. A government targets export goods or goods using domestic inputs for subsidization.

Again, it is difficult to establish in the abstract whether any of the measures considered to be part of the EU's action plan will be considered to be specific in the sense of Articles 1.2 and 2 of the SCM Agreement. Nevertheless, it is warranted to assess the constraints the disciplines contained in the SCM Agreement would impose should such a measure be found to constitute a subsidy for the purpose of the SCM Agreement.

2. Prohibited subsidies

Article 3 of the SCM Agreement provides that "[e]xcept as provided in the Agreement on Agriculture, the following subsidies […] shall be prohibited: (a) subsidies contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance, including those illustrated in Annex I; (b) subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods. WTO Members may thus not create an incentive to export production in their subsidy programme. Considering the objective of the EU's action plan, the promotion of entrepreneurship, it appears unlikely that the main focus of the programme will be to stimulate new, emerging entrepreneurs, to export their production. Rather, the focus on strengthening entrepreneurship appears to be indicate a desire to foster innovation and stimulate individuals to become engaged in business. There are no indications that the objective of promoting entrepreneurship would be coupled with a desire to export the goods produced by that particular entrepreneur. Moreover, considering that more than 70% of the EU's GDP consists of services, it

[663] Panel Report, *US — Large Civil Aircraft (2nd complaint)*, para. 7.475.
[664] Appellate Body Report, *Canada — Aircraft*, paras. 157 and 158.

would appear likely to assume that new entrepreneurs would be stimulated to become engaged in services industries such as IT and other types of tech activities.[665]It therefore seems warranted to conclude that it is unlikely that a potential subsidy scheme by the EU would run afoul of Article 3 of the SCM Agreement.

3. Actionable subsidies

Generally, most types of subsidies will fall within the category of actionable subsidies. Without knowing the exact details of any specific subsidy measures that might be part of the EU's action plan, it is logical to conclude that these measures will likely constitute actionable subsidies within the sense of Part III of the SCM Agreement. Although they are not prohibited, these types of subsidies are open to be challenged by other WTO Members. WTO Members may do so through multilateral dispute settlement, or, more common, through adopting countervailing measures. Such challenges may, according to Article 5 of the SCM Agreement, only be brought whenever subsidies cause adverse effects. Article 5 stipulates that "[n]o Member should cause […] adverse effects to the interests of other Members." It contemplates that adverse effects can arise because of:

(a) injury to the domestic industry of another Member
(b) nullification or impairment of benefits accruing directly or indirectly to other Members under GATT 1994 in particular the benefits of concessions bound under Article II of GATT 1994
(c) serious prejudice to the interests of another Member

When a Member considers that a subsidy scheme adopted by another Member causes adverse effects it may decide to adopt countervailing duties. Countervailing duties are defined in the SCM Agreement as special duties "levied for the purpose of offsetting any subsidy bestowed directly or indirectly upon the manufacture, production or export of any merchandise, as provided for in paragraph 3 of Article VI of GATT 1994.[666] They thus act as an increase of the applicable import tariff on the goods in question. This makes the imported product less competitive on the export market and thus "offsets" the injurious effects of the subsidy. The subsequent paragraph assesses the likelihood of the adoption of countervailing duties by other WTO Members in response to subsidy schemes that might be part of the EU's action plan.

A.III. Assessment of the likelihood of a WTO complaint or the adoption of countervailing duties

111 complaints involving an alleged violation of the SCM Agreement have arisen since the WTO's inception in 1995. This means that in approximately 20% of all WTO disputes an alleged subsidy is challenged by a WTO Member. For the purpose of this research it is important to point out that in most of these instances there was a clearly identifiable industry, sector or region to which the subsidies were granted. This also implies that the injurious effects that were felt by the domestic industries of the WTO Members to which the goods produced by the subsidized industries were exported to had a very clear incentive to ask their governments / investigating authorities to start a countervailing duty investigation.

[665] https://ec.europa.eu/growth/single-market/services/index_en.htm.
[666] Footnote 36 to the SCM Agreement.

Such investigations are initiated with the ultimate aim of offsetting the injury that is caused to the domestic industry by virtue of the subsidization. Importantly therefore, there has to be a certain financial interest at stake. Where the EU seeks to stimulate citizens to become entrepreneurial, it is likely that the financial incentive that is created will be relatively small. Moreover, it is unlikely that such a start-up company or SME will immediately will be competing at the global stage and will be exporting its production. Consequently, it is highly unlikely that there will be a practical incentive for a WTO Member to challenge a small-scale subsidy-scheme adopted by the EU before the WTO in Geneva. Nevertheless, such questions are, as always, difficult to address in the abstract without having a concrete measure available. However, it is safe to say that the likelihood of a WTO complaint appears to be relatively small.

A.IV. Conclusion

Considering the nature of the WTO as a trade promoting international organization it is unsurprising to find that there are few constraints imposed upon its Members when and where they seek to stimulate entrepreneurship. Rather, recent efforts in the WTO, such as the conclusion of the Trade Facilitation Agreement, point towards increased attention to enabling initiatives that seek to integrate entrepreneurs from – especially – developing country Members, into global value chains.[667] These efforts are aimed at reducing the negative effects of customs procedures such as origin declarations and valuation.

The WTO, through its SCM Agreement, only prohibits a very limited amount of subsidies. Only where subsidies are contingent upon export performance or upon the use of domestic over imported goods are they explicitly prohibited by Article 3 of that agreement. Consequently, as long as subsidies that are aimed to promote entrepreneurship are not made contingent upon the use of domestic instead of imported goods, and are also not made contingent upon export performance, they will not be prohibited by the WTO.

However, as has been explained in detail in the preceding paragraphs, this does not mean that the injurious effects that certain subsidies have on the domestic industry of a WTO Member cannot be offset through the use of countervailing duties. Such actionable subsidies are difficult to assess in the abstract, but again, it is unlikely that the SCM Agreement imposes serious constraints on the EU when it actively seeks to promote entrepreneurship through the use of certain subsidies.

Finally, considering the relatively limited impact of these potential subsidy-schemes it is unlikely that, in practice, a WTO Member would challenge them before the WTO. In most WTO disputes, there is a clearly identifiable financial interest or company that is the driving force behind the complaint – which ultimately has to be brought by the government of a WTO Member. Considering that WTO disputes are costly in terms of legal advice, it is extremely unlikely that a government would be willing to challenge a small-scale subsidy scheme before the WTO.

[667] See most recently WTO, 'World Trade Report 2016 – Levelling the trading field for SMEs', 27 September 2016, at https://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf. The report concludes that reduced trade barriers, improved transportation links, information technology and the emergence of global value chains are crucial factors for increasing the potential of SMEs to become successful global traders.

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Annex 1:

Stakeholder Consultation Workshop Report

Place, Date and Time

DG GROW, Avenue D'Audenbergh 49, Brussels
Tuesday 6 October 2015
15h30-17h00

Stakeholders

European Commission (DG GROW): (1) Francisco Caballero-Sanz (Head of Unit A2 – European Semester and Member State Competitiveness); (2) Lauro Panella; (3) Frank Siebern

FIRES: (1) Mark Sanders; (2) Philip De Man

Format

Presentation of FIRES project by Mr Sanders, with additional information on WP6 goals briefly presented by Mr De Man (30 min). Followed by discussion with Commission officials (1 hr).

Main Question(s) put to the Stakeholder(s)

Stakholder consultation was intended to identify key hurdles for reforming institutional and financial infrastructure of EU entrepreneurship policy from point of view of policy stakeholders. Commission officials were asked to comment on aims of FIRES project and put leaders of WP 6 in touch with other contact persons in Commission for mapping exercise in task 6.1.

Executive summary

Mr Caballero-Sanz expressed skepticism as to the possibility of finding a recipe for increasing entrepreneurship in Europe as a whole, considering the complexity of the issues involved. He noted that the Commission has undertaken several attempts to revive the economy since the mid-1990s, basically whenever it was considered fashionable, and that the results are what they are. The official advised to look at the Commission guidelines to coordinate economic policies of EU Member States from the early 1990s onward, looking in particular at the annual recommendations formulated by DG ECFIN.

Mr Caballero-Sanz countered several of the comments made by Mr Sanders when arguing that the EU is not doing enough to take into consideration the impact on entrepreneurs when designing policies (banking union, capital market reform, IPR, etc.). Rather, Mr Caballero-Sanz defended the hands-off approach taken by the EU, guided by considerations of neutrality, as being necessary to allow the regional differences in Europe to take effect. Even if you can find the right elements for reforming the entrepreneurial society, it is borderline impossible to implement them using a top-down approach. Rather, one should start from the bottom, from the regional level. There is already way too much legislation being produced at the European level, and its implementation takes too long.

Actions that have been undertaken by the Commission in reforming aspects of its entrepreneurship policy were more often than not informed by the fact that the EU simply has the power to act in this field rather than the conviction that it should act in a certain way. When asked by Mr De Man whether this is either the result of or the reason for the limited competences of the EU in terms of entrepreneurship policy, Mr Caballero-Sanz merely noted that the Commission is really just running a giant economic and social experiment, and is still learning.

Mr Panella added that the issue is not necessarily that there are not enough entrepreneurs in Europe, but that there is a high rate of turnover for which it is difficult to find a clear explanation and that requires a close follow-up during the first months of a business lifecycle. In any case, red tape is not the issue: what makes entrepreneurship work is a set of intangible qualities.

Follow Up

The consultation reaped useful insights into how the DG responsible for SMEs and entrepreneurship perceives the role of the European Union vis-à-vis the regional level and confirms the local focus adopted by the FIRES project. The stakeholders referred to DG REGIO and existing regional associations as good starting points for building a bottom-up approach to entrepreneurship reforms in Europe and these should be pursued by the partners involved in WP 6. For this purpose, Mr Siebern would put the WP 6 leaders in touch with relevant contacts at DG REGIO. Other useful contacts would be forwarded as well. Finally, the stakeholders suggested we reconvene halfway through the project’s runtime in the format of a seminar involving all relevant DGs to get a more complete picture of the approach toward reforming the entrepreneurship policy of the EU and touch base on the proposals being put forward.