



REPORT OF THE BUSINESS  
ENVIRONMENT SIMPLIFICATION  
TASK FORCE

**BEST**

Volume I

REPORT OF THE BUSINESS ENVIRONMENT  
SIMPLIFICATION TASK FORCE

BEST

Volume I

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities, 1998

ISBN 92-828-3418-2

© European Communities, 1998

Reproduction is authorised provided the source is acknowledged.

*Printed in Germany*

PRINTED ON WHITE CHLORINE-FREE PAPER

## Letter from the Chairman



30 April 1998

Mr Christos Papoutsis  
Member of the European Commission  
Brussels

Dear Christos,

I am delighted to submit to you the final report of the business environment simplification task force (BEST). As you know we have worked hard to cover all of the key issues affecting European SMEs, and to formulate our realistic recommendations into a coherent and concise report. With the excellent support from Lorimer Mackenzie and his team at DG XXIII we have been able to keep to the very demanding timetable set for us by yourself last September. We have been ruthless in our selection and prioritisation of key actions as we have had to examine over 200 issues relevant to SMEs today, and it has not been easy to distil these down to the 19 areas outlined in this report. But we have, I believe, done our job well and captured the essence of the major problems facing all European SMEs today. If all of the BEST recommendations are implemented over the next two years then we will see a substantial improvement in the creation and survival of SMEs, in employment and in the competitiveness of small European businesses.

Over the next twenty-five years almost every nation on earth will experience the most remarkable changes in every aspect of

social, domestic, environmental, medical and business life. There will be new products, new services, new attitudes, and new opportunities for everyone. In Europe there is going to be a fantastic era of entrepreneurship and new enterprise with the possibility of vast job and wealth creation and improvement in the quality of life for Europeans. I know that the European Commission and the Member States are keen to catalyse the evolution of a true enterprise culture in Europe and I believe that BEST recommendations offer an excellent framework on which to build the future success of SMEs in Europe. We hope that you continue to champion the BEST initiative through to its complete implementation by Member States as well as the European Commission. I gather that the Austrian Presidency is enthusiastic about supporting the BEST recommendations for action.

Finally, I would like to extend my personal thanks and appreciation to all my fellow members of the BEST task force who gave up so much of their valuable time and energy to ensure we achieved our goals on time in such a quality way. I am greatly indebted to all of their contributions and I shall miss our dialogue and association now that our work has finished. Thank you for asking me to chair BEST. I have enjoyed it and hope that you are as impressed with the outcome as we all are. If you need any further support in 'driving through' some of the BEST messages please do not hesitate to call me.

With kind regards.

Yours sincerely,



Dr Chris Evans OBE

Chairman, BEST task force

# The need for action to improve the business environment

The 18.5 million small and medium-sized enterprises (SMEs) in the European Union are the foundation of its economic strength. They account for over 60 % of total turnover and 66 % of employment. They are crucial to the process of enhancing Europe's competitiveness and to its growth. For over a decade now, SMEs and particularly smaller firms have been seen as the main source of future employment.

About one million new enterprises are created each year which makes them a major vehicle for change. As global competition increases the contribution of this sector in terms of its adaptability, its contribution to innovation in products and processes, and the opportunities it provides for flair and creativity, will enable new and existing SMEs to help Europe keep pace with the challenges posed by its competitors.

This will only be possible if the business environment is such that it encourages success. In particular, Europe's entrepreneurs need to have the right conditions to develop and launch their projects and to have a favourable fiscal and administrative environment in order to encourage re-investment of their gains when they are successful. This is a matter of removing the current obstacles to entrepreneurial activity and arranging for appropriate forms of technical and financial support, but it is also a question of getting the backing of those who work with entrepreneurs, and of society as a whole.

The contribution of SMEs to Europe's economy, in terms of their flexibility, their innovative capacity and their

employment potential is widely recognised. Public authorities have frequently acknowledged the need to encourage SMEs and to make life easier for them.

What is less recognised is the growing influence of small businesses in all our lives. As there is less employment in large manufacturing firms and as the public sector increasingly makes use of outside services, many more people than in the past will be employed in SMEs and many more people will be starting their own businesses. We are moving towards an entrepreneurial society, yet so many of our assumptions and practices reflect the old economic structures and particularly hinder the creation of new enterprises. It is, therefore, time that we moved from merely talking about the importance of having the right environment for small businesses to putting the needs of enterprise at the centre of policy making.

There is agreement in broad terms about what needs to be done. Members of the business environment simplification task force (BEST) have been struck by the consensus in the business community on these issues, right across Europe. Indeed, many of the recommendations to be made by the task force have been suggested before and there are already many examples of good practice. The need is no longer for broad discussion of the issues, but rather to move forward with the details of implementation.

Above all, what is required now is a concerted political effort to bring about action at all levels in the European Union: Community, national and local. And, this

must be action that not only initiates progress, but sees that the principal measures are carried through coherently and consistently. The voice of SMEs needs to be heard more clearly in this process, which should begin by ensuring participa-

tion on an equal footing in the European social dialogue of business organisations that have a clear mandate from the SME sector. Above all though, a strong central direction is required in each of the important centres of decision-making.

# The nature and remit of BEST

The importance of SMEs to the economy of the European Union, to its competitiveness, to its growth and to its potential to create employment has been widely recognised and is often emphasised by ministers and business leaders. In the recent past there has also been a growing appreciation of the significance of entrepreneurship as the driving force of the SME sector. Entrepreneurship is cited as one of the four 'pillars' of the employment guidelines endorsed by the employment summit in Luxembourg. It has also been the specific subject of a recent communication from the Commission to the Council. The motivation for creating the business environment simplification task force was very much based on the same perception.

For entrepreneurs and SMEs to flourish it is vital that they have the right conditions. It was to this end that at the Amsterdam European Council on 16 to 17 June 1997, Europe's political leaders confirmed their

'strong commitment to the simplification of existing and new legal and administrative regulations in order to improve the quality of Community legislation and reduce its administrative burden on European business, particularly small and medium-sized businesses'.

They invited the European Commission to establish a task force for this purpose and to broaden its own rolling programme of simplification. Equally, the Member States were asked to pursue comparable simplification measures at national level.

The European Commission formally accepted the invitation to establish a task force on 30 July 1997 and, after consulta-

tion with the Member States, Commissioner Christos Papoutsis convened a group of entrepreneurs, public administrators and academic experts on the subject under the chairmanship of Professor Chris Evans OBE.

The objective set for BEST was to prepare an independent report which would make proposals for concrete measures to be taken by the Commission and the Member States to improve the quality of legislation and eliminate the unnecessary burdens which restrain the development of European businesses, particularly small and medium-sized enterprises (SMEs). This task also included a look at the issues of finance for SMEs, management and employee training, innovation and technology transfer and all aspects of administration.

The first meeting was held on 28 October 1997 and BEST has worked very intensively since then, taking evidence, at both a European and a national level, from business organisations, from public administrations and from other interested parties.

It should be clear, however, that the task force did not see itself as being primarily engaged in research. There has already been sustained investigation of these matters over a number of years. Rather, the task force saw its role as being to review all of the issues and, acting as a group which reflected the experience and concerns of SMEs across Europe, to indicate priorities and recommendations for action.

A preliminary report was prepared for the special European Council on employment



in Luxembourg on 22 November 1997. It had been observed that a wide diversity of business activity was adversely affected by both regulatory and administrative procedures. BEST had therefore decided that it was necessary to take a broad view of the problems faced by enterprises beyond those directly concerned with administrative burdens, but at the same time, to concentrate on the aspects which were of most importance to SMEs and which were most susceptible to remedy. A central theme had to be the promotion of enterprise and entrepreneurship along with the related concerns for enhancing competitiveness and creating sustainable employment. It was with this in mind that the task force set about examining how improvements could be made in key areas, such as education and training, taking on employees, access to finance and access to research and technology.

BEST aimed to complete its final report in time for it to be considered by the European Council meeting in Cardiff on 15-16 June 1998. This has imposed a tight timetable on its work which has been pursued in a series of 8 full meetings and in targeted working groups. These groups have been very useful in looking in detail at the key areas of concern and in guiding the debate of the full task force.

BEST has recognised that valuable work in the right direction has been undertaken at all levels in the European Union. There

are a number of encouraging initiatives that have been taken at a Community level, including the recent communications on entrepreneurship, on risk-capital and on the transfer of small and medium-sized enterprises. The proposed directive on late payment, the recommendation on improving and simplifying the business environment for start-ups and the communication on public procurement provide concrete examples of how progress can be made. There is also a considerable amount of good practice at Member State and local levels which should serve as the basis for a more far-reaching improvement of practice throughout the Union.

Nonetheless there is still much to be done. BEST has considered a wide range of areas where problems still need to be addressed. The reports of its working groups highlight many of the issues. But it was also necessary to indicate priorities. After further consultation and debate among the members of BEST, these were decided and are set out in this report. Additional recommendations are made by BEST and are presented in the working group reports, along with more detailed information on the principal recommendations. These are published in a separate volume.

The final report and recommendations of BEST are now formally submitted to the European Commission.

# The central issues

## Better public administration

Enterprises should get the first class service from the public authorities that they need and deserve. For this to be achieved, a change of culture is required in public administration. Public authorities, acting as regulators or as providers of support to businesses, in the form of advice, assistance and information, should fundamentally regard themselves as delivering a service to enterprises. Their first concern should be to assist and to enable. Regulation is necessary. Good regulation can even be helpful in stimulating improvements in products and processes. However, first of all, regulation should be adopted at the right level. BEST has received information about various examples of best practice which it believes warrants further consideration. The universal adoption of best practice is a better way of improving conditions for SMEs than the harmonisation of national practices. The principles of subsidiarity and proportionality are fundamental. At whatever level, regulation needs to be simple and practical. It should be clear in its objectives and economic in its application. It should also be reviewed frequently, and where changes are necessary, changes have to be made.

To achieve both a central position for regulatory reform and the necessary shift in the culture of public administrations, a fundamental recommendation of BEST is that **better regulation units** (BRUs) should be established, responsible to the highest political levels, in the EU institutions and in all the Member States.

These better regulation units should ensure that regulatory reform is consistently pursued and that the logic of a service orientation is carried through into the operation of the whole range of regulatory and support activities. Careful appraisal of proposed and existing legislation should be undertaken as well as of the costs of new administrative procedures. Special attention should consequently be paid to the development and application of the techniques of regulatory impact assessment.

'**Think small first**' should be a basic guiding principle. If a measure is suited to a small firm it is likely to be acceptable to a large firm. Simplicity should be rediscovered as a virtue and creating the right environment for enterprise to flourish must be an essential and constant concern. But this should not only be a matter for government and for public administrations. Our society in general needs to understand better what it takes to create a business and to get it to grow and to survive.

## New approaches in education, training and the workplace

Europe needs to promote an entrepreneurial culture so that more people take the risk of creating an enterprise. Consequently, BEST makes some important recommendations in relation to education and training and in relation to the flexibility of the workforce. In both of these areas changes are required to help existing enterprises to operate more efficiently and

to release the entrepreneurial talents of those who, with a little encouragement, could set up on their own.

New attitudes are required from people working in SMEs and from individuals and organisations involved in education and training, but it is important also that these changes take place within the right structures. BEST is therefore making major recommendations about significant shifts in our approach to education and training, about the development of a direct dialogue between employers and employees at an enterprise level and about addressing employment costs.

## **Access to finance and helping innovation**

It is also necessary to create a greater sensitivity to and awareness of the differences in the characteristics and needs of enterprises.

SMEs are not homogeneous. The situation of a new, rapidly growing and highly innovative SME is not the same as that of a well established medium-sized company in a traditional manufacturing sector and both are in very different situations from that of a micro-business providing a particular service.

Appreciation of the different situations facing SMEs is particularly important in ensuring that all firms have access to appropriate forms of finance. BEST's recommendations in this area are therefore aimed at identifying and remedying gaps

in provision, and at ensuring that those enterprises that do have the capacity to grow and develop have the right conditions for doing so.

A similar increased sensitivity is required if the problems of improving the application of research and technology and of increasing the number of innovative products and processes are to be addressed. SMEs need certain specific types of support, such as information and advice along with considerable improvements in the operation of support programmes, especially as far as the European Union Funds are concerned.

## **Implementation**

Attention must be given to the process by which the proposed measures are implemented.

- **First, it should be clear how much progress is being made and how quickly. Systems for monitoring progress need to be developed and used.**
- **Then, there should also be a strengthening of the process by which other examples of best practice are identified and exchanged, particularly in instances where this could be an effective alternative to further regulation and legislation.**
- **In this way, BEST's recommendations will be contributing to a continuing programme of reform as well as pointing to the resolution of immediate problems.**

**BEST recommends the following as issues deserving urgent attention:**

## **Public administration**

It has been the experience of a number of Member States that the introduction of changes, which challenge established assumptions and administrative procedures, requires attention and support at the highest political level in order to make progress.

**1. Simplification and regulatory reform should be made central to public policy at all levels in the European Union, specifically through:**

**At a European level:**

- **The creation of a central better regulation unit (BRU) under the direct responsibility of the President of the European Commission** to oversee and co-ordinate regulatory review and reform and ensure that the consequences of any legislative proposals for SMEs have been assessed and fully taken into account.

This central unit should be responsible for promoting good regulatory practice in operational departments, including establishing that proposed legislation is really necessary, that appropriate consultation takes place, that sufficient information is provided and that regulatory impact assessments have been properly carried out.

The unit should also initiate reviews of existing regulation.

- **The establishment by the Council of a corresponding central unit, under the responsibility of the Secretary General.**

This unit should help improve the quality of legislation and promote clarity, simplicity and coherence. It should also ensure that the final form of legislation has taken proper account of the effect on businesses, for instance, by checking that amendments to legislative proposals have also been subject to impact assessment.

Information provided to these units for use in their evaluation of legislative proposals should be accessible to the public.

**At a Member State level:**

- **The creation of a group or unit under the direct responsibility of decision-makers at the highest political level. Its objective will be to carry out regulatory review and reform and to ensure that the point of view of SMEs has been taken into account in legislative proposals.**

All the government departments involved in the business environment will be represented in this unit.

**2. The impact of legislation on business must be an important consideration in determining its form and content.**

- **The 'think small first' approach should be the guiding principle of regulatory reform.**

- **Best practice should be identified and subsequently adopted** in relation to:

- consulting businesses before the introduction of new regulatory instruments;

- developing regulatory impact analysis and instruments for evaluating compliance costs and administrative burdens;

- allowing reasonable time-frames for the implementation of legislation, especially for SMEs;

— conducting effective information campaigns regarding changes required by new legislation;

— consulting businesses before the introduction of new administrative practices including new forms and questionnaires, to ensure that businesses can provide the information, and that it is not already available elsewhere.

• **'Gold plating' of Community legislation.** The addition of other national regulations linked to the implementation of Community directives should **eventually be eliminated**, and in the meantime its source should be clearly identified.

### **3. Administrative procedures faced by SMEs need changing.**

Administrative burdens faced by enterprises are made heavier because of a lack of standardised and coherent procedures in the public administrations and agencies with which they have to deal. This applies both at European and at national levels.

• **The institutions and agencies at a European level need to both simplify and standardise procedures to increase transparency, so that enterprises know what to expect and what is required of them. Member States should also examine the opportunities for standardising their procedures.**

• The political and practical complexities of achieving coherence and standardisation between different autonomous bodies on a voluntary basis requires a commitment at the highest political level. Without such a commitment BEST would propose a legislative solution such as a regulation specifying the criteria to be respected in administrative procedures in order to minimise the administrative burden on enterprises.

• There should be a **standardised procedure for seeking redress** from a public administration when it has not met its obligations, including the obligation to complete procedures within a specified time.

Standardisation is particularly relevant to dealing with access to Community programmes or dealing with the requirements of EU legislation.

• There should be a standardised procedure for submitting accounts and applicants should be made aware in advance of costs which will be considered ineligible. Where such information is not given in advance or the costs are not specifically excluded in the contract there should be a presumption in favour of the contractor.

• Accounting procedures should be radically simplified for both the responsible authorities and for SMEs receiving grants or funds. Accounting procedures should be compatible with normal business accounting systems.

• In the management of the Structural Funds programmes Member States are requested to ensure that their financial procedures are designed to maintain a sufficient cash flow in SMEs participating in the programmes.

### **4. Member States should take initiatives to facilitate the creation of enterprises.**

O The adoption of the procedures proposed in the Commission recommendation on improving and simplifying the business environment for business start-ups would be a considerable help in getting enterprises started. In particular, there should be:

- a single location for registration purposes;
- a single registration document;
- a single identification number;
- sharing of data between the public authorities involved in registration.

**5. Good information and advice services are a valuable support in the creation of businesses and in helping them at critical stages of their development.** Unfortunately, access to information and advice services is not as straightforward as it should be. Services are often fragmented and uncoordinated, their quality is not always of a high standard.

- **Integrated information and advice services should be created out of the existing public provision. The ideal would be for enterprises to have only one place to contact in order to have access to these services. The availability of the services should be promoted vigorously and there should be regular monitoring and evaluation of the quality of services delivered.** These services should work closely with organisations representing SMEs.

- Greater use should be made of information technology and greater advantage should be taken of the new tools which are available.

## Education and training

Creation of an entrepreneurial culture has to begin in schools and be carried through into our higher education and training systems. At present there is a fundamental cultural problem in Europe in that the concepts of enterprise and entrepreneurial skills hardly figure in the school curriculum. This has to change, and pupils and students should be made to realise that these are issues which are vitally important for their own future.

### **6. Meeting the modern requirement for entrepreneurial and management skills must be evident throughout the curriculum in the national systems for education and training.**

Even at an early stage in schools, knowledge of business administration with a special emphasis on the role of the entrepreneur should be imparted — and this should not be confined to specialised or optional parts of the curriculum.

- SMEs should be encouraged to work in close co-operation with schools to promote the excitement of life in a small business.
- Large businesses in different sectors should set up prestigious awards, run by industry and endorsed by Governments, to recognise successful entrepreneurs and SMEs within those sectors. In addition, the European Commission and Member State governments should create prestigious awards for individuals, departments, authorities and politicians who have done something particularly useful and innovative for SMEs.

- Member States at the highest levels should seek to promote and endorse entrepreneurs and an enterprise culture. They should advocate a more positive attitude among Europeans towards ‘failure’ by recognising its value as a learning experience.

### **7. A re-orientation of current training provision is required in close co-operation with the business community to ensure that the necessary skills are there both for people to work in SMEs, and for them to start their own businesses.**

- **There should be specific training for entrepreneurship**, with an emphasis on practical and useful skills, supported by appropriate incentives
- Equally there should be training for employment in SMEs allowing for the different capabilities and talents of the workforce. Training provisions should also take into account different kinds of SMEs and industry sectors, and their different requirements ranging between highly-skilled and non-skilled employees, all of whom should have the opportunity to receive training.
- There should be fiscal incentives for SMEs to carry out training.
- There should be promotion of training to assist women to become entrepreneurs and improve the recognition and training of spouses who work with an entrepreneurial partner.
- Training systems should also be more flexible allowing for **movement between academic studies and vocational training in companies**, and for changing needs over a lifetime of learning.

## Employment and Working Conditions

Entrepreneurs need the support of a motivated and adaptable workforce, yet for some while now, the lack of flexibility in employment and working conditions has been recognised as one of the inhibiting factors in the European economy. This has had particularly serious consequences in Europe's failure to respond to widespread unemployment.

**8.** In order to ensure that these questions are effectively considered at a European level and to give a higher profile to related issues affecting entrepreneurs and smaller businesses, it is important that the most representative European SME organisations participate directly and on equal terms in the negotiations under the framework of the Social Protocol.

- Representative European small business organisations should therefore become full partners in all levels of decision making that concern the Social Protocol of the Maastricht Treaty.

- **At the level of the individual business it is also necessary to engage the workforce more actively and to operate more flexibly. To achieve this aim, there should be a direct dialogue between employers and employees.**

As a result of this dialogue, it should be possible to introduce greater flexibility into the application of framework agreements at the enterprise level, giving firms the scope they need to adjust to their own particular circumstances, while at the same time preserving national or sectoral arrangements as a fall-back position.

**9.** Enterprise level dialogue should cover:

- **variations from general collective agreements; these should be allowed** where employers and employees arrive at agreements voluntarily while observing the statutory minimum conditions of employment.

- **more flexible job descriptions in employment contracts**, where the range of responsibilities established in job descriptions in employment contracts can be extended and defined in more general terms.

- **working hours:** in order to bring greater flexibility to the regulations governing working hours, without directly increasing them, better use should be made of the current flexibility provisions in the working time directive. Consideration should be given to a calculation of working hours on an annual basis rather than a weekly or daily basis.

**10.** Health and safety regulations need serious attention in relation to their impact on SMEs. There is considerable confusion about their objectives and how to implement them correctly.

- **Health and safety regulations, including monitoring and reporting requirements, should be simplified and put into a more coherent framework.**

- **New proposals for health and safety legislation at a European level should only be made after thorough consultation with business organisations, particularly SMEs, and the completion of a regulatory impact assessment. The results of the consultation and the impact assessment should be published.**



Existing directives in the health and safety area should be considered for simplification under the SLIM exercise.

- **Specific technical and financial assistance should be given to SMEs so that they can comply with health and safety rules.**
- **Best practice examples should be provided to help SMEs comply with health and safety regulations.**
- **Health and safety inspectors should be much more helpful to enterprises by providing advice on implementation, particularly on their first visit to a site.**
- **On their first visit to a firm inspectors should advise on what regulations are applicable and how to comply with them. If the firm is already complying this should be confirmed in writing. If changes have to be introduced, it should only be on a second visit that a formal inspection takes place.**

**11.** The social security system is very complex in most Member States. Employers, the main financiers of the system, also bear a large part of the administrative costs. **Member States should simplify the administration and financing of their social security systems.**

- The Danish system mainly financed through general taxation, deserves consideration as a system which avoids complex administration and financing costs, and removes the burden from employee

intensive firms, thus assisting employment.

- Alternatively, in countries such as Sweden and Ireland, the payment of social security contributions to **one** agency, which also collects all the information required for social security purposes, simplifies the administration considerably. This example of best practice could be adopted elsewhere.

**12.** The EU Directive on the transfer of undertakings (77/187/EEC), sometimes known as the acquired rights directive, and the related decisions of the Court of Justice of the European Communities are surrounded by a considerable amount of confusion and uncertainty in relation to the obligations incurred when certain businesses are taken over. The resulting complexity and uncertainty concerning the economic responsibility prevents many SMEs from entering into business transactions that may be interpreted as a transfer under the directive.

- Firms must know where they stand in relation to acquired rights. The provisions and scope of **the directive on the transfer of undertakings must be clarified** in order to avoid the confusion that has arisen.
- The provisions under which companies take over personnel should be improved so that they are encouraged to do so.
- Outsourcing and changes of subcontractors and retailers should be excluded from the scope of the directive.

## Finance

Whether it is a young entrepreneur beginning life in business with a small venture, a well established firm hoping to expand, or a rapidly growing hi-tech company looking for substantial further expansion, access to finance on the right conditions is crucial. These conditions have to be defined quite carefully.

### **13. For smaller businesses and at an early stage:**

- **Loan guarantee schemes have an important part to play in mobilising bank credit.** More effective schemes of this kind should be brought into operation, with the support of the European Investment Bank.

The growth and employment initiative approved by the Council on 21 April 1998 should be made **operational** as soon as possible. All SMEs should be eligible and all banks allowed to participate. Decisions on whether to offer guarantees should be communicated to SMEs within a month.

- **The encouragement of mutual guarantee schemes could have a similar effect.**

- **New ways of bringing even relatively small amounts of capital into promising smaller enterprises should be found.**

The business expansion scheme in Ireland and the enterprise investment scheme in the UK provide good examples. The US small business administration also has well recognised schemes.

- Cash flow problems can be particularly serious at this stage. Urgent action must be taken to address the problem of late payment. **The Member States should**

**respond positively to the proposed directive on late payment so that it can be adopted as soon as possible.**

### **14. Expanding firms need a range of finance opportunities** together with other forms of support, depending on their circumstances.

- Introduction to **business angels** should be facilitated by organising easily accessible networks and providing better communication between projects and angels.

- **Mentoring** can be extremely useful to all types of SMEs and should be encouraged. Incentive schemes must be created to catalyse more mentoring by experienced individuals.

### **15. The taxation regime** can be particularly important either in stimulating or in hindering the development of dynamic, highly innovative SMEs.

- **SMEs should be allowed to accumulate tax credits for expenditure on research and development.**

- **SMEs should be allowed to write-off capital investment over a shorter period**, allowing profits to be retained within the companies. Three to four years is suggested.

- **Where tax relief for re-investment by private investors and business angels** is available it is often restricted to investment in private companies. When such tax-relief is not available it should be introduced and, in light of the potential increase in publicly quoted companies (see point 16), this should be extended to investment in public and quoted companies up to a valuation of ECU 75 million.

**16. Allowing investors to exit easily from an investment is necessary to attract capital. It is critical in persuading them to put their money into hi-tech companies and facilitates the recycling of venture capital to new SMEs. Providing investment incentives is also important for attracting key technical and management personnel.**

- The **promotion of Easdaq** and other European stock markets is important in order to increase the volume of trading and consequently their liquidity. The rules and regulations governing the various European stock exchanges need simplifying for SMEs and should be designed to encourage flotations.

- All the costs associated with SME flotations and the raising of equity in general should be, at least, tax deductible or form tax credits.

- The tendency in some Member States to **lower rates of capital gains taxes** should be encouraged elsewhere. It is believed that capital gains tax rates of less than 10 % for investments held between three and five years would stimulate a substantial improvement in investment in high-tech SMEs.

- Restrictions should be lifted on elements, such as share ownership and options, in **the reward packages necessary for the recruitment and retention of very talented people.**

- **It is crucial to the success of European SMEs that all of these financial issues be addressed by highly experienced groups at both Member State and EU level, and that detailed action and implementation is carried out as a matter of urgency.**

## Research and innovation

There has to be a substantial improvement in the way that SMEs make use of research and technology, but there are many difficulties for firms that do not have their own R & D capacity. Again, it is important that in-depth investigation and action are taken on these issues both at national and at EU level.

### **17. SMEs have to be helped to make better use of research and technology.**

- Schemes to promote technology transfer and individual **mentoring** play an important role in this area by bringing experience to bear in a very practical way.
- **Co-operation between SMEs themselves, academics and large enterprises** in 'clusters' is increasingly used as a means of putting together the necessary resources and skills and should be further promoted. Successful 'clusters' should be promoted as best practice, where the proactive initiatives by the Dutch government are good examples.
- **Support agencies**, such as the business Innovation Centres and other Government or private support structures can provide excellent assistance, but there is a need for the exchange of best practice and an improved performance across the board.
- Incubators which nurture new company start-ups should be encouraged, taking advantage of the best practice in France, Germany, the UK and other Member States.

### **18. EU research and technology development programmes need to be much more sensitive to SME requirements**

and help to bring together all the elements (technical, financial etc) necessary for a successful business application of the results of research. In particular, RTD funds under the fifth framework programme will need to be far better targeted to help SMEs.

- Better information dissemination is required on how to obtain a grant.
- Access and chances of success should be made easier through the use of a simplified application form for SMEs.
- A much more rapid response on the likelihood of success should be given to applications by SMEs to minimise the administrative burden and costs of keeping a lot of the project and its component parts on hold while waiting for a decision.
- Better use should be made of information technology, electronic commerce facilities and the Internet in making application forms available and for submitting proposals.
- There should be a special budget for micro-enterprises.

### **19. BEST supports the recent EU initiative to modernise the European patent system. The use of patents by SMEs should be further encouraged by simplifying procedures giving SMEs access to easier remedies for infringement. The national patent offices should be encouraged to provide a more helpful service.**

- Great importance should be attached to having low costs for filing patents and low first year protection fees. Some form of tax relief or tax credits for patent costs should be introduced.

- Translation costs should be reduced by following the global solution proposed by the European Office for Harmonisation in the Internal Market in Alicante. This solution would require that only a summary, extract or brief description of the patent should be translated.

- Legal proceedings to stop infringements of patent rights should be made easier and less expensive for SMEs, in particular through courts being able to

grant interim injunctions on the basis of a prima facie infringement.

- EU measures to promote the more widespread use of utility models are supported, but important changes are required in the current proposals to make them better adapted to the needs of SMEs.

- The advisory functions of the national patent offices should be extended and the benefits of patent protection better explained.

# Implementation

The BEST recommendations require a precise response from the European Commission, the Council of Ministers, the European Parliament and the governments of the Member States. Observations are also invited from the business community. Ultimately, if the spirit of entrepreneurship and the creation of a vibrant enterprise culture is to become a principal driving force within the European economy, **then there must be action now to encourage it at all levels of society.**

However, throughout its work BEST has been concerned with the practicality of the action which it proposes. Movement can begin very soon on the large majority of its recommendations. It is therefore very much in line with the approach that BEST has adopted in its task to suggest that there should be practical measures to ensure an effective follow-up to the BEST recommendations. A framework should be created in which those recommendations which have been adopted can be clearly identified and a reasonable timetable fixed for implementation. This should then be supported by a mechanism for reporting on the progress which has been achieved. Where necessary, agreement should be reached with the Member States on procedures to co-ordinate this follow-up activity. For example, the recommendations which relate to credit finance for SMEs, particularly in the start-up phase should be considered by the round table of bankers and SMEs.

Over the longer term ways must also be developed to make the identification and spread of best practice a continuous activity. As far as simplifying the environment

for enterprises is concerned, close links should be developed between the better regulation units proposed for the European Institutions and those at Member State level. Beyond this initial step there must continue to be an input into the development of the exchange of best practice as an important methodology for achieving progress while at the same time respecting the principle of subsidiarity and the need for flexibility. Its effectiveness as an instrument for improving the quality and effectiveness both of policy and of the services provided by the public authorities ought to be enhanced.

**The mechanism for ensuring an appropriate follow-up to the recommendations which BEST suggests is threefold.**

**BEST asks that the authorities to which each recommendation is addressed indicate whether they accept the recommendation or not. There should be a specific plan with a time-table as to how the recommendation will be carried out. An explanation for the rejection of a recommendation should accompany the response.**

- **An annual report should be prepared for the European Council which will set out the actions taken at each level of the decision-making procedure æ the European Commission, the Council of Ministers, the European Parliament and the governments of the Member States. The annual report should be published.**

- **The Commission, in consultation with the Member States and business organisations, should set up an enterprise Panel composed mainly of entre-**

preneurs, to make a periodic evaluation of the progress being made. This enterprise panel will make a first report to

the Commission no later than 1 July 2000.

## Conclusions

BEST was given a challenging remit and set itself an ambitious programme of work. A very tight timetable was imposed by the necessity to prepare a report for the consideration of the Cardiff European Council. Nonetheless, BEST has been keen to ensure that the issues it considered had a truly European dimension and that good practice could come to light no matter where in the Union it was to be found.

Evidence has been taken from the Member States and from a broad range of organisations in the business community at national and local level. The wide extent of the experience of the members of BEST has also been invaluable in suggesting avenues of enquiry and in evaluating problems and proposed solutions.

Hundreds of issues have been analysed and responses considered. A division of labour between the working groups

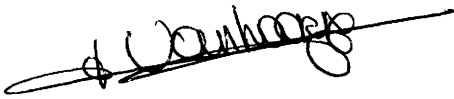
proved to be an effective means of conducting some of this detailed work, as is evident in their separate reports. It was also necessary to decide on priorities and here BEST was encouraged by the consensus around certain issues that was apparent in the business community across Europe. Nonetheless, the responsibility for the main recommendations rests with the members of BEST.

BEST trusts that rapid progress will be made with its recommendations. It is to be hoped that these recommendations will find an enthusiastic response not only in the Commission and the administrations of the Member States, but also from the social partners, entrepreneurs and the general public. BEST has been about helping Europe to prepare for the next century with a revived spirit of enterprise. It is a matter deserving the fullest support of the people of Europe.





Chris Evans  
Chairman




Kathy Vanhoorne



Bjørn Meier



Dieter Philipp



Antigone Lyberaki



Elisa Sainz Ruiz



André Gauron



Dominic Ellickson



Carlo Borgomeo



Armand Berchem



Elisabeth Steyger



Wolfgang Krebs



Rui Gomes



Risto Suominen



Camille Forslund

## Members of the BEST task force

<b>Country</b>	<b>Name</b>	<b>Title/Description</b>
Belgium	Ms Kathy Vanhoorne	Cabinet of Ministry of SMEs
Denmark	Mr Bjørn Meier	President Biofin
Germany	Mr Dieter Philipp	President of German Crafts Federation
Greece	Ms Antigone Lyberaki	Associate Professor Panteion University of Social and Political Sciences
Spain	Mrs Elisa Sainz Ruiz	Deputy Director General of Institutional Relations of Directorate General for SME Policy
France	Mr Jean Prada until 17/2/98 Mr André Gauron from 17/2/98	Vice-President Cosiform Advisor to the Court of Auditors
Ireland	Mr Dominic Ellickson	Founder of Ellickson Engineering Group of Companies
Italy	Mr Carlo Borgomeo	President of Societa per l'Imprenditoria Giovanile (IG SPA)
Luxembourg	Mr Armand Berchem	Managing Director Fiduciaire des PME
Netherlands	Dr Elisabeth Steyger	Head of the Department for Fair Trading and Head of the task force Administrative simplification Ministry of Economic Affairs
Austria	Dr Wolfgang Krebs	Deputy Director General Federal Ministry of Economic Affairs
Portugal	Mr Rui Gomes	Head of Unit Iapmei (SME support institute)
Finland	Mr Risto Suominen	Managing Director Federation of Finnish Enterprises
Sweden	Mrs Camille Forslund	Director in Keyline Städ och Konsult AB
UK	Prof. Chris Evans OBE	Founder and Chairman of Merlin Ventures

European Commission

**Report of the business environment simplification task force**

**BEST — Volume 1**

Luxembourg: Office for Official Publications of the European Communities

1998 — 25 pp. 17.6 x 25 cm

ISBN 92-828-3418-2

Additional recommendations are presented in the working group reports.  
They are published in volume II.

Venta • Salg • Verkauf • Πωλήσεις • Sales • Vente • Vendita • Verkoop • Venda • Myynti • Försäljning

**BELGIQUE/BELGIE**

**Moniteur belge/Belgisch Staatsblad**  
Rue de Louvain 40-42/Leuvenseweg 40-42  
B-1000 Bruxelles/Brussel  
Tel (32-2) 552 22 11  
Fax (32-2) 511 01 84

**Jean De Lannoy**  
Avenue du Roi 202/Koningslaan 202  
B-1060 Bruxelles/Brussel  
Tél (32-2) 538 51 69  
Fax (32-2) 538 08 41  
E-mail: jean.de.lannoy@infoboard.be  
URL: <http://www.jean-de-lannoy.be>

**Librairie européenne/Europese Boekhandel**  
Rue de la Loi 244/Welstraat 244  
B-1040 Bruxelles/Brussel  
Tel (32-2) 295 26 39  
Fax (32-2) 735 08 60

**DANMARK**

**J. H. Schultz Information A/S**  
Herstedvang 10-12  
DK-2620 Albertslund  
Tlf (45) 43 63 23 00  
Fax (45) 43 63 19 69  
E-mail: schultz@schultz.dk  
URL: <http://www.schultz.dk>

**DEUTSCHLAND**

**Bundesanzeiger Verlag**  
Breite Straße 78-80  
Postfach 10 05 34  
D-50667 Köln  
Tel (49-221) 20 29-0  
Fax (49-221) 202 92 78  
E-mail: vertnet@bundesanzeiger.de  
URL: <http://www.bundesanzeiger.de>

**ΕΛΛΑΔΑ/GREECE**

**G. C. Eleftheroudakis SA**  
International Bookstore  
Panepistimiou 17  
GR-10564 Athina  
Tel (30-1) 331 41 80/12/3  
Fax (30-1) 323 98 21  
E-mail: elebooks@netor.gr

**ESPAÑA**

**Mundi Prensa Libros, SA**  
Castelló, 37  
E-28001 Madrid  
Tel (34-1) 431 33 99  
Fax (34-1) 575 39 98  
E-mail: libreria@mundiprensa.es  
URL: <http://www.mundiprensa.es>

**Boletín Oficial del Estado**

Trafalgar, 27  
E-28010 Madrid  
Tel (34-1) 538 21 11 (Libros/  
384 17 15 (Suscripciones)  
Fax (34-1) 538 21 21 (Libros/  
384 17 14 (Suscripciones)  
E-mail: webmaster@boe.es  
URL: <http://www.boe.es>

**FRANCE**

**Journal officiel**  
Service des publications des CE  
26, rue Desaix  
F-75727 Paris Cedex 15  
Tél (33) 140 58 77 01/31  
Fax (33) 140 58 77 00

**IRELAND**

**Government Supplies Agency**  
Publications Section  
4-5 Harcourt Road  
Dublin 2  
Tel (353-1) 661 31 11  
Fax (353-1) 475 27 60

**ITALIA**

**Licosa SpA**  
Via Duca di Calabria, 1/1  
Casella postale 552  
I-50125 Firenze  
Tel (39-55) 64 54 15  
Fax (39-55) 64 12 57  
E-mail: licosa@fbcc.it  
URL: <http://www.fbcc.it/licosa>

**LUXEMBOURG**

**Messageries du livre SARB**  
5, rue Raiffeisen  
L-2411 Luxembourg  
Tel (352) 40 10 20  
Fax (352) 49 98 61  
E-mail: mdl@pt.lu

**Abonnements**

**Messageries Paul Kraus**  
11, rue Christophe Plantin  
L-2339 Luxembourg  
Tel (352) 49 98 88-8  
Fax (352) 49 98 88-444  
E-mail: mpk@pt.lu  
URL: <http://www.mpk.lu>

**NEDERLAND**

**SDU Servicecentrum Uitgevers**  
Externe Fondsen  
Postbus 20014  
2500 EA Den Haag  
Tel (31-70) 378 98 80  
Fax (31-70) 378 97 83  
E-mail: sdu@sdu.nl  
URL: <http://www.sdu.nl>

**OSTERREICH**

**Manz'sche Verlags- und  
Universitätsbuchhandlung GmbH**  
Siebenbrunnengasse 21  
Postfach 1  
A-1050 Wien  
Tel (43-1) 53 16 13 34/40  
Fax (43-1) 53 16 13 39  
E-mail: auslieferung@manz.co.at  
URL: <http://www.austria.EU.net/81/manz>

**PORTUGAL**

**Imprensa Nacional-Casa da Moeda, EP**  
Rua Marquês de Sá da Bandeira, 16 A  
P-1050 Lisboa Codex  
Tel (351-1) 353 03 99  
Fax (351-1) 353 02 84, 384 01 32  
**Distribuidora de Livros Bertrand Ld.**  
Rua das Terras dos Vales, 4/A  
Apartado 60037  
P-2701 Amadora Codex  
Tel (351-1) 495 90 50, 495 87 87  
Fax (351-1) 496 02 55

**SUOMI/FINLAND**

**Akateminen Kirjakauppa/Akademiska  
Bokhandeln**  
Pohjoisesplanadi 39/  
Norra esplanaden 39/  
PL/PB 128  
FIN-00101 Helsinki/Helsingfors  
P/fin (358-9) 121 41  
F./fax (358-9) 121 44 35  
E-mail: akatilaus@stockmann.mailnet.fi  
URL: <http://booknet.cultnet.fi/aka/index.htm>

**SVERIGE**

**BTJ AB**  
Traktorvägen 11  
S-221 82 Lund  
Tfn (46-46) 18 00 00  
Fax (46-46) 30 79 47  
E-post: btjeu-pub@btj.se  
URL: <http://www.btj.se/media/eur>

**UNITED KINGDOM**

**The Stationery Office Ltd  
International Sales Agency**  
51 Nine Elms Lane  
London SW8 5DR  
Tel (44-171) 873 90 90  
Fax (44-171) 873 94 63  
E-mail: jll.speed@theso.co.uk  
URL: <http://www.the-stationery-office.co.uk>

**ÍSLAND**

**Bokabud Larusar Bjöndal**  
Skólavörðustíg, 2  
IS-101 Reykjavík  
Tel (354) 551 56 50  
Fax (354) 552 55 60

**NORGE**

**NIC Info A/S**  
Østenvøien 18  
Boks 6512 Etterstad  
N-0606 Oslo  
Tel (47-22) 97 45 00  
Fax (47-22) 97 45 45

**SCHWEIZ/SUISSE/SVIZZERA**

**OSEC**  
Stampfenbachstraße 85  
CH-8035 Zurich  
Tel (41-1) 365 53 15  
Fax (41-1) 365 54 11  
E-mail: uleimbacher@osec.ch  
URL: <http://www.osec.ch>

**BÁLGARÍA**

**Europress-Euromedia Ltd**  
59, Bid Vitoshka  
BG-1000 Sofia  
Tel (359-2) 980 37 66  
Fax (359-2) 980 42 30

**ČESKÁ REPUBLIKA**

**NIS CR — prodejna**  
Konviktská 5  
CZ-113 57 Praha 1  
Tel (420-2) 24 22 94 33, 24 23 09 07  
Fax (420-2) 24 22 94 33  
E-mail: nkpostp@dec.nis.cz  
URL: <http://www.nis.cz>

**CYPRUS**

**Cyprus Chamber of Commerce & Industry**  
Gnva-Digeni 38 & Deligiorgi 3  
Mail orders  
PO Box 1455  
CY-1509 Nicosia  
Tel (357-2) 44 95 00, 46 23 12  
Fax (357-2) 36 10 44  
E-mail: cy1691\_eic\_cyprus@vans.infonet.com

**MAGYARORSZÁG**

**Euro Info Service**  
Európa Ház  
Margitsziget  
PO Box 475  
H-1396 Budapest 62  
Tel (36-1) 111 60 61, 111 62 16  
Fax (36-1) 302 50 35  
E-mail: euroinfo@mail.mataiv.hu  
URL: <http://www.euroinfo.hu/index.htm>

**MALTA**

**Miller Distributors Ltd**  
Malta International Airport  
PO Box 25  
LQA 05 Malta  
Tel (356) 66 44 88  
Fax (356) 67 67 99

**POLSKA**

**Ars Polona**  
Krakowskie Przedmiescie 7  
Skr. pocztowa 1001  
PL-00-950 Warszawa  
Tel (48-22) 826 12 01  
Fax (48-22) 826 62 40, 826 53 34, 826 86 73  
E-mail: ars\_pol@bevy.hsn.com.pl

**ROMÂNIA**

**Euromedia**  
Str. G-ral Berthelot Nr 41  
RO-7439 Bucuresti  
Tel (40-1) 210 44 01, 614 06 64  
Fax (40-1) 210 44 01, 312 96 46

**SLOVAKIA**

**Slovak Centre of Scientific and Technical  
Information**  
Námestie slobody 19  
SK-81223 Bratislava 1  
Tel (421-7) 531 83 64  
Fax (421-7) 531 83 64  
E-mail: europ@ibb1.sltk.stuba.sk

**SLOVENIA**

**Gospodarski Vestnik**  
Založniška skupina d. d.  
Dunajska cesta 5  
SLO-1000 Ljubljana  
Tel (386) 611 33 03 54  
Fax (386) 611 33 91 28  
E-mail: belicd@gvestnik.si  
URL: <http://www.gvestnik.si>

**TÜRKIYE**

**Dünya Infotel AS**  
İstiklal Cad No 469  
TR-80050 Tunel-Istanbul  
Tel (90-212) 251 91 96  
Fax (90-212) 251 91 97

**AUSTRALIA**

**Hunter Publications**  
PO Box 404  
3167 Abbotsford, Victoria  
Tel (61-3) 94 17 53 61  
Fax (61-3) 94 19 71 54

**CANADA**

Subscriptions only/Uniquement abonnements  
**Renouf Publishing Co. Ltd**  
5369 Chemin Canotek Road Unit 1  
K1J 9J3 Ottawa, Ontario  
Tel (1-613) 745 26 65  
Fax (1-613) 745 76 60  
E-mail: renouf@fox.nstn.ca  
URL: <http://www.renoufbooks.com>

**EGYPT**

**The Middle East Observer**  
41, Sherif Street  
Cairo  
Tel (20-2) 393 97 32  
Fax (20-2) 393 97 32

**HRVATSKA**

**Mediatrade Ltd**  
Pavla Hatza 1  
HR-10000 Zagreb  
Tel (385-1) 43 03 92  
Fax (385-1) 43 03 92

**INDIA**

**EBIC India**  
3rd Floor, Y. B. Chavan Centre  
Gen J. Bhosale Marg  
400 021 Mumbai  
Tel (91-22) 282 60 64  
Fax (91-22) 285 45 64  
E-mail: ebic@giasm01.vsnl.net.in

**ISRAEL**

**ROY International**  
17, Shimon Hatarssi Street  
PO Box 13056  
61130 Tel Aviv  
Tel (972-3) 546 14 23  
Fax (972-3) 546 14 42  
E-mail: royil@netvision.net.il

Sub-agent for the Palestinian Authority

**Index Information Services**

PO Box 19502  
Jerusalem  
Tel (972-2) 627 16 34  
Fax (972-2) 627 12 19

**JAPAN**

**PSI-Japan**  
Asahi Sanbancho Plaza #206  
7-1 Sanbancho, Chiyoda-ku  
Tokyo 102  
Tel (81-3) 32 34 69 21  
Fax (81-3) 32 34 69 15  
E-mail: psijapan@gol.com  
URL: <http://www.psi-japan.com>

**MALAYSIA**

**EBIC Malaysia**  
Level 7, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel (60-3) 262 62 98  
Fax (60-3) 262 61 98  
E-mail: ebic-ku@mnet.my

**PHILIPPINES**

**EBIC Philippines**  
19th Floor, PS Bank Tower Sen  
Gil J. Puyat Ave cor Tindalo St  
Makati City  
Metro Manila  
Tel (63-2) 759 66 80  
Fax (63-2) 759 66 90  
E-mail: eccpcom@globe.com.ph

**RUSSIA**

**CCEC**  
60-Ielnya Oktyabrya Av 9  
117312 Moscow  
Tel (70-95) 135 52 27  
Fax (70-95) 135 52 27

**SOUTH AFRICA**

**Safto**  
5th Floor Export House,  
CNR Maude & West Streets  
PO Box 782 706  
2146 Sandton  
Tel (27-11) 883 37 37  
Fax (27-11) 883 65 69

**SOUTH KOREA**

**Kyowa Book Company**  
1 F1, Phuyung Hwa Bldg  
411-2 Hap Jeong Dong, Mapo Ku  
121-220 Seoul  
Tel (82-2) 322 67 80/1  
Fax (82-2) 322 67 82  
E-mail: kyowa2@ktnet.co.kr

**THAILANDE**

**EBIC Thailand**  
Vanissa Building 8th Floor  
29 Soi Chidlom  
Ploenchit  
10330 Bangkok  
Tel (66-2) 655 06 27  
Fax (66-2) 655 06 28  
E-mail: ebicthk@ksc15.th.com

**UNITED STATES OF AMERICA**

**Bernan Associates**  
4611-F Assembly Drive  
MD20706 Lanham  
Tel (800) 274 44 47 (toll free telephone)  
Fax (800) 865 34 50 (toll free fax)  
E-mail: quyen@bernan.com  
URL: <http://www.bernan.com>

**ANDERE LANDER/OTHER COUNTRIES/  
AUTRES PAYS**

**Bitte wenden Sie sich an ein Büro Ihrer  
Wahl / Please contact the sales office of  
your choice / Veuillez vous adresser au  
bureau de vente de votre choix**

08 10 04 CT-79-98-001-EN-C



OFFICE FOR OFFICIAL PUBLICATIONS  
OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg

ISBN 92-828-3418-2



9 789282 834183 >