

## **P5\_TA(2002)0181**

### **Risk capital action plan**

#### **European Parliament resolution on the Commission communication to the Council and the European Parliament on implementation of the risk capital action plan (RCAP) (COM(2001) 605 – C5-0015/2002 – 2001/2213(COS))**

*The European Parliament,*

- having regard to the Commission communication (COM(2001) 605 – C5-0015/2002),
  - having regard to the Commission communication on state aid and risk capital<sup>1</sup>,
  - having regard to the European Council's European Charter for Small Enterprises of June 2000, and in particular to its line of Action 7 on risk capital,
  - having regard to the conclusions of the European Councils of Lisbon and Stockholm<sup>2</sup>,
  - having regard to its resolution of 3 October 2000 on the Commission Communication to the Council and the European Parliament "Risk Capital: Implementation of the action plan - proposals for moving forward" (COM(1999) 493 - C5-0320/1999 - 1999/2208 (COS))<sup>3</sup>,
  - having regard to Rule 47(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0020/2002),
- A. whereas access to finance continues to be a problem for SMEs alongside administrative, regulatory and fiscal constraints,
- B. whereas first results of the benchmarking exercise called for by the European Parliament and the Lisbon European Council on issues such as the length of time and the costs involved in setting up a company are now available,
- C. whereas venture capital (seed, start-up and expansion) represents a viable financing option for SMEs since costs for awarding small loans are relatively high and in particular start-ups are considered a larger risk by credit institutions, which impose higher demands in terms of collateral and interest charges,

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<sup>1</sup> OJ C 235, 21.8.2001, p. 3.

<sup>2</sup> Lisbon European Council: Presidency Conclusions, 24.3.2000, n° 100/1/00 (Council Bulletin EU 3-2000).

Stockholm European Council: Presidency Conclusions, 24.3.2001, n° 100/1/01 (Council Bulletin EU 3-2001).

<sup>3</sup> OJ C 178, 22.6.2001, p. 61.

- D. whereas while there are obstacles on the supply side of risk capital, there are also major weaknesses on the demand side,
  - E. whereas the European Councils in Lisbon and Stockholm endorsed the Financial Services Action Plan (FSAP), setting 2005 as the deadline for the integration of the financial markets and 2003 as target date for integration of the securities markets; whereas the deadline for the completion of the Risk Capital Action Plan (RCAP) set by the Lisbon European Council is the year 2003, demonstrating the inter-related nature of the securities and risk capital markets,
  - F. whereas, although progress has been achieved, the integration of EU financial markets is still far from complete and overall progress in implementing the FSAP has been rather slow and risks falling behind schedule,
  - G. whereas venture capital investment in Europe tripled between 1998 and 2000, while investment in early-stage venture capital even increased four times over; whereas nevertheless Europe's venture capital industry is still lagging far behind the US in terms of its share of the global economy and even in the most advanced EU Member States a solid venture capital market is far from being established,
  - H. whereas major differences persist between the national markets (venture capital investment as percentage of GDP ranging between 0,4% in the UK and less than 0,1 % in Austria), reflecting the fragmentation of national markets; whereas although the UK represent the largest national venture capital market, even there the bulk of venture capital is non-European, originating in particular from the US (notably US pension funds),
  - I. whereas the largest source for raising funds is pension funds, followed by banks and insurance companies,
  - J. whereas the current global economic slowdown and stock market turbulences are also felt in the venture capital industry (according to EVCA (European Venture Capital Association) venture capital investment fell 27% by amount invested in the first six months of 2001),
  - K. whereas there are still significant administrative legal and cultural barriers to be overcome and one of the most pressing is EU bankruptcy, which is still widely considered a stigma, while it should rather be seen as part of the learning process of business.
1. Welcomes the Commission communication which reveals the significant progress achieved in the field of risk capital since the adoption of the RCAP and supports in particular its emphasis on the promotion of entrepreneurship;
  2. Points at the interconnection between the RCAP and the FSAP and calls on the Commission to ensure that cross-reference is made within the relevant directives of the FSAP to the intentions of the RCAP;
  3. Welcomes the benchmarking exercise which shows that time and costs to start up a business have been substantially reduced in many Member States 'to levels comparable to the world's best', but calls on Member States where costs are still too high and procedures take unacceptably long to make special efforts to improve the situation;

4. Notes that the points concerning risk capital referred to in the European Charter for Small Enterprises need to be implemented;
5. Points out that while some progress is being achieved in removing the fiscal, regulatory and administrative barriers, shortage of appropriate finance can still be a major obstacle to starting a business;
6. Calls for greater emphasis to be placed on venture capital, private equity and entrepreneurship in secondary and tertiary education;
7. Underlines that venture capital and buyouts need to be considered in policy making as a key mechanism for entrepreneurship and should benefit from the same tax and other incentives as for entrepreneurial investment in start up and other growth companies;
8. Calls on Member States to consider granting favourable tax treatment in respect of capital gains on unquoted investment in growth companies as this would recognise the risks inherent in launching, joining or backing new growth businesses;
9. Welcomes the fact that the Broad Economic Policy Guidelines 2001-2002 for the first time include recommendations on the development of the EU risk capital markets and calls on the Member States to act on these recommendations;
10. Regrets that Member States have yet again failed to reach agreement on the Community Patent and calls for a Community patent allowing SMEs easy and cheap filing of patents;
11. Points out that in many Member States pension funds cannot or do not invest in venture capital funds, thereby excluding a major source of funding from the market; calls for a revision of the respective regulations and national tax regimes in particular in the field of double taxation and withholding tax to facilitate and stimulate pension funds' investment in venture capital schemes;
12. Points out that as technological development is an important growth factor, financial backing of innovative SMEs is of primary importance to close the knowledge gap between Europe and the US and achieve the EU's goal of becoming "the world's most dynamic knowledge-based economy by 2010";
13. Welcomes the reform of the EIB group, which ensured that most Community venture capital instruments are now concentrated within the EIF, but points out that this concentration on high-technology sectors must not be at the expense of SMEs in sectors such as industry and services; the EIF, in cooperation with the relevant parties, must map out more clearly what innovative funding instruments the SMEs require;
14. Is of the opinion that the EIF must play an even more active role today in filling the funding gap which has arisen due to the economic slowdown, the stock market turbulence and the resulting partial withdrawal of traditional sources of finance; is furthermore of the opinion that the EIB should demonstrate this by regular and specific reporting before the European Parliament's Committee on Economic and Monetary Affairs;

15. Calls on the EIB to produce an annual quantitative and qualitative evaluation of the award of appropriations to SMEs in connection with the provision of risk capital, in order to assess the efficiency of this instrument;
16. Welcomes the Commission's communication on state aid and risk capital, which recognises that public funding of private equity measures can be justified under certain exceptional circumstances and clarifies the Commission's approach on how these measures shall be assessed under state aid rules;
17. Reiterates its call for an economic study on the likely employment effects of risk capital investment;
18. Reiterates its call for a 'one-stop shop' risk capital website to provide a single access point for information about projects seeking risk capital and sources of EU and Member State funding for SMEs; considers that easy access to information on financing is a first and vital step towards obtaining access to financing;
19. Calls on Member States to ensure that legislation does not prevent individuals who have undergone bankruptcy from playing an active role in future company formation on that ground alone;
20. Instructs its President to forward this resolution to the Council, the Commission and the EIB.