

ROADMAP

Title of the initiative: **Erasmus for Entrepreneurs**
Lead DG/contact person: DG ENTR
Expected date of adoption of the initiative (month/year): December 2010 (adoption by the Commission)
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Version No:

Initial Impact Assessment screening & planning of further work

A. Context and problem definition

What is the political context of the initiative? How does this initiative relate to past and possible future initiatives, and to other EU policies?

A Pilot project Erasmus for Young Entrepreneurs was launched in 2007 following a request from the European Parliament. The rationale of the Pilot project was based on the evidence provided by a survey commissioned by DG ENTR, which revealed the high demand for a mobility scheme for entrepreneurs. A subsequent feasibility study helped to fine-tune the concept in order to maximise the benefits for the entrepreneurs. The project allows new or nascent entrepreneurs to stay with experienced host entrepreneurs established in another Member State for one to six months and gives them the opportunity to share management experience and learn about each other's home markets as well as about the Single European Market.

The Pilot project is being continued as Preparatory action for the budget years 2009 to 2011.

The present initiative should take effect in 2012 in order to avoid any interruption in the programme. The proposal aims at creating a permanent and continuous mobility programme for entrepreneurs named "Erasmus for Entrepreneurs".

The initiative as described here refers to the current financial perspectives. With the adoption of the new financial perspectives, a new decision will have to be taken to continue the programme after 2014.

This proposal relates to other initiatives:

1. The proposal is a part of the Small Business Act for Europe (SBA) and contributes to create the best conditions for SMEs to grow, to innovate and to create jobs, all of these being key priorities at EU level. (Particularly point 3 of SBA act, COM(2008) 394 final)
2. The EU has developed some soft measures to develop a more entrepreneurial culture, starting with young people and entrepreneurship education at schools as well as fighting the stigma attached to failure and bankruptcy. The EU has also given attention to the reduction of administrative burdens and easier access to capital.
3. The European Commission supports the internationalisation of SMEs. Since 2008, the Enterprise Europe Network brings together 570 business support organisations from 45 countries that share their knowledge, sourcing technologies and business partners.

4. The recently adopted proposal for a "Europe 2020" strategy stresses the importance of promoting entrepreneurship for achieving the objectives of smart, sustainable and inclusive growth and foresees actions in particular in the context of the Innovation, Youth on the Move and Industrial Policy flagship initiatives.

5. The European Commission already promotes mobility of European residents through various mobility programmes for trainers and workers.

- The concept of "Erasmus for Entrepreneurs" is similar to the "Erasmus Student Mobility for Placement" scheme. This ongoing EU programme enables students at higher education institutions to spend a placement period between 3 months and 12 months in an enterprise or organisation in another participating country. Host organisations may be enterprises, training centres, research centres and other organisations. The purpose is to gain practical experiences in the subject of the studies. In contrast with this existing EU scheme, the initiative "Erasmus for Entrepreneurs" focuses on a face-to-face relationship and exchanges between 2 entrepreneurs focusing on how to become/be a successful entrepreneur. The new entrepreneurs are normally not students (only 6% in the Pilot scheme) and the host needs to be owner or manager of a small or medium-sized business.

- The Leonardo Da Vinci scheme enables persons in the labour market to participate in vocational education and continuing training; it also facilitates the mobility of working trainees.

- Grundtvig is focused on adult education and supports the mobility of adult learners. Some thematic networks of experts (Grundtvig Networks) broach management issues.

- The "Youth on the Move" initiative prepared as part of the Europe 2020 strategy is also taken into consideration. In its proposal, the Commission states that it will work "to explore ways of promoting entrepreneurship through mobility programmes for young professionals". This sentence is also a reference to the Erasmus for Young Entrepreneurs programme because Erasmus for Young Entrepreneurs constitutes one of these ways. Synergies will be ensured with the other proposals that might come up in the future and the relations between the two will be clarified in order to avoid duplication of programmes. For the time being, it seems that DG EAC does not plan further initiatives for the implementation of this announcement.

However, it must be stressed that, contrary to the Youth on the Move initiative, Erasmus for Entrepreneurs does not focus on the mobility of young people but on the mobility of starting entrepreneurs irrespective of their age. A considerable percentage of new entrepreneurs participating in the ongoing scheme are professionals with significant experience who have decided to start their own business.

There are likely to be some synergies to be explored for practical cooperation between Erasmus for Entrepreneurs and all these existing schemes.

5. New skills for New job strategy

One of the objectives of this initiative is to help ensure a better match between skills and labour market needs. The strategy will help Member States, regions and others involved in skill upgrading and matching by mobilising existing Community policies and European funds in line with these objectives. The skills identified in the frame of this strategy are of interest for Erasmus for Entrepreneurs to the extent they represent entrepreneurial skills

Is EU action justified on grounds of subsidiarity?

The initiative does not attempt to interfere with the national schemes or rules and focuses on an area where European added value can be created.

The objectives of the proposal cannot be sufficiently achieved by the Member States acting alone. As concluded in the feasibility study realised in the view of establishing the Pilot project, there are very few, if any, national schemes with the same specific goals as those in the proposed initiative. Furthermore, this initiative is "by definition" Cross-Member state, as it requires the 2 entrepreneurs to be from different countries.

The proposal aims at providing a Europe wide instrument to stimulate internationalisation of SMEs and exchange of "cultural" best practice; national or regional initiatives related to mentoring often remain at national or bilateral level. In addition, it would be more costly and less efficient to create multiple bilateral networks between national business support organisations rather than setting up a European network, especially in the light of the different profiles of the national business support organisations.

Therefore, an EU intervention fosters the internationalisation of SMEs and allows the spreading of a best practice fostering entrepreneurial culture and spirit throughout Europe to a larger extent than national actions. It is also likely to be more cost-effective and more efficient than a number of single national initiatives.

B. Objectives of the EU initiative

What are the main policy objectives?

The general objective is to help new and recently established entrepreneurs acquire relevant skills for managing a small or medium-sized enterprise (SME) by spending time with an owner or manager of an SME in another EU country in his/her enterprise. The objective is to improve their know-how and foster cross-border transfers of knowledge and experience between entrepreneurs as well as their potential cooperation in order to improve their chances of running a business successfully.

The specific objectives of the programme are:

1. To promote entrepreneurial attitudes, entrepreneurial ambitions and entrepreneurial skills through personal interaction with a successful entrepreneur;
2. To facilitate a successful start and development of their business ideas;
3. To encourage exchanges of experience and information between entrepreneurs on obstacles and challenges to starting up and developing their businesses;
4. To enhance market access and identification of potential partners for new and established businesses in other EU countries;
5. To encourage networking and cooperation by building on knowledge and experience from other European countries between entrepreneurs.

Does the objective imply developing EU policy in new areas or in areas of strategic importance?

No

C. Options

What are the policy options? What legislative or 'soft law' instruments could be considered? Would any legislative initiatives go beyond routine up-date of existing legislation?

Three options are considered at this stage of the procedure:

1. Discontinue Erasmus for Young Entrepreneurs when the Preparatory action comes to an end in December 2011. The assessment of this option will be based on a thorough evaluation of the value-added of such a scheme based on the results of the preparatory action.

2. Fit the current Programme into a new legal base without substantial modification. It would be possible to maintain a scheme based on a central management and involving the current network of Intermediary organisations (chambers of commerce, business support organisations, start up centres, incubators...). The target population would not change: nascent entrepreneurs or entrepreneurs who have set up their business in the last three years would be eligible to perform a stay with a host entrepreneur having more than 3 years of management experience. The scheme would keep on applying to permanent residents in the EU.

In that case, the only modification would concern the budget allocated to the scheme: after several months of promotion, an increasing number of mobility exchanges is actually expected.

Awareness about the programme has been developed during the first operational year of the programme, which should steadily increase the number of entrepreneurs' applications. The estimate for the potential of participants is based on latest Eurostat data that state that the gross birth rate of new companies in Europe is 11.4%. Applied to a total number of SMEs in Europe, this gives an approximate number of potential participants in Erasmus of 2.6 million new entrepreneurs. Thus, a target of 1500 exchanges in 2012 and 1650 in 2013 is realistic. The total number of newly founded small businesses in Europe every year has the potential for further expansion of the programme even if taken into account that a certain percentage of new SMEs will not be eligible.

In addition, the current financial structure of the programme contains some disincentives for potential intermediary organisations which has been signalled to DG ENTR in the past one and half year by the participating Intermediary organisations. A legal basis would remove these intrinsic financial restrictions:

- (1) maximum budget that can be allocated to a single Preparatory action as well as to the total of all EU Preparatory Actions (Article 49.6 of the Financial Regulation) and
- (2) a limitation of the maximum amount that can be attributed to the participating new entrepreneurs considered as third parties in a cascading grant (Article 120.2 of the Financial Regulation).

Which such significant changes, more intermediary organisations will be able to participate in the scheme and each one of them will be able to arrange more mobility exchanges.

Erasmus for Entrepreneurs should support the exchanges of 5000 entrepreneurs per year in 2012 and 2013; in comparison, the preparatory action is likely to fund 1200 exchanges from 2009 to June 2011.

3. Fit the current Programme into a new legal base with some modifications.

The third option would consist of changing some rules of the existing scheme and externalising the management of the scheme to an Executive Agency such as EACI or EACEA. The impact assessment will also assess the feasibility of extending the scheme to non-EU Member States (candidate countries) and the opportunity to resort to other existing networks of Intermediary organisations. The link to existing or new mobility schemes will also be examined in order to avoid duplications.

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

The proposal must take due account of the existing networks involved in other mobility programmes as well as those related to Enterprise Europe Network.

The proposal might impact actions planned by:

- DG BUDG
- DG EAC / EACEA
- EACI
- DG EMPL
- DG ELARG

Explain how the options respect the proportionality principle

The three possible options do not go beyond what is necessary to achieve the objectives. The programme will simply consist in providing financial subsidies to new entrepreneurs that will cover a part of the expenses of their stays abroad; Intermediary organisations will also be partly financed for organising the matching between entrepreneurs and the preparation of the stays.

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the impact assessment guidelines), even if these impacts would materialise only after subsequent Commission initiatives?

It is unlikely that the programme will have a significant environmental impact.

The only economic and social impacts that are likely to occur are positive. The new entrepreneurs and the host entrepreneurs are expected to increase their economic performance thanks to their participation in the scheme. The unemployment rate and risk of unemployment of the participating actors is likely to be reduced. New employment is expected to be generated, the competitiveness of small businesses will be increased and the survival rate of start-ups will be increased. Furthermore a positive impact on the internationalisation of host entrepreneurs is to be expected.

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

The proposal has an impact on the EU budget and will therefore undergo an ex-ante

evaluation.

The budget has been the following:

2007 (first year Pilot project): 1,000.000 €

2008 (2nd year Pilot project): 3,000.000 €

2009 (first year Preparatory Action): 5,000.000 €

2010 (2nd year Preparatory Action): 5,000.000 €

2011 (3rd year Preparatory Action): 5,000.000 € (subject to the adoption of the new financing decision)

2012: 7,000.000 €

2013: 8,000.000 €

Two major reasons justify an increase of budget from 2012. Firstly, a permanent "Erasmus for Entrepreneurs scheme" is expected to support the exchanges of 1500 new entrepreneurs and 1650 new entrepreneurs in 2013. These figures are reasonable in comparison with the 1200 mobility exchanges planned under the Preparatory Action. Secondly, given that new entrepreneurs prefer longer periods of stay (3 and 6 months) than envisaged and intermediary organisations have signalled that EC contribution does not cover their costs, € 6,000 per exchange have been budgeted for the permanent programme (instead of €4,167 in the Pilot project).

Could the options have significant impacts on simplification/administrative burden or on relations with third countries?

The initiative does not create any new administrative burden for EU enterprises.

The only impact in relation to third countries would be a positive impact in case it is decided to extend the scheme to Non-EU countries. So far a number of countries have already shown their interest.

Who is affected?

Those affected by the programme are the direct beneficiaries and the actors of the programme.
- the direct beneficiaries are the entrepreneurs participating in the exchange programme. On the one hand, new entrepreneurs benefit from their mobility exchange professionally and receive a EU financial compensation for the expenses incurred during their stay abroad.

On the other hand, host entrepreneurs do not receive financial support but profit from the new entrepreneur's input about how to improve their business and about the market in the new entrepreneurs' home country as well as from networking.

- the current actors of the programme are the intermediary organisations that are in charge of (1) organising the matchmaking between the new entrepreneurs and the host entrepreneurs, (2) managing the practical aspects of the exchanges and (3) promoting the scheme. Under the Preparatory action, the intermediary organisations are chambers of commerce, business or academic organisations, start up centres, incubators, etc... which are organised in different pan-European consortia selected following a competitive call for proposals.

Depending on the results of the Impact Assessment, other economic actors could also become the actors of the future programme like the national agencies operating in the framework of the other Lifelong learning projects, national business development and promotion agencies or organisations acting within the Enterprise Europe Network. Furthermore, governance structure of the programme could be changed if the Impact assessment shows it to be beneficial.

E. Planning of further impact assessment work

What information and data is already available? What further information needs to be gathered? How will this be done (e.g. internally or by an external contractor) and by when? What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

DG ENTR disposes of some result indicators that will provide a basis for evaluation of the existing Pilot Project and Preparatory Action. For instance, new and host entrepreneurs who have participated in a mobility exchange fill in a feedback report and report on their level of satisfaction; in addition, intermediary organisations deliver quarterly activity reports. These different reports allow the Commission to monitor the achievements in and the obstacles for the implementation of the programme. The number and characteristics of participating entrepreneurs is also available on a daily basis in the Erasmus IT tool managed by DG ENTR.

An external contractor is performing an independent evaluation of the current actions. According to the contract running from December 2009 to March 2011, the evaluator will evaluate the relevance, utility, efficiency, effectiveness and impact of the Pilot Project and the Preparatory Action; the evaluation will also address the results achieved to date in relation to the framework defined for the Pilot Project (rules, available resources, procedures etc.). Finally, the evaluation report will contain conclusions and make recommendations in relation to the streamlining and potential improvement of the efficiency and effectiveness of the implementation rules and procedure as well as the setting up of a legal base.

Several interim reports will be provided in 2010 (February, March, June, and October).

Which stakeholders & experts have been/will be consulted, how and at what stage? In addition to the regular reports provided by all the participating actors in the programme (entrepreneurs and intermediary organisations), the Intermediary Organisations are consulted twice a year during networking meetings.

DG ENTR is also organising a stakeholders' conference that will take place in April 2010. The conference will address the future of the scheme and explore the feasibility of the new options identified in section C. The participants to the conference will be new and host entrepreneurs having participated in an exchange, a representative sample of the participating Intermediary Organisations, organisations active in other mobility programmes and the relevant business organisations working with/for SMEs and in entrepreneurship promotion. The results will also provide further insights into the actual and potential impact.

An internet consultation is not considered as appropriate as the scheme concerns some identified target groups that are already consulted through the regular consultation of stakeholders. The fact that the scheme is likely to have no negative impact from an environmental, social or economic viewpoint also justifies a targeted consultation.