REPLIES OF THE COMMISSION TO THE SPECIAL REPORT OF THE EUROPEAN COURT OF AUDITORS

"HAS THE ERDF SUCCESSFULLY SUPPORTED THE DEVELOPMENT OF BUSINESS INCUBATORS?"
EXECUTIVE SUMMARY

I. Improving SME competitiveness requires a combination of financial and non-financial support and an SME-friendly legal and administrative framework. It is reflected in the regulatory framework for the new 2014-2020 programming period accordingly. Support to SME competitiveness is a top priority for the European Structural and Investment Funds (ESIF). The new generation of programmes harbours the opportunity to revise and better target SME support and to develop a comprehensive and coherent policy mix that makes full use of the range of instruments available, including financial instruments, SME support services and public procurement possibilities.

Common reply to III and IV. The Commission welcomes the Court's conclusion concerning the ERDF financial contribution to the creation of business infrastructure.

The Commission notes that the classification of the performance of the audited incubators as modest is based upon the comparison of the results of these more recently established incubators with the benchmarks set by well established, more mature incubators.

In particular, in the Member States that joined the EU in 2004 and after, this kind of business infrastructure was missing in the past and is only being built now, also with the Structural Funds support. There is therefore not much experience gained and further efforts should be made to better learn how to effectively use these infrastructures to support adequately new business ideas / new start-ups.

IV. The benchmarks presented in the reports of European Commission Business and Innovation Centre and International Association of Science Parks and Areas of Innovation would help in complementing the assessment with additional data.

V. The reform of Cohesion Policy for 2014-2020 will provide the monitoring committee of respective operational programme the necessary incentives to approve selection criteria ensuring maximum impact for this type of investments. Countries and regions will have to decide upfront what objectives they intend to achieve with the available resources and identify precisely how they will measure progress towards those goals for each priority axis. This will allow regular monitoring and debate on how financial resources are used.

VI. The European Commission created European Commission Business and Innovation Centre (EC-BIC) in 1984. Since then, it provides continuous support through the EC-BIC quality insurance system.

To increase the knowledge of managing authorities in the field, the European Commission drafted ‘A Guide to Regional Innovation Strategies(RIS).’ In addition the Commission provided guidance based on the experience of the different generations of regional innovation strategies. Furthermore, guidance was issued by supported projects/networks. The Commission has developed many initiatives to encourage this, including the Regions for Economic Change (started in 2006). It is a learning platform for EU regions that includes the annual Regions for Economic Change Conference and RegioStars Awards, a policy learning database and interregional fast track networks, funded by the INTERREG IVC and URBACT II programmes.

The Commission adopted in June 2008 the Small Business Act (SBA), a comprehensive SME policy framework for the EU and its Member States. The SBA includes Entrepreneurship as a
priority area and put in place a more comprehensive approach for tackling the full range of barriers to entrepreneurship at EU and national level. This work has been re-enforced by the Entrepreneurship 2020 action plan adopted in early 2013. Within this overall framework, the Commission has continued to support the BIC Quality Mark Scheme.

VII.

Under the framework for cohesion, the Commission is not involved in the selection of projects, except for the approval of major projects.

The new regulatory framework for 2014-2020 nevertheless ensures from the start that, through the content of the adopted programmes and the intervention logic including objectives' result indicators and outputs encapsulated in priority axes, the selection of projects will be done by Member States as far as possible according to the Court's recommendation.

Also, based on the performance framework established for each operational programme, the Commission will be in position through milestones and indicators to encourage and review the performance of programmes. Where there is evidence resulting from a performance review that a priority has failed to achieve the milestones set out and that the Member State has not taken the necessary steps to rectify the problem, the Commission may suspend all or part of an interim payment or apply ultimately financial corrections. The performance reserve should not be allocated to such programme.

Under the 2014-2020 legal framework, the Commission strengthens as well the ex-ante conditionalities for the funds so as to ensure that the necessary conditions for their effective implementation are in place. As regards SMEs, the ex-ante conditionality refers to the specific actions carried out by the Member States to underpin the promotion of entrepreneurship taking into account the Small Business Act.

In addition, the Commission through its active and continuous work with the Member States will advise managing authorities to include recommendations of the European Court of Auditors into the selection process and selection criteria of business incubators. Contribution to the expected results of the priority axis is now required to be included in the selection criteria.

(a) The Commission fully supports the need to establish business incubators on the basis of detailed and realistic business plans. They should be integrated in the overall regional development strategy and Member States are strongly encouraged to enforce smart specialisation strategies

(b) Skills, in particular in Member States which joined in 2004 and after, to incubate business activities are currently being built and main driver is the need to ensure financial sustainability of incubation infrastructure which has just been built. These skills did not exist before and newly built incubation infrastructure triggers the process of building the skills.

(c) The Commission agrees. The 2014 – 2020 programming period makes incubator activities conditional on the existence of an appropriate development strategy. Incubators are erected primarily to foster indigenous economic development of a region and to respond to the needs and potential identified by the economic (or innovation) strategy.

(d) The Commission agrees. The Commission will advise Member States to include the recommendation of the Court as a requirement to be taken into consideration while selecting operations and preparing support contracts between intermediate bodies and management of incubation facilities.

(e) The Commission agrees in principle, but, in line with the subsidiarity principle, this recommendation is more for the Member States to consider depending on the objectives pursued to foster endogenous economic growth. The Commission will recommend Member States to
encourage incubators to open their services to non-resident companies with a well-defined strategy to ensure benefits for the local business community. The Commission will also recommend the Member States to establish networking and links to other incubators to foster knowledge exchange and to encourage co-incubation, notably cross-border within the EU and beyond.

(f) The Commission agrees. The Commission will recommend Member States to encourage incubators to set up such a monitoring system without increasing administrative burden on supported clients. Given that some business entities would treat business information as confidential it can be done only on voluntary basis.

Under shared management of Structural Funds there is no legal basis for the Commission to explicitly require the incorporation of these elements into the design of procedures.

The Commission, in its supervisory role, will encourage Member States to follow the cited recommendation. However, under shared management Member States are responsible for selecting, implementing and monitoring projects.

The Commission considers that the Court's recommendation under g) and j) should be addressed to the Member States.

(g) The Commission agrees. This is in line with result orientation of the reformed cohesion policy and the European Commission will advise to include this recommendation in the relevant selection criteria.

(h) The Commission agrees. Expert knowledge in business incubation, particularly in Member States which joined in 2004 and after, has been built mainly through learning by doing. It is now more probable that the experts can be found in these countries who have some experience in incubation and can disseminate their knowledge to train other actors involved in incubation like e.g. labour offices. The Commission will advise Member States to follow this recommendation.

(i) The Commission agrees in principle. The ERDF contribution to the project is based on a cost-benefit analysis derived from the business plan. The results of a business incubator can, however, be influenced by external factors that cannot always be known in advance and by the level of public sector support per job created. Linking ERDF payments with results would be challenging for this reason.

(j) The Commission disagrees. The Commission considers that the sustainability period as defined by the Court should correspond to the durability period of the operations as defined in article 71 of the CPR. There is no legal basis for the Commission to impose an adjustment of the durability period to the actual life of the business incubator assets beyond the five years.

In that context the Commission takes note of the good practices identified by the Court in some Member States.

(k) The Commission recognises the need to continue updating the knowledge. In 2014, the Commission will publish a report on "Setting up, managing and evaluating EU science and technology parks" which will provide advice and guidance and will be disseminated to managing authorities.

(l) The Commission agrees and underlines that the new orientation of the Enterprise Europe Network (EEN) (2015-2021) already takes account of these recommendations. The EEN shall play a role in connecting regional SME support services (including incubators) to good practice at European level.

Enterprise Europe Network partners in the current network are also required to cooperate with other European networks and to put in place actions such as joint promotion and signposting.
INTRODUCTION

1. The Commission reflected the important role which the SMEs play in the economy in the regulatory framework for the new 2014-2020 programming period: the SMEs should be primarily supported from the European Structural and Investment Funds (ESIF).

AUDIT SCOPE AND OBJECTIVES

16. The Commission welcomes the Court’s recognition that EBN’s certification scheme, supported by the Commission, fosters best practice. ERDF co-funded incubators in the Court’s sample are compared with EC-BIC incubators which are certified on the basis of a wide range of criteria.

OBSERVATIONS

Common reply for paragraphs 21 to 23: The Commission welcomes the Court's assessment.

26. The size of the incubators is one of many factors to ensure comparability between the effectiveness of the ERDF audited incubators in relation to the benchmarked population. The Commission would like to highlight that other external factors are also important, such as a regional economy, a profile of incubators and a type of businesses accommodated and the principles of market failures.

The primary role of the ERDF incubators is to foster the development of start-ups. Support offered to businesses beyond the scope of physical incubation can be achieved by other means. As an example, business support in the UK is often provided by service companies which offer a wide variety of business advice.

27. As regards the example given by the Court, the Commission notes that the cost per job created to assess the incubator's efficiency can vary country by country as the start-up costs, depreciation and accounting policies as well as salary level in different Member States impact upon this indicator.

28. The relative under-performance of ERDF supported incubators in the Court’s sample can also be ascribed to the fact that BIC incubators are subject to the quality check of EC-BIC’s certification scheme. See also the reply to paragraph 16.

29. Internal performance depends on management skills, organisation, motivational system and local innovation system. The Commission will recommend Member States to implement accreditation or quality systems in ERDF financed incubators.

32. The Commission welcomes the Court's assessment that 22 out of 27 projects audited had prepared a business plan in line with the obligations arising from the legislation governing ERDF support.

The Commission acknowledges that in some cases business plans, although in line with the formal selection criterion, lacked quantifiable objectives and appropriate results indicators. However, under shared management, the selection of projects is the responsibility of the Member States. This means, that when selecting the business incubators, it should have been primarily the Member State (the Managing authority) verifying the quality of project application and supporting documents (e.g. quality of business plans).

33. As recalled in the reply to paragraph 32 above, the selection of projects under shared management is the responsibility of the Member states. It is neither the role of the Commission nor is it in its capacity to verify all these details for each project application.

34. In some Member States, especially Member States that joined the EU in 2004 and after, a predominant focus was given on the construction of the physical infrastructure because of a lack of previous experience in the implementation of business incubators. In order to have a fully
operational business incubator, time and well performing local innovation ecosystem are required. This is the process which is going to be enforced with the new result-orientation approach of the cohesion policy.

36. As explained in paragraph 34, the business infrastructure (e.g. business incubators) is underdeveloped in majority of Member States that joined the EU in 2004 and after. The ERDF supported the construction of business incubators and provision of basic "soft services" newly in the 2007-2013 period. Soon it became evident that the support of "soft services" was underestimated and improvements are planned for the 2014-2020 programming period.

37. Incubators have different stages of lifecycle and their offer depends on their maturity and ecosystem they are operating in. Although the Commission shares the view that a broad range of services should be offered to enable smooth incubation, the services to be offered are developing in time in line with lifecycle of incubators.

38. The ERDF supported construction of business incubators but there was a lack of focus on the cooperation among businesses and business incubators. In Member States that joined EU in 2004 and after it is caused by lack of business knowledge (business planning, management skills etc.) on both sides, on the side of business incubators (new infrastructure and no skilled labour to manage it) and on the side of enterprises. The same is valid for EU15 Member States where the investments aimed to complement mission innovation system infrastructure.

Furthermore, hosted companies are not compelled to collaborate with the incubator's staff as they might resort to external services in order to establish their development plan. Sharing sensitive data might have negative consequences for the hosted companies unless a confidentiality agreement is signed.

Business services can be commissioned to outside service providers instead of entrusting them to the incubators staff.

39. The Commission refers to its reply to paragraph 38 above.

40. As pointed out by the Court, clients are attracted by subsidised office space rather than by services provided. Tenants should be carefully selected and reflect a profile set out in the incubation programme. As the selection of projects and the definition of selection criteria fall into national competences, the Commission will recommend Member States to consider these aspects.

41. Specialist services can be offered by outsiders as in-house services are more of a general nature. Building the expertise of incubator's staff can be costly and the incubator might never reap the desired benefits.

43. The Commission considers that the lack of cooperation between incubators and clients may be a direct consequence of the client's reluctance to share sensitive data.

44. The Commission considers that disbursed EU funds have a positive impact on the development of entities which are not physically located in the incubator's premises but use their services and cooperate with tenants.

45. The business incubators have been only set-up in Member States which joined in 2004 and after in this programming period and time was then needed to develop more the cooperation between the incubator and its clients and also with prospective clients. Another factor which limited the cooperation was the quality of the staff managing the business incubators that often possessed insufficient business skills. Lastly, some incubators lacked organisational capacity to provide pre-incubation support while providing such support usually requires additional own resources.

The same is valid for EU15 Member States where the investments aimed to complement the creation of an innovation system infrastructure.
47. Weak cooperation between the business sector, universities and R & D institutions is well known in the Member States which joined the EU in 2004 and after and the Commission has been attempting to solve this issue in the current programming period by establishing proper coordination mechanisms where possible. This issue has then impact on the activities of business incubators and their attempts to network with R & D and universities partners.

48. The role played by incubators in region's business infrastructure differs, depending on Member States and each specific national context.

In the new programming period the elaboration of a smart specialisation strategy, including a wide consultation of innovation players, is a pre-condition for accessing ERDF support.

49. As contribution to the expected results of the priority axis is now required to be included in the selection criteria, the Commission will advise the managing authorities to include the recommendation of the European Court of Auditors concerning the establishment of a monitoring system in each business incubator into the selection process and selection criteria.

53. Incubation activity should be sustainable after the ERDF co-financing comes to an end. Sustainability criterion is embedded in the project selection criteria. In line with the principle of sound financial management, the continuity of the operation should be ensured without full reliance on public financing.

56. An incubator provides primarily rental space for hosted companies especially at an early stage of its business lifecycle. In order to ensure financial viability potential applicants are welcomed to occupy the available space.

The Commission considers also that one of the primary objectives of ERDF supported incubators was to create jobs and not only high-tech SMEs.

58. The incubator's offer can be viewed from two perspectives: services provided and premises. As far as premises are concerned, ERDF has achieved the objectives of providing suitable office space. The service function can be delivered by outside service providers.

Lack of external funding is a frequent issue, when supporting SMEs or R & D activities. The business incubators were built in regions and after the sustainability period as defined in the ERDF regulation, their switch to other activities was allowed. This was primarily caused by improper definition of selection criteria; therefore in the new programming period, and in line with the subsidiarity principle, the Commission will recommend to managing authorities to pay more attention to this aspect in particular, by establishing more demanding selection criteria in operation selection process.

59. Under the shared management, the Commission is not involved in the selection of projects, except for the approval of the major projects.

Indeed, as laid down in article 125 of the Common Provisions Regulation (CPR) (Regulation No 1303/2013 of 17 December 2003), establishing selection criteria falls under the responsibility of the Managing Authority, with approval of the Monitoring Committee.

According to article 48.3 of the CPR the Commission shall participate in the work of the monitoring committee but only in an advisory capacity.

The European Commission will therefore advise the managing authorities to include recommendations of the European Court of Auditors into the selection process and selection criteria of business incubators. Also, contribution to the expected results of the priority axis is now required to be included in the selection criteria.
60. For the 2014 – 2020 programming period the Commission is requesting Member States to fulfil ex-ante conditionality to put in place a smart specialisation strategy which shall be developed by entrepreneurial discovery process with a very closed involvement of enterprises to meet research strengths with business needs.

Common reply to paragraphs 62 to 62 (c)

Under the 2007-2013 legal framework, the project assessment and selection process falls under the responsibilities of national authorities, Managing Authority and Monitoring Committee, the Commission having only an advisory role in the latter.

Under the 2014-2020 legal framework, contribution of an operation to the expected results of a priority axis is now required to be included in the selection criteria.

(d) Investments in business incubators are more of an enabler, than a driver of growth. Business incubators cannot generate economic growth by themselves; they need to be combined with other external factors. In addition, the interventions may have significant externalities, both having negative and positive influence on the development of a region. Therefore, establishing a direct link between the investment in a business incubator and regional benefits requires in-depth evaluation.

The Commission assesses the stated objectives of priority axes of Operational Programmes. This may not only be jobs created, but for example new products developed, or exports generated.

64. As regards Member States which joined in 2004 and after, they are still (continuously) learning how to properly define indicators and evaluate the implementation. This has also implications on the monitoring of business incubators, which are newly built business infrastructure.

66. The Commission notes that although the system of project selection, which falls under the responsibility of the Member States, was correct, it did not assure that the level of co-financing was proportionate to the impact on local entrepreneurship. A set of indicators was established by Managing Authorities to monitor the Operational Programme performance in its implementation and not in operations. The Commission will recommend Member States to put more emphasis in monitoring of operations.

68. The Commission refers to its reply given under paragraph 66.

70. The recommendation made by the Court goes beyond the regulatory obligation of the ERDF Regulation which sets five years as durability period.

71. There is no legal basis for the Commission to impose additional obligations to beneficiaries as regards incubation activities beyond the five years sustainability period.

It is the responsibility of national authorities to decide, in the selection criteria and in conditions for providing the grant to the project, the extension of the sustainability period beyond the duration laid down in the relevant regulation.

75.

(a) The former benchmarking exercise was continued via a more targeted action to benchmark and stimulate best practice in European incubators applying for accreditation under the EC BIC trademark scheme and those wishing to continue their membership. In its capacity as owner of the EC-BIC trademark and member of the BIC Quality Mark Committee (BQMC)\(^1\), the Commission

\(^1\) Decisions to grant the EC BIC licence to new candidate organisations; Renewal or withdrawal of existing licences; Selection of the BICs to be audited; Suggestion of changes to the EC BIC Certification and Quality System; Changing and adopting its internal regulations
contributes to the work to encourage Business and Innovation Centres throughout Europe and beyond to enhance their quality and practices, with a view to obtaining the EC-BIC trademark.

In order to be awarded this trademark, BICs must go through an Accreditation Process to check their compliance with the specific criteria for this trademark (EBN Quality System).

The sub-licensing of this trademark has been managed by EBN since 2002 under a trademark licensing contract concluded with the Commission. The current licensing contract was concluded in 2009 for a duration of 5 years and the Commission is currently considering the options for the future. EBN will be invited to step up actions to promote its benchmarking scheme more widely and encourage further uptake.

(b) The database of incubators was implemented in the context of a networking project for incubators financed under FP6 alongside similar networking projects for technology transfer offices and for risk funds. In the Programme Committees for CIP Member States increasingly questioned the value of pure 'networking projects' and called for projects supporting 'cooperation around topics' of common interest like 'standardisation & innovation', 'Innovation in services' and alike. In these projects a vertical integration of different innovation actors (SMEs, Entrepreneurs, academia, administration etc.) was given preference over networking similar organisations across Europe. For incubators the EurOffice 1 +2 projects (today EBN – softlanding club) implemented this new approach to work more deeply with the community rather than expanding it. The projects developed and tested coordinated service packages among participating incubators assisting a fast internationalisation of their tenant start-ups.

Furthermore, although there is no longer a benchmarking, entrepreneurs can easily access information on individual incubators directly from their websites, due to improvements in web-related technologies.

77. The Commission is systematically preparing guidance so that it can be used in the 2014 - 2020 programming period. Member States are also obliged to submit an annual implementation report for each Operational Programme every year which gives an overview of performance of implementation of structural funds.

78. The Commission recognises the need to continue updating the knowledge. In 2014, the Commission will publish a report on "Setting up, managing and evaluating EU science and technology parks", which will provide advice and guidance, and which will be disseminated widely to managing authorities in the coming months.

CONCLUSIONS AND RECOMMENDATIONS

80. The Commission notes that the classification of the performance of the audited incubators as modest is based upon the comparison of the results of these more recently established incubators with the benchmarks set by well established, more mature incubators.

In general, incubators in the Court’s sample were relatively less well staffed than those in the benchmark in all key functions including entrepreneurs guidance and support.

81. The Commission shares the Court's opinion concerning the lack of experience of some incubators. In the Member States that joined the EU in 2004 and after, this kind of business infrastructure was missing in the past and is only being built now, also with the Structural Funds support. There is therefore not much experience gained and further efforts should be made to better learn how to effectively use these infrastructures to support adequately new business ideas / new start-ups.

82. Incubators have different stages of lifecycle and their offer depends on their maturity and ecosystem they are operating in. Although the Commission shares the view that a broad range of
services should be offered to enable smooth incubation, the services to be offered are developing in
time in line with lifecycle of incubators.

**Recommendation 1**

Under the framework for cohesion, the Commission is not involved in the selection of projects,
except for the approval of major projects.

The new regulatory framework for 2014-2020 nevertheless ensures from the start that, through the
content of the adopted programmes and the intervention logic including objectives' result indicators
and outputs encapsulated in priority axes, the selection of projects will be done by Member States
as far as possible according to the Court's recommendation.

Also, based on the performance framework established for each operational programme, the
Commission will be in position through milestones and indicators to encourage and review the
performance of programmes. Where there is evidence resulting from a performance review that a
priority has failed to achieve the milestones set out and that the Member State has not taken the
necessary steps to rectify the problem, the Commission may suspend all or part of an interim
payment or apply ultimately financial corrections. The performance reserve should not be allocated
to such programme.

Under the 2014-2020 legal framework, the Commission strengthens as well the ex-ante
conditionalities for the funds so as to ensure that the necessary conditions for their effective
implementation are in place. As regards SMEs, the ex-ante conditionality refers to the specific
actions carried out by the Member States to underpin the promotion of entrepreneurship taking into
account the Small Business Act.

In addition, the Commission through its active and continuous work with the Member States will
advise managing authorities to include recommendations of the European Court of Auditors into the
selection process and selection criteria of business incubators. Contribution to the expected results
of the priority axis is now required to be included in the selection criteria.

(a) European Commission fully supports the need to establish business incubators on the basis of
detailed and realistic business plans. They should be integrated in the overall regional development
strategy and Member States are strongly encouraged to enforce smart specialisation strategies which
are developed

(b) Skills, in particular in Member States which joined in 2004 and after, to incubate business
activities are currently being built and main driver is the need to ensure financial sustainability of
incubation infrastructure which has just been built. These skills did not exist before and newly built
incubation infrastructure triggers the process of building the skills.

(c) The Commission agrees. The 2014 – 2020 programming period makes incubator activities
conditional on the existence of an appropriate development strategy. Incubators are erected
primarily to foster endogenous economic development of a region and to respond to the needs and
potential identified by the economic (or innovation) strategy.

(d) The Commission agrees. The Commission will advise Member States to include the
recommendation of the Court as a requirement to be taken into consideration while selecting
operations and preparing support contracts between intermediate bodies and management of
incubation facilities.

(e) The Commission agrees in principle, but, in line with the subsidiarity principle, this
recommendation is more for the Member States to consider depending on the objectives pursued to
foster endogenous economic growth. The Commission will recommend Member States to
encourage incubators to open their services to non-resident companies with a well-defined strategy
to ensure benefits for the local business community. The Commission will also recommend the Member States to establish networking and links to other incubators to foster knowledge exchange and to encourage co-incubation, notably cross-border within the EU and beyond.

(f) The Commission agrees. The Commission will recommend Member States to encourage incubators to set up such a monitoring system without increasing administrative burden on supported clients. Given that some business entities would treat business information as confidential it can be done only on voluntary basis.

83. The ERDF supported the construction of business incubators and provision of basic "soft services" newly in the 2007-2013 period. Soon it became evident that the support of "soft services" was underestimated and improvements are planned for the 2014-2020 programming period.

The Commission will recommend to managing authorities to pay more attention to this aspect in particular, by establishing more demanding selection criteria in operation selection process for the 2014-2020 programming period.

84. The Commission considers that the ECA statement is addressed to entities outside the remit of the Commission, namely the Member States.

There is no legal basis for the Commission to impose additional obligations to beneficiaries as regards incubation activities beyond the five years durability period.

It is the responsibility of national authorities to decide, in the selection criteria and in conditions for providing the grant to the project, the extension of the durability period beyond the duration laid down in the relevant regulation.

**Recommendation 2**

Under shared management of Structural Funds there is no legal basis for the Commission to explicitly require the incorporation of these elements into the design of procedures.

The Commission, in its supervisory role, will encourage Member States to follow the cited recommendation. However, under shared management Member States are responsible for selecting, implementing and monitoring projects.

The Commission considers that the Court's recommendation under a) and d) should be addressed to the Member States.

(a) The Commission agrees. This is in line with result orientation of the reformed cohesion policy and the European Commission will advise to include this recommendation in the relevant selection criteria.

(b) The Commission agrees. Expert knowledge in business incubation, particularly in new member states has been built mainly through learning by doing. It is now more probable that the experts can be found in these countries who have some experience in incubation and can disseminate their knowledge to train other actors involved in incubation like e.g. labour offices. The Commission will advise Member States to follow this recommendation.

(c) The Commission agrees in principle. The ERDF contribution to the project is based on a cost-benefit analysis derived from the business plan. The results of a business incubator can, however, be influenced by external factors that cannot always be known in advance and by the level of public sector support per job created. Linking ERDF payments with results would be challenging for this reason.

(d) The Commission disagrees. The Commission considers that the sustainability period as defined by the Court should correspond to the durability period of the operations as defined in article 71 of
the CPR. There is no legal basis for the Commission to impose an adjustment of the durability period to the actual life of the business incubator assets beyond the five years.

In that context the Commission takes note of the good practices identified by the Court in some Member States.

85. The European Commission created European Commission Business and Innovation Centre (EC-BIC) in 1984. Since then, it provides continuous support through the EC-BIC quality insurance system.

To increase the knowledge of managing authorities in the field, the European Commission drafted ‘A Guide to Regional Innovation Strategies (RIS).’ In addition the Commission provided guidance based on the experience of the different generations of regional innovation strategies. Furthermore, guidance was issued by supported projects/networks. The Commission has developed many initiatives to encourage this, including the Regions for Economic Change (started in 2006). It is a learning platform for EU regions that includes the annual Regions for Economic Change Conference and RegioStars Awards, a policy learning database and interregional fast track networks, funded by the INTERREG IVC and URBACT II programmes.

The Commission adopted in June 2008 the Small Business Act (SBA), a comprehensive SME policy framework for the EU and its Member States. The SBA includes Entrepreneurship as a priority area and put in place a more comprehensive approach for tackling the full range of barriers to entrepreneurship at EU and national level. This work has been re-enforced by the Entrepreneurship 2020 action plan adopted in early 2013. Within this overall framework, the Commission has continued to support the BIC Quality Mark Scheme.

Recommendation 3

(a) The Commission recognises the need to continue updating the knowledge. In 2014, the Commission will publish a report on "Setting up, managing and evaluating EU science and technology parks" which will provide advice and guidance and will be disseminated to managing authorities.

(b) The Commission agrees and underlines that the new orientation of the Enterprise Europe Network (ENN) (2015-2021) already takes account of these recommendations. The EEN shall play a role in connecting regional SME support services (including incubators) to good practice at European level.

Enterprise Europe Network partners in the current network are also required to cooperate with other European networks and to put in place actions such as joint promotion and signposting.