



CEMR Position Paper

Entrepreneurship in the European Union: a view from local and regional government

In view of the current European Commission Action Plan on Entrepreneurship 2004 - 2005 and the opportunities this presents for stakeholder consultation, CEMR has elaborated its position on entrepreneurship which highlights the contribution that local and regional government can make to the encouragement of entrepreneurship within the EU. In this perspective, CEMR member associations have assessed the challenges involved in promoting entrepreneurship at the local and regional level, they have evaluated the potential for action at these levels, and have reflected on the particular responsibilities this entails for local and regional authorities. Conclusions and recommendations have subsequently been elaborated.

1 Political context

In 2003 the Green Paper on "Entrepreneurship in Europe" (COM (2003) 27 final) made three broad recommendations to promote an entrepreneurial spirit at all levels – namely, the local, regional, national and European levels. At the same time, this Green Paper acknowledged that the local and regional dimension has become more important for social and employment policy. Similarly, the European Entrepreneurship Action Plan¹, launched in February 2004, states that regions play a vital role in providing infrastructure, networks and tailored support to the specific needs of entrepreneurs in their localities, and that they should therefore be more frequently involved in the co-ordinated policy approach of the EU.

Behind these developments lie the European Unions' major strategic objective for 2010, that of the Lisbon Agenda, which sets out a wide-ranging strategy for promoting economic growth and fostering competitiveness and job creation. In addition to which the 2004 Spring Council emphasised that competitiveness, innovation, and the promotion of an entrepreneurial culture are the defining conditions for a growth that is essential for the economy as a whole.

Indeed it has become apparent that the last decade has seen a revival of interest in entrepreneurship, with so-called entrepreneurial qualities and entrepreneurial thinking penetrating even the domains of labour and public sector management. On the one hand, this interest reflects a number of sociological and cultural changes which have taken place; on the other hand, it reflects the constant search for solutions to reduce high unemployment. Entrepreneurs are often seen as employment creators, and self-employment is often considered as an alternative

¹ Action Plan: the European Agenda for Entrepreneurship COM (2004) 70 final

route for job seekers. These trends are reflected in the Commission's *Action Plan: the European agenda for entrepreneurship*.

The need for more entrepreneurs in the EU has also been emphasised in this action plan which also underlines the need to 'fuel the entrepreneurial mindset' and to encourage more people in the EU to become entrepreneurs.

2 *Contribution that local and regional government can make to developing entrepreneurship*

CEMR believes there is a particular role for both local and regional government in contributing to the progressive development of entrepreneurship in Europe. In this regard, CEMR welcomes the growing recognition of the importance of regional authorities in managing new social challenges and public policies, including the stimulation of the entrepreneurial spirit and the boosting of European entrepreneurship. CEMR believes a sustainable strengthening of this is needed at the European level.

The European Entrepreneurship Action Plan refers only to the regional level and CEMR would welcome recognition of the role of the local level. There is striking evidence that both local and regional authorities play an important role in creating a supportive environment for the development of entrepreneurship and CEMR would welcome a greater recognition of this contribution. It is evident that local government has an increasingly important role in the labour market and in employment policy. The development of the entrepreneurial spirit and the support of start-ups are part of an active labour market policy in many local as well as regional authorities. A plethora of innovative and successful projects have been and are continuing to be set up across Europe. Many of these successful initiatives are concerted actions; others take the form of networks of key actors and public-private partnerships that are supported by strong political leadership from both local and regional authorities.

CEMR considers that the decisive advantages of the local and regional levels are their proximity to the problems and the citizens, their capacity to mobilise "social capital", i.e. to activate networks to strive for common goals, the possibilities to combine several policy areas and to use these for the stimulation of entrepreneurship (active labour market policies, support of disadvantaged groups, educational measures, support of SMEs and investors, etc), and access to locally deployed resources. In addition to these undisputed advantages, certain challenges also exist for the local and regional level in their promotion of entrepreneurship.

3 *Assessment of the challenges in promoting entrepreneurship at the local and regional level*

CEMR considers that the possibilities for the local and regional level to boost entrepreneurship depend to a great extent on the legal and political frameworks of individual countries. This holds true in particular for local and regional authorities in those EU member states which face diverse socio-economic conditions for their activities. Given these differing framework conditions, an awareness among local and regional authorities of the importance of entrepreneurship in local economic development is crucial for any progress to be made in this area. Local and regional authorities have an important role to play in mobilising resources, building networks and a supportive environment for entrepreneurs and business start-ups, and in facilitating local partnerships as initiators and moderators.

CEMR also believes that entrepreneurship should be regarded as a horizontal issue, touching various fields of local policies such as economic development, labour-market policy, educational policy, and social assistance. As a consequence, capacity building on the side of local and regional authorities is an important although challenging task. The services of local economic development agencies need to respond to the needs of entrepreneurs. Different policy areas need to be co-ordinated effectively to make integrated strategies work in order to allow a better use of local resources and to enhance the effectiveness and potential for action of local and regional authorities services.

4 Evaluation of potential for action at the local and regional level in the area of entrepreneurship

CEMR considers that local and regional authorities are well placed to make an essential contribution to the creation of entrepreneurial cities, towns and regions and that they have an important role to play in developing and promoting entrepreneurship policy and activity. However, as every local and regional authority is different, each needs a specific strategy, instruments and delivery system. In this perspective, there is also a clear need for municipalities and regions to learn from each other. The benchmarking of initiatives, trans-national comparison, mutual learning and the exchange of best practice are necessary to improve entrepreneurial policy and initiatives across Europe in order to reach the Lisbon goals.

Furthermore, CEMR believes that the importance of the local and regional levels for the development of entrepreneurship and the attainment of the objectives of the Lisbon Agenda need to be reflected by an increased involvement of these levels in the European policy process and in EU wide consultations with key stakeholders.

It is clear that local and regional policy initiatives have a competitive advantage. Local and regional authorities are strongly embedded in the local communities; they are close to citizens and to various local actors. They have a direct access to target groups, their problems and their needs. Policy making on the local and regional level therefore has the possibility to be particularly responsive, flexible and accountable. Local and regional policies can also mobilise social capital, based on proximity, mutual trust and responsiveness. Local and regional authorities, as such, can also act as brokers of social capital. It would also appear that the necessary horizontal co-ordination of diverse policy areas, such as regional development, business promotion, labour market and social policy is easier to realise on the local and regional level than on the national level. However, along with this potential for action, come certain responsibilities for local and regional government.

5 Particular responsibilities of local and regional government in developing entrepreneurship

CEMR believes that local and regional authorities have to become more aware of the important role that they can play in employment policy in order to develop their potential and to mobilise their specific strength in promoting entrepreneurship. In this respect, they need commitment, leadership and strategic thinking on the political side, as well as capacity, skills and knowledge among their workforce.

Given different socio-economic framework conditions among EU member states, the awareness of local and regional authorities of the importance of entrepreneurship for

local economic development is crucial for any progress to be made in this area. Local and regional authorities have an important role to play in mobilising resources, building networks and creating a supportive environment for entrepreneurs and business start-ups, and in making local partnerships work as initiators and moderators.

6 Conclusions and recommendations

- CEMR welcomes the increasing recognition of the importance of local and regional authorities in managing new social challenges and public policies, including the stimulation of the entrepreneurial spirit and the boosting of European entrepreneurship.
- Presentations of specific case studies from CEMR member associations have showed that regional and local authorities have a demonstrated interest and a growing capacity to play an active role in promoting entrepreneurship.
- CEMR is encouraged by the commitment of the Commission to entrepreneurship and by its incremental step-by-step approach on this matter, an approach which is also common to local strategies. However, CEMR is concerned that, at this stage, there appears to be no clear vision on how to substantiate the inclusion of both local and regional government in the debate and CEMR seeks to contribute to the development of concrete perspectives in this regard.
- CEMR advocates a greater use of benchmarking and the exchange of best practice as it believes that there is a clear added value to be gained from learning from others' experiences. Networks of local authorities and their associations are designated to mediate and support such exchanges.
- There should be a greater consultation of the local and regional level, especially of local authorities associations and their European representation at the EU level.
- Further reflection is necessary in order to elaborate policy options for local and regional government on how to further develop and implement strategies for the development of entrepreneurship. Policy recommendations are also needed in order to address how activities to boost entrepreneurship at the local and regional level could be supported by the European Commission.
