



SUPPORTING ENTREPRENEURSHIP IN CITIES

Recommendations to the European Commission

Entrepreneurship flourishes in cities

Cities are engines of growth in Europe. They will also be the engines of recovery. One of the ways in which we as local governments do this is by creating a supportive environment for the development of entrepreneurship and creation of new jobs. As places, cities offer not only the business opportunities but also the combination of services, support and infrastructure that entrepreneurs need. As city governments, we develop policies and programmes tailored to the specific needs of local entrepreneurs and small businesses.

In this difficult economic climate, with rising unemployment, it is even more difficult for entrepreneurs and small businesses to find investment. The kind of support that we can provide as facilitators becomes even more important if we are to continue to support job and wealth creation. Entrepreneurship and a thriving small and medium sized enterprise sector are crucial in this regard.

Entrepreneurship will be key to achieving both the Europe 2020 strategy goals and territorial cohesion

99% of all European businesses are SMEs and 90% of SMEs are actually micro enterprises with fewer than 10 employees. SMEs in Europe provide two out of three private sector jobs and contribute to more than 50% of the total value-added created by businesses in the EU¹. Previous recessions have shown that new growth and jobs often come from the smaller businesses². Entrepreneurship is therefore key to increasing the employment rate.

This puts entrepreneurship at the heart of Europe's strategy for the future. One goal of the Europe 2020 strategy is to reach a 75% employment rate for women and men aged 20-64 by 2020, to be achieved by getting more people into work, especially women, the young, older and low-skilled people and legal migrants.

By promoting entrepreneurship we can also support a variety of groups to develop ideas for new business ventures. This includes those affected directly by the crisis, namely the recently unemployed. But also includes others, such as older people, women and ethnic entrepreneurs. In this way entrepreneurship also contributes to fostering social and economic cohesion, in particular in cities whose development is lagging behind, by stimulating economic activity and job creation and helping integrate the unemployed or other disadvantaged groups into work.

¹ Source : European Commission - DG Enterprise and Industry website

² source: OECD

Cities are well placed to develop support services tailored to local realities and specificities

As acknowledged in the introduction to the Small Business Act, 'The national and local environments in which SMEs operate are very different and so is the nature of SMEs themselves (including crafts, micro-enterprises, family owned or social economy enterprises). Policies addressing the needs of SMEs therefore need to fully recognise this diversity and fully respect the principle of subsidiarity'.

Indeed local authorities, in partnership with local organisations, are strategically placed to define the most appropriate strategies to create a favourable environment for entrepreneurship and small businesses to flourish:

- Business education and training is organised, developed and delivered in cities
- Cities' experts know the local circumstances and specificities of the local economy (sectors, opportunities, strengths, weaknesses, and needs, eg, for skills and premises)
- Cities' experts are in regular contact with local stakeholders involved in job creation. These include universities, local employment agencies, chambers of crafts and commerce and professional organisations.

Cities provide services to support business creation and business growth

Cities act as brokers and bring partners together, developing multi level and multi sectoral approaches:

- To provide financial incentives for business development, including in deprived areas: cities can, for example, help small businesses with initial investment (seed money) that will help stimulate their growth, with the long term aim of encouraging private sector investment.
- To develop and manage business incubators and 'next step' premises.
- To encourage local networking, for example between businesses, supply chains, services providers and property owners
- To develop synergies between local companies, universities and research, linking knowledge flow and transfer
- To launch and support clusters offering a wide range of business support services to local companies

Based on these multiple roles that we play in creating a supportive 'ecosystem' to encourage entrepreneurs with business start-ups and growth, we have identified a number of ways in which European policies and programmes could also further support us in our role.

RECOMMENDATIONS

- **Improve coordination between European funds to help support entrepreneurship as part of local integrated development**
Entrepreneurship is part of integrated local development and should be placed in the wider economic development context. It is important in the future that different European funds can be combined for projects that also help create a favourable ecosystem for entrepreneurs to start businesses and for existing small businesses to flourish. This would be particularly relevant for structural funds. Cities should be able to access a greater proportion of European social fund (ESF) money to combine with European regional development fund (ERDF) money through multi-fund programmes.

Funding from the ESF is channelled towards training people, SMEs and third sector organisations operating in deprived city areas, while the ERDF is used for the physical renewal of run-down buildings and their transformation into community and training centres, incubators and other facilities. At the moment funding integrated urban development by combining money from the ESF and the ERDF is often very difficult, if not impossible.

- **Facilitate access to finance through new schemes**
New ad hoc private investment schemes for small businesses could be developed by the European Investment Bank and/or other institutions. These could, for example, involve business angels or venture capital.
- **Promote and support research and development**
Many entrepreneurs and small businesses have new ideas but lack financial means to turn them into innovation. Support actions from European policies and programmes should therefore include: strengthening co-operation amongst enterprises and research centres³; supporting research and technological development undertaken by businesses; and developing the overall research and development capacity of cities and regions.
- **Make public procurements rules more SME-friendly**
Cities can support their local economy, especially small businesses, by the way in which they procure goods and services. However, current procurement processes often discourage small undertakings from bidding. The gap between SME participation in European public procurements and their real involvement in the overall EU economy suggests that existing directives should be better designed to promote their involvement. A simplification of rules would ease the administrative and financial burden for small organisations. The development of procurement web portals for SMEs and smaller suppliers would also be welcome.
- **Develop indicators and gather evidence on entrepreneurship**
Figures and data on entrepreneurship are available at city level but there is no comparable data available at European level (for example on survival rates of newly created businesses). Data must be collected at the local level, taking data protection into account, but should be centralised at European level to ensure comparability and learning outcomes. This could be done through the annual SME performance review, and also through the urban audit.
- **Support the internationalisation of small businesses**
Small businesses also need information and support to target markets outside their countries and the EU. This could be improved through:
 - Strengthening the Europe Enterprise network
 - Making sure the websites of national points of single contact for entrepreneurs and existing businesses are available in various languages, and therefore accessible to all potential entrepreneurs

³ An example is 22@ Barcelona, an innovation district in a former derelict textile brownfield. It attracts businesses from knowledge intensive sectors (biotech, media, IT, energy and design) and develops partnership strategies with the main local technology universities, research foundations & knowledge transfer centres in these five clusters. At the heart of 22@ Barcelona lies Almogàvers business factory, a new form of incubator jointly managed by Barcelona Activa, local universities, technological professional guilds and venture capital firms.

- Further developing the **Erasmus for young entrepreneurs** scheme. Drawing on the experience of cities involved in the scheme, the best time for new entrepreneurs to take part in the programme is in the final stages of development of their business project. Once the business is created, entrepreneurs do not have enough time for such an experience. Furthermore, only some activities or sectors (such as consultancy firms) seem to be appropriate as host entrepreneurs. Indeed these should have the adequate tools and human resources to foster and support the business project of the visiting young entrepreneurs. An interesting approach would be to add web 2.0 business networking tools to the online platform of the Erasmus for Young Entrepreneurs to help long lasting partnerships between new entrepreneurs and their host SMEs. This could help fostering business internationalisation in the longer term.

- **Support cluster development and internationalisation**

Cities develop effective clustering policies by bringing together human resources, financial support, infrastructure development and partnership promotion. We can take a strategic role in clusters governance and can facilitate collaboration across the public, private and research sectors. Whilst the EU does provide valuable guidance on clusters, there is undoubtedly potential to support cities more in facilitating cluster development. A first step would be improved coordination between the policies and initiatives in support of clusters, for example, linking the European Clusters Observatory, Pro Inno Europe and Europe Innova.

- **Develop pilot projects to foster promising new sectors**

There is a significant potential to support new initiatives around green entrepreneurship and enterprises from the social economy.

- **Support training schemes and the exchange of practices**

European funding schemes for the 2014-2002 period should support the dissemination and implementation between cities of innovative best practices supporting entrepreneurship.