Basic information

1999/2208(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Risk capital markets and job creation: implementation of the action plan RCAP **Subject** 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 4.15.02 Employment: guidelines, actions, Funds	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	SKINNER Peter (PSE)	21/02/2000

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	KAUPPI Piia-Noora (PPE-DE)	01/02/2000

Council of the European Union

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	

Key events

Date	Event	Reference	Summary
20/10/1999	Non-legislative basic document published	COM(1999)0493	Summary
17/12/1999	Committee referral announced in Parliament		
13/09/2000	Vote in committee		Summary
13/09/2000	Committee report tabled for plenary	A5-0235/2000	
02/10/2000	Debate in Parliament		
03/10/2000	Decision by Parliament	T5-0415/2000	Summary
03/10/2000	End of procedure in Parliament		
22/06/2001	Final act published in Official Journal		

Technical information	
Procedure reference	1999/2208(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/12184

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Motion for a resolution		B5-0001/2000	16/12/1999	
Committee report tabled for plenary, single reading		A5-0235/2000 OJ C 178 22.06.2001, p. 0006	13/09/2000	
Text adopted by Parliament, single reading		T5-0415/2000 OJ C 178 22.06.2001, p. 0024-0061	03/10/2000	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(1999)0493	20/10/1999	Summary
Document attached to the procedure	SEC(1999)1725	20/10/1999	Summary
Follow-up document	COM(2000)0658	18/10/2000	Summary
Non-legislative basic document	COM(2001)0605	25/10/2001	Summary
Follow-up document	COM(2002)0563	16/10/2002	Summary
Follow-up document	COM(2003)0654	04/11/2003	Summary

Risk capital markets and job creation: implementation of the action plan RCAP

1999/2208(COS) - 20/10/1999 - Document attached to the procedure

This working document's objective is three-fold. Firstly, it outlines the recent development of the capital investment market. Secondly, it takes into account the implementation, by the Member States and the Community, of the action plan relating to capital investment. This document is also intended to be annexed to the Communication called "Capital investment: implementation of the action plan and proposals for moving forwards" adopted by the Commission at the end of October. The general conclusion is that if progress is effectively completed in the Union, it is too modest and too long to give rise to the creation and the development of all the rapidly growing small and medium sized enterprises (SMEs) which Europe is in need of, that is to say enterprises which are rooted in the Union and which make up a reserve of jobs. The European institutions, the Member States, the local and regional authorities should therefore work together in order to create the financial conditions and favourable entrepreneurials at all levels of society.

Risk capital markets and job creation: implementation of the action plan RCAP

1999/2208(COS) - 16/10/2002 - Follow-up document

This Communication reports on progress in the implementation of the RCAP for the year 2001 and, in some aspects, for the first half of 2002. It is the fourth since the adoption of the RCAP in 1998. Market analysis suggests that the last 18 months has been a period of adjustment for the European risk capital industry. The severe correction, which started in mid-2000, still continuous and was particularly significant in the Accession Countries due to, among other things, their sensitivity to global trends. In spite of the negative trend, however, the year 2001 was, for the European industry, the second highest both in terms of funds invested and of funds raised. The decline in Europe has been less pronounced than in the US - although there is a long way to go to match their industry. The medium term prospects for EU venture capital investment seem to be relatively favourable, with significant scope to continue financing viable projects due to the high level of non-invested funds. Inflows of EUR 15 billion were recorded in 2001 - the second highest amount ever- for future venture capital investment and EUR 22 billion for buy-outs. A sign of maturity is the greater diversification of the sources of funding. In 2001, for the second consecutive year, pension funds were the largest single source of private equity capital (27%) in the EU, ahead of banks (24%) and insurance companies (13%). The involvement of endowments, charities, and universities in EU venture capital is also increasing. The problem in Europe is compounded by the presence of a still highly fragmented capital market, which the Financial Services Action Plan is addressing. Furthermore, the weakness and poor performance showed by the EU high-growth stock markets means that the scope for IPOs, an important exit strategy for venture capital investors, remains largely closed at the moment. Improvements to the functioning, regulation and liquidity of these markets is necessary for risk capital to grow and for a sufficient pan-European dimension to emerge, through further and necessary rationalisation. The modernisation of the regulatory framework has continued successfully in a financial environment dominated by the successful introduction of the Euro in physical form. There are important advances in the mandatory introduction of international accounting standards by 2005 and in the forthcoming legislation on supplementary pension funds. As a result those institutions may become important sources of risk capital funds, as it is already the case in the US. On the negative side, difficulties still persists for having an affordable cost-effective European patent. Entrepreneurship policy is also expanding in importance. The forthcoming Green Paper on the subject should raise its profile further and its crucial linkage with risk capital. Projects leading to a better matching of supply and demand of risk capital, as the one already under completion with the help of the Commission, should be encouraged. The objective agreed at the Barcelona European Council to increase EU investment in R&D (approaching 3% of GDP by 2010, of which two-thirds from the private sector) requires increased investment by the private sector and reinforces the role of risk capital, either private or public, to finance promising innovative projects and initiatives. Concerning public funding, the adoption by the Commission of its Communication on state aid and risk capital has clarified the question of compatibility of public funding of risk capital measures with the state aid articles of the Treaty. The EIF has embarked upon a phase of rapid expansion and has been able to attract, under difficult market conditions, private investors to early stage funds. Finally, the share of Structural Funds for financing venture capital investments has been noticeably increased. All these recent policy changes show that the accompany measures to develop European risk capital have undergone profound and positive change in the last 4 years. Compared with 1998, risk capital markets have not only grown but also matured. The current effort to improve the environment for risk capital investment should be maintained, and be seen from a long-term perspective, regardless of cyclical considerations.

Risk capital markets and job creation: implementation of the action plan RCAP

1999/2208(COS) - 04/11/2003 - Follow-up document

This Communication reports on progress in the implementation of the RCAP for the year 2002 and, where possible, for the first three quarters of 2003. It is the fifth since the adoption of the RCAP in 1998. It is also the final one as various European Councils had set, and confirmed, 2003 as the deadline to complete the Risk Capital Action Plan. The last 18 months has been a period of adjustment in Europe with many players convinced that we are already at the bottom of the prolonged down-cycle. Behind have been left the burst of the bubble and the financial scandals and many in the industry, following a consolidation and a rationalisation process soon be completed, seem to be ready for a recovery. When taking the RCAP period as a whole (1998-2003) important progress can be reported. From the political point of view, risk capital issues are now at the top of the agenda in all regional, national and Community institutions. From the technical point of view most of the measures foreseen in the RCAP in 1998 have been completed. There are of course measures which by its own nature (e.g. those linked to cultural barriers) cannot by subject, in practice, to a specific deadline but where qualitative progress can also be reported. The European industry has also changed considerably in the last 5 years. It is now much bigger (even though the gap with the USA still persists), more global, mature and professional and, as a result, risk capital is becoming in an increasing number of Member States an asset class of its own. The challenge now would be to extend these positive developments to the whole Community and in particular to the future new Member States. So many exchanges, mostly small, fragments the liquidity available for small growing firms in the EU; driving up the cost of capital; and reducing exit opportunities for venture capitalists. The time has surely come for the smaller European exchanges to formally link together - creating a common pool of European liquidity for European fast growing companies - based on a common, rigorous set of pan-European trading and corporate governance rules - which are being developed in the FSAP. Regional exchanges could also link to this pan-European specialised

network - and hence to the larger exchanges In order to keep up the momentum, the Commission will continue to follow the European risk capital markets closely. It will further analyse the areas where there still remain inefficiencies with a view of putting forward recommendations and proposals, as appropriate, with the Lisbon 2010 deadline in mind. Concerning the next steps, the report states that building on the RCAP, the Commission will continue to follow the risk capital markets closely. It will further analyse the areas where inefficiencies still remain with a view to putting forward recommendations and proposals, as necessary, on for example: - obstacles faced by institutional investors who wish to invest in venture capital; - further improving the regulatory framework including the possibility of creating a harmonised European legal structure capable of ensuring tax transparency all over Europe; - fostering exit mechanisms, with special attention to specialised stock exchanges and lists for growing companies, and to boosting investor confidence; - closing the information gap between financiers andcompanies/entrepreneurs seeking investment; - focusing EU support on safeguarding the supply of funds for early stage investment and on counterbalancing the effects of the present reduced supply of development stage financing. In the new Member States, full advantage should be taken of the EIF's experience in the establishment of new funds in locations outside financial centres.

Risk capital markets and job creation: implementation of the action plan RCAP

1999/2208(COS) - 03/10/2000 - Text adopted by Parliament, single reading

The report drafted by Peter William SKINNER (PES, UK) concerning risk capital, was adopted by the European Parliament subject to an amendment relating to the freedom of investment of pension funds. The final text adopted called for the following: - that the Commission and Council being forward and apply as soon as possible a proposal for a Directive on Supplementary Pension Funds, as well as a proposal on the taxation of pension fund; - that the Commission begin an ongoing dialogue with all interested parties, including the European Parliament, the Council, the social partners, the European Investment Bank (EIB) and the European Investment Fund (EIF), with regard to the funding instruments currently available to support risk capital; - that the EIB focus in particular on innovative instruments tailored to the needs of the knowledge economy, and to clarify how its Innovation 2000 proposals will be carried through. Furthermore, it calls on the EIB to clarify the respective roles of the EIB and the EIF, and to focus on providing incentives to venture capital funds to invest in higher-risk ventures. Finally, it calls on the EIB to bring forward proposals in this regard by the end of this year; - that the EIB, the EIF and the Commission broaden their support for risk capital investment to a broader range of institutions with a more innovative range of instruments, with a view to supporting SMEs from a wide range of sectors as well as high-tech companies; - that the Commission and the Member States address the shortage of seed and early stage capital; - that the Commission and the Member States consider measures to reduce the stigma of bankruptcy and that the Commission facilitate the sharing of best practice in this area with a view to the elaboration of a recommendation; - that the forthcoming Commission proposal for a Directive on the Community Patent be rapidly adopted and that the Commission support the creation of an EU-wide online patents database linked to the proposed risk capital websites, and to launch an information campaign to provide SMEs with information about the importance of securing patent protection for their designs and how to obtain a patent; - that the Commission and the Council promote innovative software protection models such as the General Public Licence in Europe; - that the Commission develop risk capital initiatives in the accession countries; - finally, that the Commission bring forward by the end of 2000 a follow-up Communication on the Implementation of the Risk Capital Action Plan.

Risk capital markets and job creation: implementation of the action plan RCAP

1999/2208(COS) - 20/10/1999 - Non-legislative basic document

OBJECTIVE : Commission Communication on Risk Capital: implementation of the Action Plan and proposals for moving forward. CONTENT : The communication analyses how the Action Plan proposed in April 1998 is being implemented and suggests ways forward. - Risk capital is developing in Europe, but not sufficiently quickly and its allocation remains sub-optimal. The communication describes the various actions taken by the Commission to promote risk capital in Europe. The first assessment of the implementation of the Action Plan by Member States shows positive progress in some areas. - Also described are financial programs implemented by the Community and Member States to stimulate the mobilisation of capital for innovative companies in fields where private investment is lacking. - The document proposes measures to be taken in 2000 to accelerate risk capital development. Both at Community and at national level, the measures already launched should be further enhanced. Core regulatory actions to be taken at Community level are suggested. These include the adoption of prudential rules to allow institutional investors to invest in venture capital and reform of the European Patent System. Core actions to be taken at national level include an examination of the taxation of new firms and investment in venture capital; possible reform of legislation on insolvency and bankruptcy and promotion of innovative employee ownership schemes, including stock options. - The Commission requests the Council to invite it and the Member States to accelerate implementation of the Plan in 2000; to acknowledge that the Commission will review progress via a benchmarking process; and to promote risk capital in the Cardiff report as well as the Broad Economic Guidelines and the Employment Guidelines whenever relevant.

Risk capital markets and job creation: implementation of the action plan RCAP

1999/2208(COS) - 25/10/2001

This communication reported on progress in the implementation of the Risk Capital Action Plan (RCAP) for the year 2000 and for early 2001. It was the third of this type since the adoption of the RCAP in 1998 and came at the midpoint of the RCAP which was due to be completed by 2003. The Commission stressed that the performance of the risk capital markets in Europe in 2000 had been spectacular, and more so in the seed and start-up

phases which had, traditionally, been the weakest links of the financing cycle. The European industry had become not only bigger but also more sophisticated and better organised. Growth had been shared by all Member States even though important differences persisted, reflecting the presence of a fairly fragmented pan-European market. In spite of the strong development, when compared with the US, the size of the European market was still small, implying that Europe still had a long way to go. Many difficulties still subsisted in important areas such as the absence of an affordable single patent or the whole array of fiscal barriers, often of a discriminatory nature, with the potential to delay even further the establishment of a true single risk capital market. In the view of the Commission, the current difficulties (fall in stock markets, downturn in economic growth, events of 11 September), together with the wide gap with the US and the introduction in the near future of the Euro, should represent additional stimuli to reinforce efforts to complete the RCAP.

Risk capital markets and job creation: implementation of the action plan RCAP

1999/2208(COS) - 18/10/2000 - Follow-up document

This Commission Communication is a progress report on the Risk Capital Action Plan (RCAP). The Communication reviews progress in implementing the strategy for developing the EU risk capital market in light of the conclusions from the Special Lisbon European Council and the deadline of 2003 set for full implementation of the RCAP. The EU risk capital market performed very well in 1999 but remains small and fragmented in comparison to that of the United States (US). Although there is no evidence of a generalised market failure, early stage and technology investment remains particularly low. Thus, further development of the EU risk capital market requires accelerated market integration, the easing of country-specific constraints on efficient market functioning and, more generally, the promotion of an entrepreneurial culture. Against this background, timely implementation of the Financial Services Action Plan (FSAP) will do much to foster a more integrated EU risk capital market. A wide range of measures included in the FSAP and relevant to risk capital have been recently adopted by the Commission or are under preparation by the Commission services. In addition, the Community patent proposed by the Commission will do much to lower costs and increase legal certainty for innovative enterprises wishing to operate outside their own Member State. With regard to structural reform to promote risk capital at the national level, it is proceeding. For example, in several Member States regulatory constraints on institutional investment in equity markets have been relaxed and the administrative procedures for establishing a business have been lightened. However, little has been done to address the discentive effects of bankruptcy and insolvency procedures in most of the Member States. Modest progress is being made in addressing fiscal obstacles to risk captial investment, with adjustments having been made to the taxation of corporate profits and capital gains in some of the Member States. However, tax reforms will need to be accelerated and extended if the RCAP is to be implemented by the deadline. A series of Community actions to promote a culture of entrepreneurship has been taken. The Commission has also taken actions to promote innovation throughout the Union. Member States are also taking measures in this area, notably promoting entrepreneurship through funding of relevant disciplines in private and public universities, amongst others. In conclusion, consistent with the EU philosophy that underlines the importance of a favourable environment, there is a limited role for public funding as a means to address identifiable market failures. However, the advantages need to be weighed against risks of market distortion and, particularly in the risk capital area, of displacing or crowding out private sector activity. Much remains to be done if the EU risk capital market is to be brought onto par with the US. To this end, it is essential to implement the RCAP by the deadline of 2003.