



**COUNCIL OF
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NOTE

From: Presidency
To: COMPETITIVENESS AND GROWTH High Level Group
Subject: Presidency non-paper
– Competitiveness Council and the Annual Growth Survey 2012

Delegations will find attached the Presidency non-paper entitled "Competitiveness Council and the Annual Growth Survey 2012".

Presidency non-paper
Competitiveness Council and the Annual Growth Survey 2012

On 23rd November, the Commission published its Annual Growth Survey for 2012. In order to encourage growth and competitiveness, the communication recommends that EU and national level efforts should focus on the following five priorities:

- Pursuing differentiated, growth-friendly fiscal consolidation;
- Restoring normal lending to the economy;
- Promoting growth and competitiveness;
- Tackling unemployment and the social consequences of the crisis; and
- Modernising public administrations.

The aim is that there will be European Council's conclusions on the Annual Growth Survey on 1-2 March 2012, with input from relevant councils including the Competitiveness Council of 20 February 2012.

The input of the Competitiveness Council will be prepared by the High-Level Group on 8th February and should highlight the importance of and the means to getting the European economy back towards growth. Growth is one way of ensuring the long-term sustainability of the EU's economic model. The Presidency recommends a strong focus on 3 concrete deliverable actions at micro level that can improve the economic performance and create added value on both short and long term:

- Promoting competitiveness through sustainable growth
- Access to finance
- Modernising public administration

1. Promoting competitiveness through sustainable growth

The Annual Growth Survey highlights three areas of growth potential:

- The Digital Single Market: it has been estimated that completing the Digital Single Market could lead to a 4% increase in GDP by 2020. The Survey recommends action including improving payment systems, eliminating sales restrictions and improving online dispute resolution.
- The internal market for services: The survey recommends action to continue work to create a real internal market for services. This can be achieved by improving the “points of single contact”, and by removing technical, administrative and societal barriers to innovative technologies, such as Key Enabling Technologies.
- The external dimension: 90% of global growth, including green business opportunities, will come from outside the EU in the coming years. Liberal and free trade will help create a global level playing field.

Apart from this, an overall modernisation of certain single market regulations such as the European accounting, public procurement and standardisation rules can act as strong drivers to sustainable growth together with a unitary patent and patent court system and a single market for venture capital.

Stimulating private sector spending and investment by improving the framework conditions for business can help reduce unnecessary costs for enterprises, streamline regulations and promote a business-friendly environment. This can be done without the need for additional public spending. In the long run, growth is dependent on innovation and its effective commercialisation that can provide new business opportunities.

Improving the sustainability of industry to improve its ability to resist external shocks due to rising energy and raw material prices is another key driver for sustainable growth, which can increase investment in clean technologies, create new demand for improved products, and encourage leaner production processes.

At European level, the policies for growth and competitiveness are driven by the Europe 2020 flagship initiative on ‘An integrated Industrial policy for the Globalisation Era’. It includes an ambitious set of actions on industrial innovation, the Small Business Act for Europe, the Action Plan for SME access to finance, developing the Single Market in business services, the modernisation of the standardisation system, as well as specific initiatives on Key Enabling Technologies and energy-intensive industries.

How do we ensure concrete results on the measures outlined above? Are the above measures enough? How can we promote access to the growth and business opportunities provided by the move to a more green and sustainable economy?

2. Access to finance

There is evidence that access to finance is becoming more difficult as stabilising and recapitalising the banking system becomes a high priority. Although the situation varies by Member State, banks’ worsened funding conditions, risk aversion and the increased capital requirements have led to tighter loan conditions, higher fees and gradual limits in lending to SMEs.

Action is needed on both encouraging banks to lend to SMEs through lending guarantees and close performance monitoring, as well as to develop alternative approaches, including venture and mezzanine capital markets, and exploring the possibilities of peer-to-peer lending and crowd funding initiatives.

At European level, the Commission proposals for a Regulation on Venture Capital Funds and the Action Plan on Access to Finance cover the issues comprehensively. Further, the Commission proposes to increase the use of financial instruments such as loan guarantees and venture capital investments in the next generation of EU programmes for COSME, Horizon 2020 and Structural Funds.

How can we best ensure the availability of diversified financing sources for our companies and overall improve access to capital for business especially SMEs?

3. Modernising public administration

Transparent, efficient and effective public services are essential for competitive enterprises, and contribute to the efficient use of resources. High-quality public authorities can also improve the quality of policy design and implementation of both new and existing policies. Competitiveness proofing of legislative and regulatory initiatives is an essential tool in this effort.

Further, it is important that we improve the business environment by minimising the administrative burden when creating and transposing EU legislation, reducing unnecessary regulations and permits and introducing simpler and quicker procedures. Facilitating this, various e-Government initiatives like electronic identities or unified government portals have developed in recent years. If we can move to a world where most exchanges between public authorities and business are done digitally, this will increase administrative efficiency, transparency and the quality of service and possibly the emergence of new business models and opportunities.

In this respect the Member States could benefit from exchanges of good practices in order to share knowledge on how to deal with technical problems that can often plague large information system projects.

Could you contribute examples of e-government initiatives that were particularly successful at improving efficiency and effectiveness of public administration for businesses and supporting growth?