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From: Presidency
To: Permanent Representatives Committee, Part 1/ Council (Competitiveness)
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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", which will serve as basis for the debate at the Competitiveness Council on 20 February 2012 under item "Europe 2020 Strategy".

Delegations will also find attached the Annex of the Commission Annual Growth Survey 2012.

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

On 23 November 2011, the Commission published a Progress Report on the Europe 2020 Strategy (Annual Growth Survey for 2012). In order to encourage growth and competitiveness, the Annual Growth Survey 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 to provide the European Council for its 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 should highlight the importance of and the means to getting the European economy back towards growth. Growth is essential to ensure the long-term sustainability of the EU's economic model as also stated by Heads of States on 30 January 2012.

The Presidency recommends a strong focus on three concrete deliverable actions at micro level that can improve the economic performance and create added value on both short and long term:

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

1. Promoting competitiveness and 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, reducing the costs and improving the quality of delivery of goods and services bought online, eliminating sales restrictions and improving online dispute resolution. R&D innovation policy could also support the emergence of new and competitive European enterprises in this sector.
- The internal market for services: The Survey recommends action to continue work in order to create a real internal market for services. This can be achieved by improving the “Points of Single Contacts”, and by removing technical, administrative and societal barriers to innovative technologies, such as Key Enabling Technologies, and by improving competition in services nationally.
- 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, conducted in a spirit of mutual benefit, will help create a global level playing field.

As underlined in the European Council Conclusions of 23 October 2011 and in the Statement of the informal European Council of 30 January 2012, an overall modernisation of important single market regulations such as the European accounting, public procurement and standardisation rules, can cut red tape and free resources that industry – and especially SMEs – can use to exploit the business opportunities within the sustainable growth agenda. The unitary patent system including a unified patent court and a single market for venture capital are both very important initiatives that support this agenda as well. Also a modernised regime for the mutual recognition of professional qualifications is important in this aspect.

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 Strategy, including its Single Market Act and its 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. The recent Communication 'A coherent framework for building trust in the Digital Single Market for e-commerce and on-line services' sets out an action plan to remove obstacles towards a Digital Single Market.

At national level, competitiveness and growth can be driven through fast and effective implementation of legislation that provides for actual added value for companies and through enhancing competition within the service sector.

In order to promote competitiveness and sustainable growth, are Ministers committed to:

- *a swift completion of the Digital Single Market including doubling online sales by 2015 to improve growth opportunities for entrepreneurs and SMEs, and the rapid implementation of the Commission's action plan for e-commerce,*
- *a full and coherent implementation of the Services Directive and generally a faster implementation of legislation on a national level, in particular a fast track implementation of the late payment directive, as proposed by the Commission in the fast track growth programme of its Annual Growth Survey,*
- *a swift adoption of the concrete legislative proposals in the Single Market Act in accordance with the strategic orientation of the European Council on the 30 January 2012 and in particular a fast tracking of specific proposals such as the standardisation package, simplification of the accounting requirements and the public procurement rules as well as the patent package,*
- *acknowledge the business and growth opportunities in moving towards a sustainable economy when laying out future industrial policies and remove unnecessary barriers for eco-innovation and commercialisation.*

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, it is vital to take measures to prevent the present credit crunch from severely limiting the ability of enterprises to grow and create jobs. The recent measures taken by the ECB as regards long-term lending to banks are essential in that respect. Complementary measures are still required for strengthening the capital base of the sector.

Action is needed on both encouraging banks to lend to SMEs through lending guarantees and close performance monitoring, and on developing alternative approaches; these include 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, namely COSME, Horizon 2020 and the Structural Funds.

In order to improve access to finance especially for SMEs, do Ministers agree to:

- *ensure better access to venture capital across Europe through a swift agreement on the venture capital proposal,*
- *address relevant credit crunch problems at EU and national level,*
- *undertake efforts to making existing financial sources more visible at national level and reduce red tape for accessing those,*
- *reflect on the special needs of SMEs in the multi annual framework for 2014-2020 and inter alia make as much as possible on the COSME proposal during the Danish Presidency.*

3. Modernising public administration

Transparent, efficient and effective public services are essential for competitive enterprises, and contribute to the efficient use of resources. Also simple and easy access to European law is important. 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. Means for simplification, where possible, should be based on involvement of end-users, particularly SMEs and micro-enterprises. 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 the emergence of new business models and opportunities.

In this respect, an improved legal framework for e-signatures, e-identification, e-authentication and for e-procurement has the potential to facilitate cross-boarder transactions and the implementation and deployment of the Digital Single Market. The potential for both growth and reduced administrative burdens for all European business is considerable in this area. Fully digitalized Points of Single Contacts throughout Member States is another tool that could ensure a well-functioning Single Market and business opportunities.

In order to modernise the public administration, do Ministers agree to:

- *approach smart regulation with a focus on end-users and on removing unnecessary administrative burdens especially for SMEs at national level in order to simplify and streamline in particular SME access to and communication with the public administration,*
- *enhance the use of digital solutions in the public administration and to pursue full transition to e-procurement by 2016 in order to generate significant savings,*
- *undertake efforts for full digitalisation of Single Points of Contacts,*
- *ensure that e-invoicing should become the predominant invoicing mode in EU by 2020.*

Extract from the Communication from the Commission - Annual Growth Survey 2012¹**EU-level specific proposals
with substantial growth potential and indicative timeline****I. GETTING MORE OUT OF WHAT HAS ALREADY BEEN AGREED AT EU LEVEL****• Full implementation of the Services directive***ACTION REQUIRED:*

- All Member States to transpose by end 2011 (implementation report by end of 2011/early 2012)
 - All single points of contact to be in place by end 2011
 - Ongoing performance check of the directive to be published in Q2 2012 and follow up measures to be adopted before the end of 2012
 - Commission to propose implementing guidelines based on art. 20 of the directive to eliminate sales restrictions based on nationality or residence in first semester 2012
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- **Completion of the integrated market for energy** which would give consumers choice between suppliers and make markets fully accessible for energy providers.

ACTION REQUIRED:

- All Member States to transpose second and third energy package without delay (the transposition deadline was mid-2011)
- Council and Parliament to swiftly adopt the Regulation on guidelines for trans-European energy infrastructure
- Commission to propose first set of implementation guidelines and network codes in 2012 (announced by the third package) with a view to completing work by 2014

¹ Doc. 17229/11

- **Implementation of the late payments directive should be advanced from March 2013 to March 2012, in order to help SMEs**

ACTION REQUIRED: all Member States to anticipate the date, de facto if not de jure

- **Full implementation of the Free Trade Agreement with Korea**

ACTION REQUIRED:

- Campaigns in each Member State to advertise the opportunities opening up in Korea during 2012
- Monitoring by the Commission of implementation and report on improved market access by end 2012

II. ACCELERATING ADOPTION OF WHAT IS PENDING BEFORE THE COUNCIL AND EUROPEAN PARLIAMENT

- **The proposed unitary European patent protection valid in 25 Member States would lead to an estimated 80% reduction in costs for companies (SMA proposal).**

ACTION REQUIRED:

- Political agreement on the unitary patent by Ministers of 25 Member States by end 2011
- Adoption of the implementing regulations and agreement at political level/signature of the UPC Agreement following the European Parliament vote in February 2012.

- **Agreement on the revision of the Roaming regulation, which will create more opportunities for businesses and lower prices for consumers**

ACTION REQUIRED: Council and EP to agree Commission proposal (COM (2011) 402) in first semester 2012 (current regulation expires on 30 June 2012)

- **The pending revisions of the directives on annual accounts would simplify reporting requirements in particular through exemptions for micro enterprises and burden reduction for small enterprises**

ACTION REQUIRED:

- Political agreement on Commission proposal on Accounting of micro-entities (COM (2009)35 COD) by end of 2011
- Adoption of the proposal on the revision of the Accounting directives (COM (2011) 684) by the end of 2012 (SMA proposal)
- **Increasing co-financing rates for Structural Funds in programme countries as proposed would enable the rapid mobilisation of EU funds in support of growth.**

ACTION REQUIRED: adoption of Commission proposal (COM (2011) 482) by end 2011

- **The proposed energy savings directive would promote more efficient use of energy**

ACTION REQUIRED:

- Adoption of the Directive by Council and European Parliament during the first semester 2012
- All Member States to set their efficiency targets and submit first reports by end 2012 (after adoption of the directive)
- **Concluding the further trade agreements which are underway with key strategic partners**

ACTION REQUIRED:

- Subject to the position of partners, aim to conclude negotiations with India and Ukraine by the time of the next Summits with these countries
- Subject to the position of partners, aim to conclude negotiations with Canada, Singapore and Malaysia during 2012 at the latest
- Finalise formally in early 2012 the agreements with Peru and Colombia, on which negotiations have already concluded
- **Revision of the legislation on the European standardisation system (ICTs and services) (SMA proposal)**

ACTION REQUIRED: Council and EP to agree Commission proposal (COM (2011) 315) by the end of 2012

- **Agreement on the proposals on savings tax**

ACTION REQUIRED: conclude the already advanced discussion in Council on the Savings tax proposal (COM (2008) 727) before the end of 2011.

- **Giving the Commission the mandate to negotiate targeted tax agreements for the whole EU with third countries to effectively fight tax evasion whilst avoiding double taxation**

ACTION REQUIRED:

- Agree negotiating directives by March 2012
- Agree anti fraud agreement with Lichtenstein by end 2011
- Proposal from the Commission to tackle tax heavens by end 2012

- **Adopting the optional Common European Sales Law**

ACTION REQUIRED: Council and EP to agree Commission proposal (COM (2011) 636) by end 2012

III. FAST-TRACK FUTURE PROPOSALS THAT THE COMMISSION WILL PROPOSE IN THE COMING MONTHS, INCLUDING:

- **The twelve proposals of the Single Market Act, notably:**

- Facilitating access to venture capital across Europe through an EU passport – Commission proposal on 30 Nov 2011, agreement by Council and EP by end 2012
- Providing a common legal base for mutual recognition of e- authentication and electronic signature across borders – Commission proposal 2nd Qt 2012, agreement by Council and EP by end 2012
- Revising the public procurement framework to provide simpler rules and more efficient procedures – Commission proposal on 13 Dec 2011, agreement by Council and EP by end 2012
- Legislation modernising the system for recognising professional qualifications

ACTION REQUIRED: Council and European Parliament to adopt by end 2012

- Other proposals:

- **A Youth Opportunities initiative** to boost youth employment, in particular access to a first job, apprenticeships and internships

ACTION REQUIRED: Commission proposal by end 2011, agreement by Council and EP by end June 2012

- **Collective rights management** – to enable the emergence of a single market for online music and to modernize the management of copyright in the EU

ACTION REQUIRED: Commission proposal first quarter 2012, agreement by Council and EP by end 2012

- **Proposal on on-line payments** to improve trust and competition, two issues of concern today

ACTION REQUIRED: Commission to present concrete proposals in 2012 to address the issues identified in the Green paper (planned for adoption end 2011)